



The Indian Direct Selling Industry Annual Survey 2013-14

Facing Uncertainty...

**PHD RESEARCH BUREAU
PHD CHAMBER OF COMMERCE AND INDUSTRY**

PHD House, August Kranti Marg, New Delhi – 110016
Phone: 91-11-49545454, Fax 91 11 49545451,
Email research@phdcci.in, Website www.phdcci.in

Message - Executive Director, PHD Chamber



Saurabh Sanyal

The Annual Survey 2013-14 for the Indian Direct Selling Industry highlights the industry's growth, prospects and important concerns both from Direct Seller Entities and consumers perspectives. The Annual survey 2013-14 is an addition to series of annual surveys undertaken by the PHD Research Bureau, the research arm of PHD Chamber, which assesses the overall growth dynamics of the Direct Selling Industry. It gives me immense pleasure to share that PHD Chamber and IDSA are holding a continuous collaboration to publish their annual survey reports.

Indian economy boasts of extremely resilient consumer markets and a strong demographic dividend emerging from its growing young age population. Indian Direct Selling Industry is people centric industry and has a positive socio-economic impact in terms of self-employment, decent income opportunities and growing skill development. It has also 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.

I commend and appreciate efforts of the PHD Research Bureau team led by Dr. S. P. Sharma, Chief Economist and assisted by team members Ms. Surbhi Sharma and Ms. Bhawana Sharma in producing this study of analytical value. I am hopeful that this will add to the growing literature in this subject and widen the area for further research.

I would also like to express my gratitude towards IDSA for providing us with crucial information which facilitated us in preparing the study. I would like to thank the Chairman and Secretary General of IDSA for their valuable guidance and time. We also appreciate the patience and commitment of all the Direct Selling Entities in participating the survey.

Message - Secretary General, IDSA



Chavi Hemanth

Committed to research methodologies, Indian Direct Selling Association through its 6th Edition of Annual Survey Report 2013-14 presents facts and figures about the Direct Selling Industry in India. The report has set a benchmark for the stakeholders of the Industry enabling them to understand nuances of Direct Selling Business. The report has been referred by various Departments of Central and State Governments to formulate policy discourse on Direct Selling Industry in India. Over the years, when we come out with the report, it is heartening to know the increasing importance of Direct Selling and its socio economic contribution. Direct Selling leads to disintermediation, but as well help reduce transaction costs and bridge the gap between consumer prices and manufacturer prices, facilitated by the use of technology.

However in the year 2013-14 growth charts has taken a plunge, which can be attributed to fraudulent pyramid and financial ponzi schemes, inadvertently bracketed with such schemes, the industry has been badly affected. Another reason is the gap existing in the current legal safety net, which needs to be addressed in the benefit of the business and consumers at large. Laws remain archaic, mechanisms complicated and consumer as unaware and vulnerable as before—an anachronism.

Above incidents and dip in the growth of the business, lead to increase in cost of sales, increased competition, greater inefficiencies and increased cost of entry for new firms. The need of the hour is to create a facilitative structure for Direct Selling to be able to distinguish from Fraudulent Financial Pyramid Schemes. These are low transaction cost mechanisms for sales that have a very high value added component, and are not very resource intensive unlike other forms of distribution channel. A registration and regulatory regime would need to be built up over a period of time.

Also, we need to give a relook to consumerism. The economic liberalisation, a booming economy, rising incomes of the middle class and the upper middle class, need for labour saving devices and a promise of easier and happy life, highly competitive production and marketing, are all ingredients which automatically promote consumerism, but has as well changed the definition of consumerism in the present scenario. Consumers are not only commanding where they buy from, but are also how and what they buy. Direct Selling Industry is hence, on board with various innovative, highly researched and niche products as commanded by the new needs of the Consumers in “Consumerism Era”.

Coming a long way since IDSA inception in 1996, Direct Selling Industry has and would surely overcome the hurdles on the way in the future too. Research figures of the report give a true indication to the planning and preparation done by our Direct Selling Industry. Towards the end, I would like to thank Dr. S.P Sharma and his team for all the support extended so as to successfully bring out this Annual Report. I am sure that this referral document will act as a guide for all the stakeholders and policy makers, making it easier for the Industry to dig out the solutions. Further, I would like to sincerely thank all our member companies for their assistance. Direct Selling is a fairly new, but rapidly growing sector. The need of the hour is to sensitize the consumers and the stakeholders as well. IDSA with its constant efforts is lobbying with various government entities, proposing appropriate legislation and representing the interests of the direct selling industry.

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Abbreviations

Bn	Billion
B2B	(Business-to-Business)
B2C	(Business-to-Commerce)
CIS	Commonwealth of Independent States
CSR	Corporate Social Responsibility
DIPP	Department of Industrial Policy and Promotion
DSA	Direct Selling Association
FDI	Foreign Direct Investments
FY	Financial Year
GDP	Gross Domestic Product
IDSA	Indian Direct Selling Association
IMF	International Monetary Fund
INR	Indian Rupee
IT	Information Technology
Mn	Million
MSMEs	Micro, Small and Medium Enterprises
MLM	Multi level marketing
NIC	National Industrial Classification
PCMC	Prize Chits and Money Circulation
PPP	Purchasing Power Parity
Rep	Republic
R&D	Research and Development
SAR	Special Administrative Region
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

Executive Summary

In India, the Direct Selling Industry came into existence in early 1990s soon after the country opened up to the global market. Direct Selling is the process by which products/services are marketed directly to the consumers generally in their homes, homes of others, at their workplace or at places apart from retail locations, through demonstration of products by a Direct Seller.

The sales growth of the Indian Direct Selling Industry has registered deceleration over the recent years. The gross sales¹ by the Direct Selling Industry reached at INR 74,722 million in 2013-14 from INR 71,641 million in 2012-13 and INR 63,851 million in 2011-12. The gross sales can be split up in to gross sales of INR 70,239 million by the Direct Selling Entities belonging to organized sector and INR 4,483 million by the unorganized sector during 2013-14. The Direct Selling Industry has registered growth rate of about 4.3% in 2013-14 as against the growth rate² of 12.2% in 2012-13, 22% in 2011-12, 27% in 2010-11 and 24% in 2009-10.

The Northern region has registered an increase in share to gross sales at 29% in 2013-14 from 27% in 2012-13 and has registered growth rate of 12.2% in 2013-14 as against 33% in 2012-13. The Eastern region has scripted marginal increase in share to gross sales at 18% in 2013-14 from 17% in 2012-13 and has registered growth rate of 10.4% in 2013-14 as against 19% in 2012-13.

The North Eastern region has scripted a marginal increase in share to gross sales at 12% in 2013-14 from 11% in 2012-13. The region has exhibited a decline in the growth scenario at 13.8% in 2013-14 from 27% in 2012-13. The Western region has scripted an increase in the share to gross sales at 16% in 2013-14 from 15% in 2012-13 and registered growth rate of 11.4% in 2013-14 as against 9% in 2012-13. The Southern region holds 25% share to gross sales of the industry in 2013-14 as against 30% in 2012-13. The growth of the region stands at (-) 13.3% in 2013-14 as against (-) 14% in 2012-13.

Products related to wellness/healthcare contributed to a lion's share in the gross sales of the organised Direct Selling Industry, by a share of 44%, whereas, beauty/cosmetics and personal care and home ware and home improvements products have captured 33% and 12% shares respectively. This is followed by 6% share of consumer and household durables and 5% share belonging to other categories.

The total tax paid by the IDSA Direct Selling Entities (member) amounts to INR 10,631 million in 2013-14 as compared to INR 9,869 million in 2012-13, INR 8,212 million in 2011-12, INR 6,470 million in 2010-11, INR 4,090 million in 2009-10 and INR 3,700 million in 2008-09. The tax paid as

¹ The figures used for gross sales in the Annual Survey 2013-14 refers to gross sales of Direct Selling Industry which is net sales plus direct and indirect taxes. However, the retail size of the direct selling industry has not been estimated, which may be higher than the gross sales, as retail margins varies between 5% to 25% in the industry.

² IDSA Annual Surveys since FY2010

reported by the IDSA Direct Selling Entities (member) has increased to about 7.7% in 2013-14 over 2012-13.

The Direct Sellers of the Indian Direct Selling Industry during 2013-14 stands at 62,37,373 as against 57,75,345 during 2012-13. The growth of Direct Sellers is around 8% in 2013-14 as against 18.9% in 2012-13. According to the survey, Direct Selling Entities have responded that on an average nearly 70% of total Direct Sellers are active³. So, going by this percentage, during 2013-14, active Direct Sellers stands at 43,83,487.

The Indian Direct Selling Industry is people centric industry and has a positive socio-economic impact in terms of self employment, decent income opportunities and growing skill development. It has also 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 Indian Direct Selling Industry is well poised to occupy an important position in the international and domestic markets. However, there are many issues and challenges which remains bottleneck for growth of Indian Direct Selling Industry. The first and foremost are the activities of fraudulent fly by night operators who are operating under the garb of Direct Selling Business. Further, another biggest challenge faced by the industry is the absence of central guidelines and regulation for direct selling industry and it has been suggested that there should be formulation and implementation of a unified act and regulation throughout the country.

Although the Direct Selling Industry is currently running in slow gear, growth prospects of the industry are bright, driven by strong consumer base and expanding markets, going forward. Direct Selling Entities were positive about the revival of growth of the industry in the coming years. According to the survey, Direct Selling Entities felt that the size of the industry is estimated to leap-frog by 2019-20 scaling up to INR 2,37,421 million from the present level of INR 74,722 million in 2013-14. However, positive policy interventions in the coming times can accelerate the estimated growth pattern to the higher trajectory. It may be mentioned that during the last 5-6 years, Industry has shown 20% CAGR in a row.

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

Global Outlook of the **D**irect Selling **I**ndustry

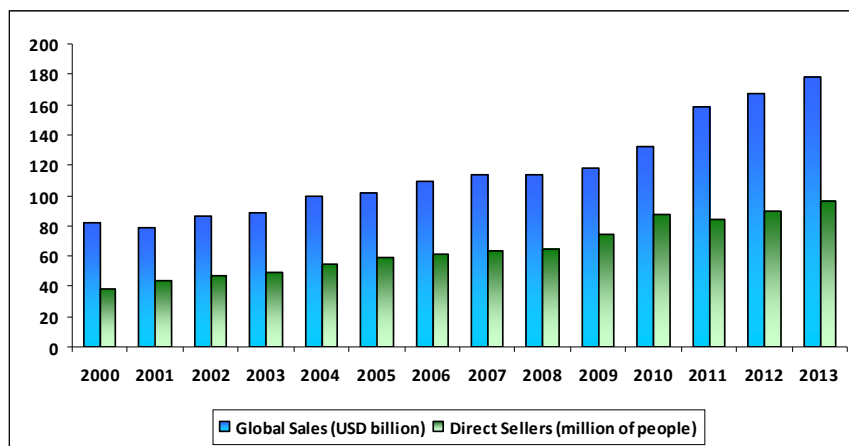


1. Global outlook of the Direct Selling Industry

Direct Selling is more than a century old trading method, which is today, practised in more than 170 countries and has a status of a global industry. The traditional method of selling includes a hierarchical network involving multiple stakeholders including users, providers, sales consultants, etc. This mode of selling is effective for products and customers who need demonstrations or trial packages before purchase. The sector has a remarkable competence to provide a wide variety of earning opportunities to millions of individuals around the world who may be seeking career alternatives; flexibility of working hours; to transition from dependence on social assistance programs; or to operate a successful small business in which little or no investment is required. Being a specialized channel of distribution, which is neither wholesale nor retail, it covers both business-to-business and business-to-consumers aspects.

The Direct Selling Industry has registered remarkable performance over the many years. Globally, the industry has generated sales of USD 178,521 million in 2013 as against about USD 165,200 million in 2012, registering a growth rate of 8.1%. In terms of employment generation, the sector offered self employment opportunities to 43.8 million Direct Sellers in 2001, which now, in 2013, stood at 96.3 million.

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



Source: PHD Research Bureau, compiled from World Federation of Direct Selling Associations (WFDSA)

Note: Data for 2013 is latest available on WFDSA as on July 28, 2014.

The USA recorded highest sales at USD 32,670 million in 2013, while Morocco has registered the lowest sales amongst the nations at USD 12 million in 2013. The industry generated self employment opportunities for 96.3 million Direct Sellers in 2013 as compared to 89.7 million Direct Sellers in 2012, registering a growth rate of 7.4%.

Table 1.1: The Global Direct Selling Industry

Parameter(s)	Unit	2013
Global market size	USD Million	178,521
Global Sales Growth	in %	8.1
Highest regional share in global sales	in %	Asia/Pacific ⁴ 43
Country wise –Top share in global market	in %	USA 18
Country with highest sales	USD Million	USA 32,670
Country with Lowest sales	USD Million	Morocco 12
Number of Direct Sellers		96,257,679

Source: PHD Research Bureau, compiled from World Federation of Direct Selling Associations (WFDSA).
Note: Data available on WFDSA as on July 28, 2014.

Nearly 43% of market share of global Direct Selling Industry is held by Asian/Pacific markets in 2013 at USD 77,569 million recording a growth rate of 12.6%. Among the regions, North America which captures 19% of global market, the sales stands at USD 34,689 million in 2013 with a growth rate of 2.7%. The market size of Europe stands at USD 31,620 million which captures 18% of global market. The Africa and Middle East captures a share of less than 1% of global market with a growth rate of around 9.2% and (-) 7.7% respectively in 2013.

Table 1.2: Region wise sales 2013

Region	Market size 2013 (USD mn)	Y-O-Y Growth 2013 (in %)	Market size 2013 (in %)
Asia /Pacific	77,569	12.6	43
Americas	68,049	6.7	38
North America	34,689	2.7	19
South & Central America	33,360	9.1	19
Europe	31,620	2.9	18
Western Europe	23,280	3.3	13
Central & Eastern Europe	8,340	1.8	5
Africa/ Middle East	1,284	6.9	Less than 1
Africa	1,132	9.2	Less than 1
Middle East	152	(-)7.7	Less than 1

Source: PHD Research Bureau, compiled from World Federation of Direct Selling Associations (WFDSA).
Note: Data available on WFDSA as on July 28, 2014.

⁴Asia Pacific includes Australia, China, Hong Kong, India, Indonesia, Japan, Kazakhstan, Korea, Malaysia, New Zealand, Philippines, Singapore, Taiwan, Thailand, Vietnam and others.

The Direct Selling Industry spans across diverse range of products. There are more than 10 categories of products sold by the global Direct Selling Industry. According to latest data available, nearly 35% of the industry sales was generated by sale of cosmetics and personal care products with USD 58,407 million in 2012. The wellness/healthcare sector registered a whopping 25% in industry's sales generation of USD 41,719 million in 2012. Among other sectors, in year 2012, household goods and durables contributed 14% (USD 23,363 million); it is followed by clothing & accessories 9% (USD 15,019 million).

Table 1.3: Product wise sales 2012 vis-à-vis 2011

Product category	Product wise sales 2012 (USD mn)	Product wise sales 2011 (USD mn)	Y-O-Y Growth 2012 (in %)	Share in global sales in 2012 (in %)	Share in global sales in 2011 (in %)
Cosmetics & Personal care	58,407	47,496	23.0	35	30
Wellness	41,719	39,580	5.4	25	25
Household goods & durables	23,363	25,331	-7.8	14	16
Clothing & Accessories	15,019	14,249	5.4	9	9
Home Improvement	3,338	4,750	-29.7	2	3
Financial Services	3,338	4,750	-29.7	2	3
Books, Toys, Stationery etc	5,006	4,750	5.4	3	3
Utilities	3,338	3,166	5.4	2	2
Foodstuff & Beverages	1,669	3,166	-47.3	1	2
Home care	5,006	3,166	58.1	3	2
Others	6,675	7,916	-15.7	4	5

Source: PHD Research Bureau, compiled from World Federation of Direct Selling Associations (WFDSA). Data for Product wise sales are not available for the year 2013 on WFDSA, hence, the latest data available on WFDSA as on June 24, 2013.

1.1 World Federation of Direct Selling Associations

Direct Selling at global level is represented by World Federation of Direct Selling Associations (WFDSA), founded in 1978, which acts as a federation of national Direct Selling Associations. 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. WFDSA's membership consists of more than 60 national Direct Selling Associations and one regional federation.

The WFDSA affiliated national DSAs which are located in the Argentina, Australia, Austria, Belgium, Bolivia, Brazil, Canada, Chile, Colombia, Croatia, Dominican Republic, Ecuador, Estonia, Finland, France, Germany, Guatemala, Hong Kong, Hungary, India, Indonesia, Israel, Italy, Japan, Korea, Latvia, Lithuania, Malaysia, Mexico, Netherlands, New Zealand, Norway, Peru, Philippines, Poland, Portugal, Russia, Singapore, Slovakia, South Africa, Spain, Sweden, Switzerland, Taiwan, Thailand, Turkey, Ukraine, United Kingdom, United States and Venezuela. Further, the Provisional Members are located in the Costa Rica, Czech Republic, Denmark, El Salvador, Honduras, Ireland, Panama, Romania, Slovakia and Uruguay.

1.2 Emerging & developing economies: Capturing 39% of global GDP

Emerging market and developing economies share in the global nominal GDP has increased to around 39% in 2013 from 38% during 2012. The share of emerging and developing Asia has also increased to around 18% of the global nominal GDP in 2013 from 17% during 2012. However, the share of advanced economies has scaled down to 61% in 2013 from 62% in 2012. While the region like Euro area, Middle East, North Africa, CIS and Sub-Saharan Africa captures the steady share in the global nominal GDP.

Table 1.4: Region wise GDP

Regions	Nominal GDP 2013 (USD Bn)	% share in global nominal GDP 2013	Nominal GDP 2012 (USD Bn)	% share in global nominal GDP 2012
Advanced economies	45,338	61	45,026	62
Emerging market and developing economies	28,644	39	27,080	38
Emerging and developing Asia	13,435	18	12,383	17
Euro area	12,716	17	12,192	17
Middle East and North Africa	3,129	4	3,084	4
Commonwealth of Independent States (CIS)	2,809	4	2,650	4
Sub-Saharan Africa	1,318	2	1,276	2

Source: PHD Research Bureau, compiled from International Monetary Fund (IMF)

In terms of Purchasing Power Parity (PPP⁵), out of 190 countries across the globe, the United States tops the chart; however, it is followed by the Asian giants such as China, India and Japan occupying 2nd, 3rd and 4th positions respectively.

⁵ PPP stands for purchasing power parity, a criterion for an appropriate exchange rate between currencies. It is a rate such that a representative basket of goods in country A costs the same as in country B if the currencies are exchanged at that rate.

Table 1.5: Purchasing Power Parity (PPP) across the economies

Country	Global Rank (out of 190 countries based on PPP)	Gross domestic product based on purchasing- power-parity (PPP)	Population (in mn)
United States	1	16800000	316
China	2	16157704	1357
India	3	6774441	1252
Japan	4	4624359	127
Germany	5	3493479	81
Russian federation	6	3461259	143
Brazil	7	3012197	200
France	8	2436930	66
Indonesia	9	2388413	250
United Kingdom	10	2320104	64
Mexico	12	2014006	122
Korea,rep	13	1664259	50
Thailand	21	964282	67
Malaysia	26	692335	30
Philippines	28	642764	98
Vietnam	34	474845	90
Singapore	37	425155	5
Kazakhstan	41	395366	17
Hong Kong SAR	43	382396	7
Morocco	54	241757	33

Source: PHD Research Bureau, compiled from World Bank. Note: Data pertains to 2013

It has been observed that in the BRICS economies, all countries are actively involved in trade through Direct Selling. Out of these 5 economies, China dominates with a major chunk of around 57% at USD 27,346 million during 2013 registering a growth rate of 41%. Brazil with a share of around 30% in BRICS economies, the sales stands at USD 14,188 million in 2013 with a growth rate of 7.2%. India has a market size^[1] of USD 1,175 million in 2013 registering 11.7% growth and its share in the BRICS economies stands at 2.5% in 2013.

^[1] Data is based on figures quoted by WFDSA according to the Calendar Year basis. However, the Annual Survey 2013-14 figures may differ as they have been computed on Financial Year basis

Table 1.6: BRICS Economies Direct Selling sales (2013)

Country	Sales 2013 (USD million)	Y-O-Y Growth rate 2013 (In %)	Share in total BRICS economies 2013 (in %)
Brazil	14,188	7.2	29.7
Russia	4,333	2.7	9.1
India	1,175	11.7	2.5
China	27,346	41	57.3
South Africa	720	6.7	1.5

Source: PHD Research Bureau, compiled from World Federation of Direct Selling Association (WFDSA)
Note: Data available as on July 28, 2014.

According to latest data available, the BRICS economies engaged in trading of 11 broad product categories through Direct Selling. Out of which, cosmetics and personal care products captured the highest market share in BRICS nation with about 76% of the total, generating a sales of about USD 15,618 million in 2012. It is followed by wellness (USD 1706 million), household goods (USD 1367 million) and clothing & accessories (USD 1095 million). Other products include home care, books, toys & stationery capturing a 2.2% and 1.4% respectively. While, products related to foodstuff & beverages, home improvement, utilities have small markets among the BRICS economies.

Table 1.7: Product diversification of Direct Selling in BRICS Economies market 2012

Country	Product category (in USD million)											Total
	C/A	C/P	HC	HG	W	B/T/S	F/B	HI	U	FS	O	
Brazil	730	12,121	0	876	584	292	0	0	0	0	0	14604
Russia	341	2857	299	213	469	0	0	0	0	0	43	4264
India	0	347	147	63	462	0	0	0	0	0	32	1051
China	0	0	0	0	0	0	0	0	0	0	0	0
South Africa	24	293	24	214	190	0	0	0	0	48	0	793
Total	1,095	15,618	469	1,367	1,706	292	0	0	0	48	74	20,669
Share in BRICS Economies	5.0	76.0	2.	7.0	8.1	1.4	0.4	0.6	0.0	0.2	0.4	100

Source: PHD Research Bureau, compiled from World Federation of Direct Selling Association (WFDSA), Note: Data for Product wise sales are not available for the year 2013 on WFDSA, hence, the latest data available on WFDSA as on June 24, 2013. Data for China are not available. Values have been taken excluding these countries. Note: C/A stands for Clothing & Accessories, C/P stands for Cosmetics and Personal care, H/C stands for Home care, HG stands for Household goods & durables, W stands for Wellness, B/T/S stands for books, toys & stationery etc., F&B stands for Foodstuff & Beverages, HI stands for Home Improvement, U stands for Utilities, FS stands for Financial Services, O stands for Others.

Highlights -- Global Direct Selling Industry

Globally, the industry has generated sales of USD 178,521 million in 2013 as against about USD 165,200 million in 2012, registering a growth rate of 8.1%. In terms of employment generation, the sector offered self employment opportunities to 43.8 million Direct Sellers in 2012, which now, in 2013, stood at 46.3 million

The USA recorded highest sales at USD 32,670 million in 2013, while Morocco has registered the lowest sales amongst the nations at USD 12 million in 2013. The industry generated self employment opportunities for 46.3 million Direct Sellers in 2013 as compared to 43.8 million Direct Sellers in 2012, registering a growth rate of 5.7%.

Nearly 43% of market share of global Direct Selling Industry is held by Asian/Pacific markets in 2013 at USD 77,569 million recording a growth rate of 12.6%. Among the regions, North America which captures 19% of global market, the sales stands at USD 34,689 million in 2013 with a growth rate of 2.7%. The market size of Europe stands at USD 31,620 million which captures 18% of global market. The Africa and Middle East captures a share of less than 1% of global market with a growth rate of around 9.2% and (-) 7.7% respectively in 2013. It has been observed that in the BRICS economies, all countries are actively involved in trade through Direct Selling.

The Indian Direct Selling Industry



2. The Indian Direct Selling Industry

In India, the Direct Selling Industry came into existence in early 1990s soon after the country opened up to the global market. Direct Selling is the process by which products/services are marketed directly to the consumers generally in their homes, homes of others, at their workplace or at places apart from retail locations, through demonstration of products by a Direct Seller. Companies venture into Direct Selling because it is effective and economic in many respects, helping them save channel costs and costs of advertising. On the other hand, Direct Selling has been found to be appealing to consumers for its high quality standards and increased outreach. It helps in catering to consumers who do not have easy access to retail stores.

The strength of Direct Selling lies in its tradition of independence, service to consumers and commitment to entrepreneurial growth. Direct Selling provides accessible business opportunities to people looking for alternative sources of income, and whose entry is generally not restricted by gender, age, education, or previous experience. It is encouraging to note that around the world a substantial majority of Direct Sellers are women.

With rising cost of living, it has been noticed that Direct Selling Business is not only popular among women but also among men. The share of women has always been near 60% (last three years average) in Direct Selling Business as they are more amenable to direct selling than men.

Indian economy is growing and is supported by large consumer base and it provides protection to its consumers and investors. Recent reforms in FDI will also foster investment in the country and help in attracting a growing number of companies from various countries. 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 conducive policy environment. The key facts of the Direct Selling Industry are as follows:

Table 2.1: Indian Direct Selling Industry: Key Facts

Particulars	2013-14
Gross Sales (INR million)	74,722
Share in India's GDP (%)	0.07
Growth of Gross Sales (%)	4.3
Direct Sellers	43,83,487
Per capita revenue generation (INR)	17,046

Source: PHD Research Bureau, compiled from various sources

2.1 Emerging scenario of retailing in India

Retail sector has played a major role across the world in increasing productivity of a wide range of consumer goods and services. On the back of growing consumerism and burgeoning incomes the Indian retail sector has undergone a rapid transformation in the past few years. However, the retail industry continues to face a demanding market environment that requires firms to actively adjust and manage changes that may impact their sale and performance. Further, advances in technology and in capturing and analysing data are helping companies drive growth, streamline operations and engage better with consumers. This has also triggered innovations in production, distribution and delivery of goods and services. Today, the 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 and each retail format has its own brand and customer loyalty.

To expand globally, retailers have gained entry via joint ventures or franchises and securing swift access with a lot of local knowledge. Online retailing, mobile retailing and multi channel retailing are powerful emerging trends in the global market. According to 2014 Global Retail Development Index (GRDI) report⁶, India's GRDI score stands at 45, with it's lowest ever ranking at 20th place amongst 30 developing countries⁷. The report stated that migration from traditional stores to modern retail continues, but modern formats account for only 8% of the total market. Further, the report highlights the concerns for the industry such as high borrowing costs, personnel shortages, and expensive supply chains and mentioned that retailers are focusing on improving operations and back-end processes to increase their profitability.

Foreign Direct Policy under Indian Retail Industry:

- In 1997, FDI⁸ in cash and carry (wholesale) with 100% ownership was allowed under the Government approval route. It was brought under the automatic route in 2006.
- 51% investment in a single brand retail outlet was also permitted in 2006.
- Recently India's central government announced retail reforms for both Multi-brand stores and single-brand stores. The cap on FDI has been increased to 100% in single brand retail and 51% in multi-brand retail.

⁶ Global Retail Development Index (GRDI) 2014 by A.T Kearney

⁷ GRDI's 2014 report covers 30 developing countries includes Chile, China, Uruguay, United Arab Emirates, Brazil, Armenia, Georgia, Kuwait, Malaysia, Kazakhstan, Turkey, Russia, Peru, Panama, Indonesia, Saudi Arabia, Oman, Sri Lanka, Nigeria, India, Colombia, Jordan, Philippines, Costa Rica, Mexico, Botswana, Morocco, Vietnam, Namibia and Azerbaijan

⁸ DIPP, Ministry of Commerce and Industry, Government of India.

2.1.1 Retail format(s) in India:

In India, retailers are experimenting with various formats as each format type has its brand and customer loyalty. In future, we see that each format will have to depend on technology heavily. Even the unorganized small and medium retailers will have to adopt technology as a part of their growth model. Going ahead, demographic dividend would be a critical growth factor for the retail industry. India with a large and young population with 65% of its population under the age of 35.

Classification of Formats

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. Retail firms may be independently owned, chain owned, franchisee operated, leased departments, owned by manufacturers or wholesalers, consumer owned e.t.c. From a positioning and operating perspective, each ownership format delivers unique value.

Store retailing is a form of retailing which is based on the physical store where the vendor interacts with the customer. It is the mix of variables that retailers use to develop their business strategies and constitute the mix as variety, price, transactional convenience and experience. The traditional formats of retail such as Kirana stores, hawkers, grocers, etc have been gradually taken over by the modern formats of department stores, discount stores, malls, supermarkets, convenience stores, specialty stores, warehouse retailers, hypermarkets, internet selling, etc.

Non-store retailing is a form of retailing in which sales are made to consumers without using physical stores. Non-store retailing is still limited, as Indian consumers are not comfortable purchasing products away from their location. However, with increase in disposable income, especially among the middle-class and high-income segments, formats like Direct Selling and e-commerce is an emerging trend in the country. These distribution channels remove the requirement of multiple intermediaries for selling goods and services to consumers.

Direct selling is one such non store retail format which offers an alternate shopping experience away from fixed location and face to face selling. It also makes shopping convenient as the product is delivered at the door step of customers.

2.1.2 Direct Selling classification

- Internationally, Direct Selling is a non-store retail format - UN CPC Version 2 (code 624) classifies Direct Selling under non-store retail format⁹.
- Non-Store Retail Trade has been classified under the Division 47 Group 479 in National Industrial Classification¹⁰ 2008.

3. Objectives of the study

The annual survey for the Direct Selling Industry 2013-14 focuses on growth dynamics of the Direct Selling Industry in India from the perspective of organizations involved in manufacturing and selling and the customers. The specific objectives of the study pertain to analyse future prospects of the industry with regards: -

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

4. Research methodology

The present study is a continuous effort 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 2013-14 were initiated in June 2014 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.

⁹ Socio-Economic impact of Direct Selling: Need for Policy Stimulus, ICRIER Report Year 2011

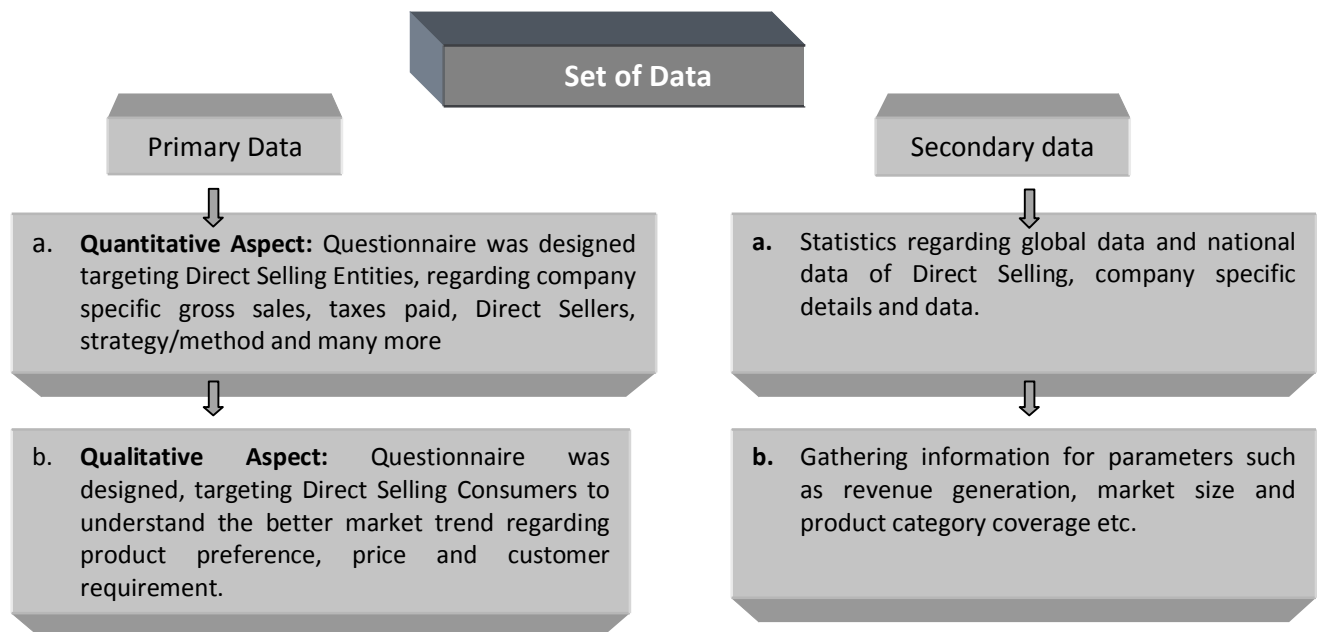
¹⁰ IBID

4.1 Data Collection

For the report both primary and secondary data sources have been taken into consideration. For the primary data both qualitative and quantitative methods have been used. In addition, 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 sales¹¹ 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
- Total taxes paid by the IDSA Direct Selling Entities have been calculated on the basis of inputs received from questionnaire on the amount paid as direct and in-direct taxes by them.

Mode of data collection



Source: PHD Research Bureau

¹¹ 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.

4.2 Data collection technique

Systematic sampling technique was used in case of Direct Seller Entities' survey 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

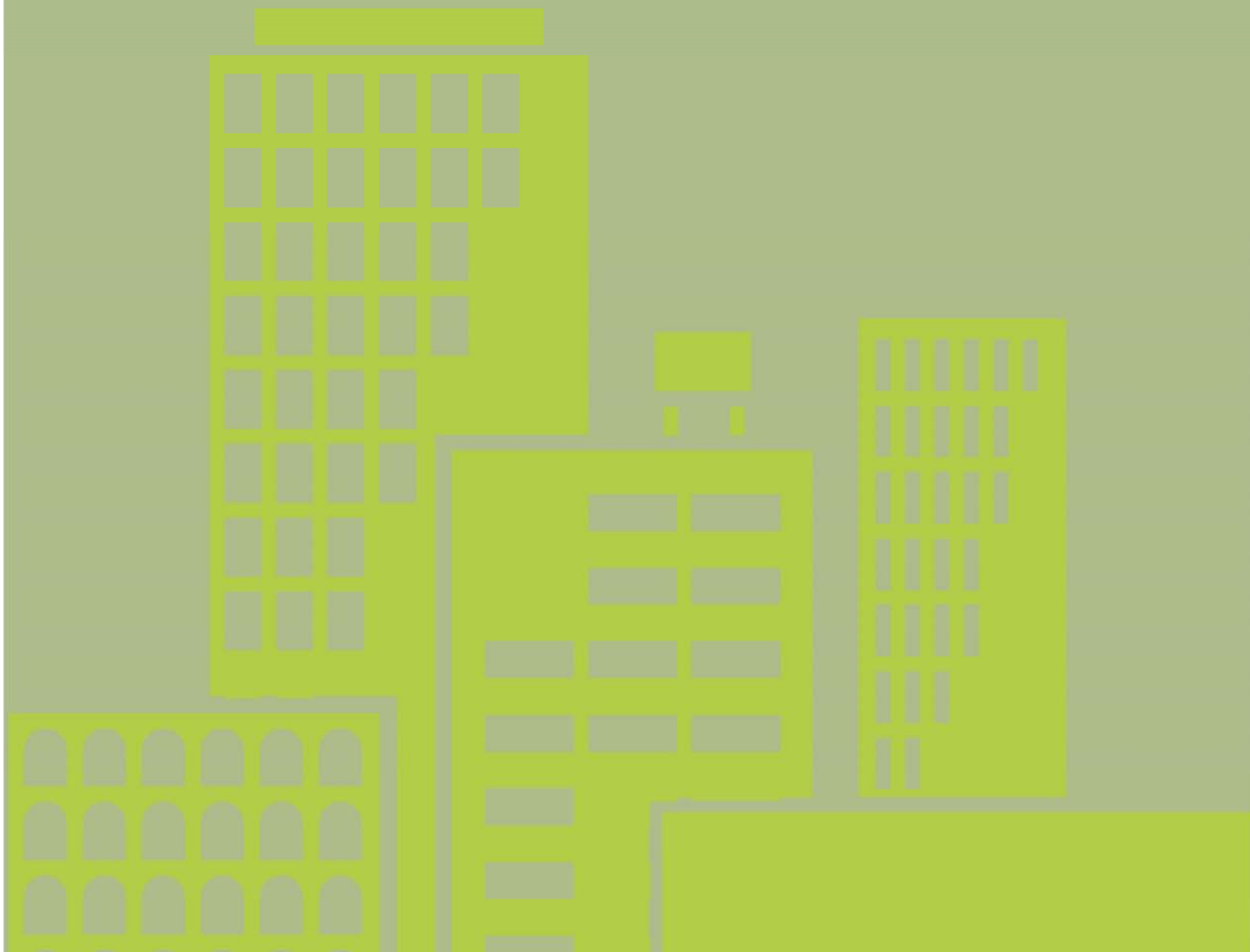
Questionnaire	Technique	Description	No. of respondents
Direct Selling Entities	Systematic Sampling ¹²	Direct Selling Entities across product categories and services in India was identified and an exhaustive list was prepared.	52
Consumers	Random sampling: Equal Probability of Selection Method of Sampling ¹³	Responses were received from cities including Ambala, Amritsar, Allahabad, Agartala, Bhopal, Bengaluru, Bhubaneshwar, Bokaro, Chennai, Chandigarh, Cochin, Delhi, Dehradun, Dimapur, Daman, Faridabad, Gurgaon, Gwalior, Gangtok, Guwahati, Gandhinagar, Hyderabad, Itanagar, Indore, Imphal, Jaipur, Kolkata, Kavaratti, Ludhiana, Lucknow, Mumbai, Muzaffarpur, Pune, Patna, Port Blair, Panchkula, Puducherry, Ranchi, Shimla, Silvassa, Surat, Sriganga Nagar, ShillongPanaji, Thiruvananthapuram, Udaipur, and Vadodara Customers belong from different strata of the society including age-groups, income levels, preferences and tastes to understand their attitude towards Direct Selling products.	3,580

Source: PHD Research Bureau

¹² It is used in those cases where a complete list of population from which the sample is to be drawn is available.

¹³ 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

In the presence of the diverse consumer base in the country, the Direct Selling Industry is rapidly emerging as an alternative channel of distribution along with the conventional sales/marketing formats like malls, retail shops, conventional stores, kiranas, grocery stores, etc. Direct selling industry plays an important role in boosting self employment, contributing to the exchequer, providing supplementary financial support, encouraging women empowerment and holds significance to the overall economic growth and development.

5.1 Sample Selection

The Direct Selling Entities of Direct Selling products were surveyed to analyse the overall situation of the industry from the perspective of gross sales, market penetration, sales method, employment generation, promotional policy, contribution to exchequer, Direct Sellers and qualitative inputs in regards to policy framework. PHD Research Bureau has received a total 52 responses from Direct Selling Entities including both IDSA and non IDSA members. Thus, the responses received from Direct Selling Entities including 19 IDSA members and 33 non IDSA member companies have been put together and inferences on the aggregation are represented in terms of averages and percentages.

5.2 Characteristics of the sample

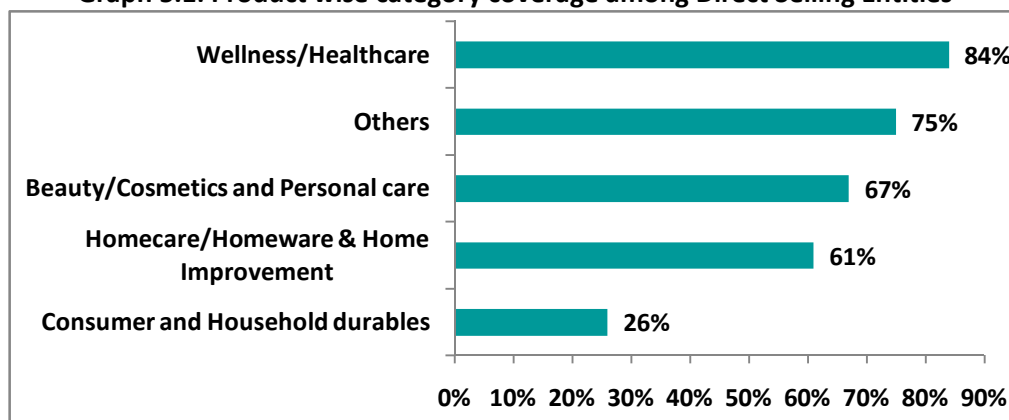
According to the survey, Direct Selling Entities which manufactures 5 broad product categories have been taken into consideration. The highest share of the Direct Selling Entities belonged to wellness/ healthcare at 84%, followed by others at 75%, beauty/ cosmetics and personal care¹⁴ at 67%, homeware/ home-ware and home improvement¹⁵ at 61% and consumer and household durables¹⁶ at 26%.

¹⁴ Color cosmetic, skin care products, hair-care products, Clothing, lingerie, sleepwear, shoes, fashion jewellery, fashion watches, accessories & personal items

¹⁵ 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

¹⁶ 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

Graph 5.1: Product wise category coverage among Direct Selling Entities



Source: PHD Research Bureau, Annual Survey of the India's Direct Selling Industry 2013-14, Note: Others include Food and Beverages, Agricultural products, educational products, utilities, promotional items, etc., Note: Figures includes multi-category production Direct Selling Entities

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

The sales growth of the Indian Direct Selling Industry has registered deceleration over the recent years. The gross sales¹⁷ by the Direct Selling Industry reached at INR 74,722 million in 2013-14 from INR 71,641 million in 2012-13 and INR 63,851 million in 2011-12. The gross sales can be split up in to gross sales of INR 70,239 million by the Direct Selling Entities belonging to organized sector and INR 4,483 million by the unorganized sector during 2013-14. The Direct Selling Industry has registered growth rate of about 4.3% in 2013-14 as against the growth rate¹⁸ of 12.2% in 2012-13, 22% in 2011-12, 27% in 2010-11 and 24% in 2009-10.

Indian economy boasts of extremely resilient consumer markets and a strong demographic dividend emerging from its growing young age population. However, the country was grappled with multiple problems including deceleration in industrial growth and exports, rising prices and high interest rates scenario, widening fiscal and current account deficit, a sluggish investment environment, poor availability of skilled manpower, has impacted directly or indirectly the growth of Direct Selling Sector in 2013-14.

¹⁷ The figures used for gross sales in the Annual Survey 2013-14 refers to gross sales of Direct Selling Industry which is net sales plus direct and indirect taxes. However, the retail size of the direct selling industry has not been estimated, which may be higher than the gross sales, as retail margins varies between 5% to 25% in the industry.

¹⁸ IDSA Annual Surveys since FY2010

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

Category	YOY growth 2013-14 (in %)	2013-14	YOY growth 2012-13 (in %)	2012-13	YOY growth 2011-12 (in %)	2011-12	2010-11
Member	6.3	46,833	16.9	44,059	25.2	37,672	30,080
Non-Member	1.1	27,889	5.4	27,582	17.8	26,179	22,214
Total	4.3	74,722	12.2	71,641	22.1	63,851	52,294
Organised sector	4.5	70,239	14.4	67,199	22.5	58,743	47,953.6
Unorganised sector	0.9	4,483	(-) 13.0	4,442	17.7	5,108	4,340.4

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

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

Category	YOY growth 2013-14 (in %)	2013-14	YOY growth 2012-13 (in %)	2012-13	YOY growth 2011-12 (in %)	2011-12	2010-11
Member	(-) 4.42	774.09	2.9	809.9	19.0	786.5	661.1
Non-Member	(-) 9.07	460.98	(-) 7.2	507	11.9	546.5	488.2
Total	(-) 6.21	1235.07	(-) 1.2	1316.9	16.0	1,333.0	1,149.3
Organised sector	(-) 6.01	1160.98	0.7	1,235.2	16.4	1,226.4	1053.9
Unorganised sector	(-) 9.30	74.10	(-) 23.4	81.7	11.8	106.6	95.4

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

Note: Average Exchange rate for 2009-10 is 47.4 INR/US\$, for 2010-11 is 45.5 INR/US\$, for 2011-12 is 47.9 INR/US\$, for 2012-13 is 54.4 INR/US\$ and for 2013-14 is 60.5 INR/US\$

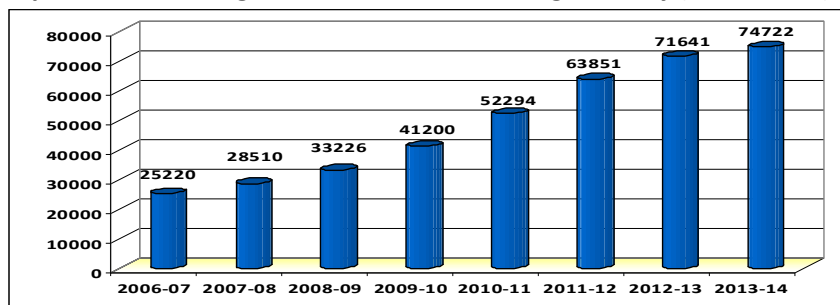
Table 5.3: Gross sales statistics of Direct Selling Industry during recent years (Deutsche Mark/Euro Mn)

Category	YOY growth 2013-14 (in %)	2013-14	YOY growth 2012-13 (in %)	2012-13	YOY growth 2011-12 (in %)	2011-12	2010-11
Member	(-) 8.2	576.76	9.8	628.5	14.6	572.5	499.7
Non-Member	(-) 12.7	343.46	(-) 1.1	393.5	7.8	397.9	369.0
Total	(-) 9.96	920.22	5.3	1022	11.7	970.4	868.7
Organised sector	(-) 9.76	865.01	7.4	958.6	12.1	892.8	796.6
Unorganised sector	(-) 12.92	55.21	(-) 18.3	63.4	7.6	77.6	72.1

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

Note: Average Exchange rate for 2009-10 is 67.1 INR/Euro, for 2010-11 is 60.2 INR/Euro, for 2011-12 is 65.8 INR/ Euro, for 2012-13 is 70.1 INR/ Euro and for 2013-14 is 81.2 INR/Euro

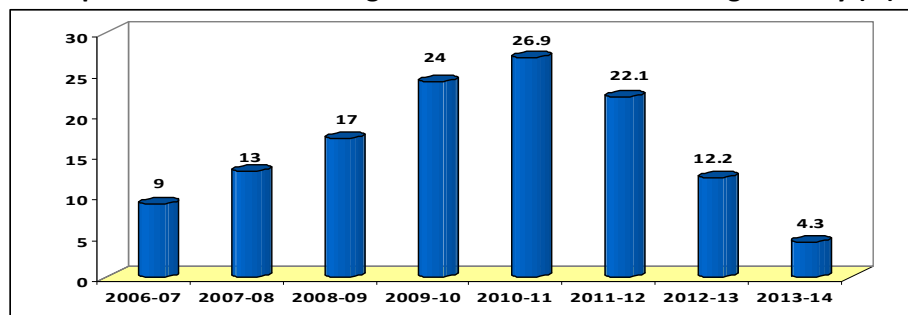
Graph 5.2: Trend in gross sales of Direct Selling Industry (INR million)



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

High cost of doing business vis-à-vis regulatory bottlenecks, lack of clarity between the Direct Selling Business model and fraudulent pyramid schemes have also harshly impacted the overall Direct Selling Business scenario. Recent untoward incidents in terms of unwanted harassment (including imprisonment) and other related investigations have severely impacted and shaken confidence of not only the Direct Selling players but of consumers too. However, going ahead, a large share of Direct Selling Entities felt that the India's demographic dividend and popularization of the concept of social networking and rapid increase of internet usage would be the major driving force for the sector.

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

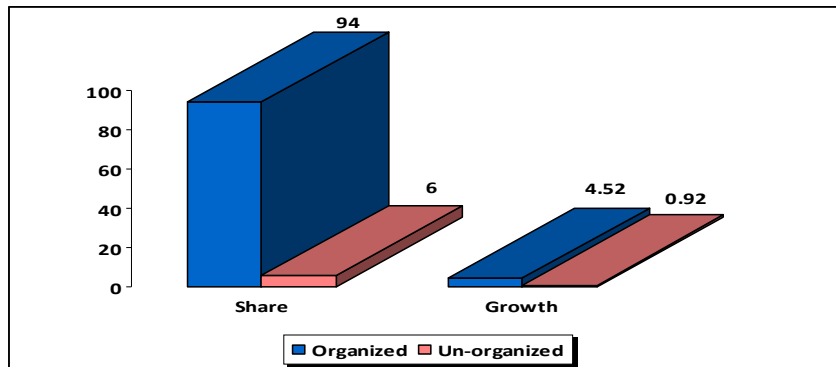


Source: PHD Research Bureau, Annual Survey of the India's Direct Selling Industry 2013-14

It was found that during 2013-14, Direct Selling Entities under organized sector¹⁹ contributed to 94% to the gross sales of Direct Selling Industry, marking a growth of about 5%. On the other hand, Direct Selling Entities in unorganized market, contributed to 6% of gross sales of Direct Selling Industry, growing at about 1% in 2013-14.

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

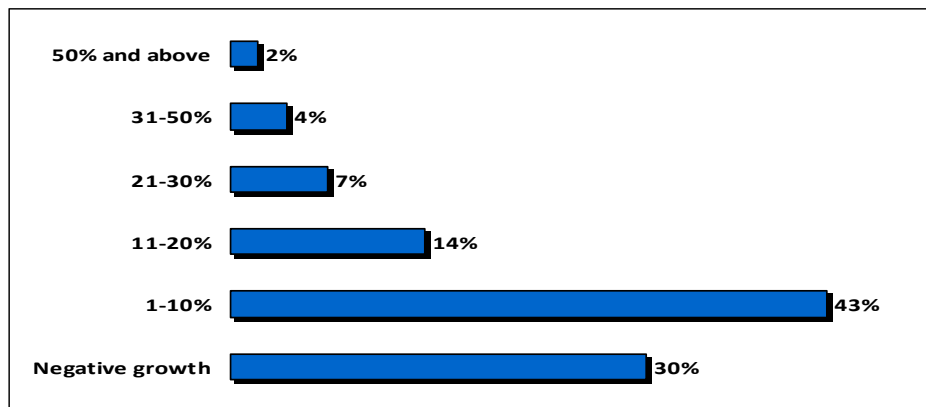
¹⁹ We have considered the organised sector to consist of companies/ enterprises which have registered themselves, have a set pattern of financials and file their returns regularly. Un-organised companies are those who have not registered themselves and have not any set pattern of financials.



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

During 2013-14, only 27% of the Direct Selling Entities have grown at double digit rates contributed by a 14% of them growing at 11-20%, 7% of them growing at 21-30%, 4% of them growing at 31-50% and 2% growing at 50% and above. However, 30% of the Direct Selling Entities have decelerated while 43% Direct Selling Entities have grown within 1-10%. The reasons for scripting different levels of growth could be attributed to different sales method adopted by Direct Selling Entities, target consumer group, products, competitiveness, etc.

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

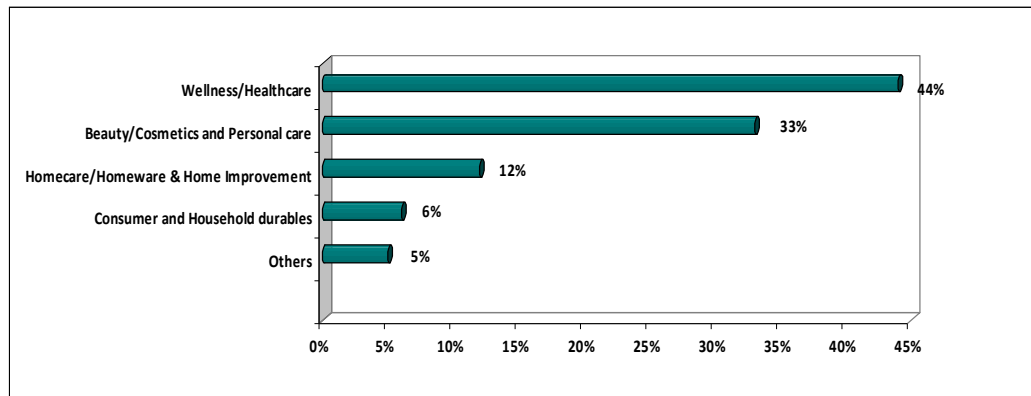


Source: PHD Research Bureau, Annual Survey of the India's Direct Selling Industry 2013-14

5.4 Product composition in gross sales

Products related to wellness/healthcare contributed to a lion's share in the gross sales of the organised Direct Selling Industry, by a share of 44%, whereas, beauty/cosmetics and personal care and home ware and home improvements products have captured 33% and 12% shares respectively. This is followed by 6% share of consumer and household durables and 5% share belonging to other categories.

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



Source: PHD Research Bureau, Annual Survey of the India's Direct Selling Industry 2013-14
Others include Food and Beverages, Agricultural products, educational products, utilities, promotional items, etc.

5.5 Geographical segmentation-- Region wise share in n gross sales

Northern region— The Northern region of India includes Chandigarh, Delhi, Himachal Pradesh, Haryana, Jammu & Kashmir, Madhya Pradesh, Punjab, Uttar Pradesh and Uttarakhand. According to the survey, the key cities of Direct Selling Business includes Allahabad, Bhopal ,Chandigarh, Delhi, Dehradun, Faridabad, Gurgaon, Gwalior, Indore, Jagdalpur, ,Kanpur, kondagon, Ludhiana, Lucknow, Mohali, Panchkula, Roorkee, Raigarh, Shimla, Shahdol, Varanasi.

The survey revealed that the Northern region has contributed around INR 21,703 million to the gross sales in 2013-14. The Northern region has registered an increase in share to gross sales at 29% in 2013-14 from 27% in 2012-13 and has registered growth rate of 12.2% in 2013-14 as against 33% in 2012-13. According to the survey, Direct Selling Entities are very optimistic about their growth prospects in this region. They unanimously responded that the region should be fully exploited and requires centralized and strict guidelines to kick off the sector with greater heights.

Eastern region--The Eastern region of India includes Bihar, Jharkhand, West Bengal and Odisha. The concentration of sales is expanding its foot across all the major cities of the region. During the survey, it has been observed that cities such as Bhubaneswar, Bokaro, Burdwan, Jamshedpur, ,Jalpaiguri, Kolkata, Muzaffarpur, Midnapur, Patna, Ranchi, Raurkela and Siliguri have come across as the key destinations for Direct Selling Business in this region.

The survey revealed that the region has contributed around INR 13,446 million to the gross sales in 2013-14. The Eastern region has scripted marginal increase in share to gross sales at 18% in 2013-14 from 17% in 2012-13 and has registered growth rate of 10.4% in 2013-14 as against 19% in 2012-13. According to the survey, the eastern region could contribute significantly to the sales of the industry with help of conducive policy framework, untapped consumer market and better infrastructure.

North Eastern region— The North Eastern region of India includes Arunachal Pradesh, Assam, Meghalaya, Nagaland, Manipur, Sikkim and Tripura . According to the survey, the key cities for Direct Selling Business includes Agartala, Dimapur, Gangtok, Guwahati, Imphal, Itanagar, Shillong and Ziro. The survey revealed that the region has contributed around INR 8,969 million in 2013-14. The North Eastern region has scripted a marginal increase in share to gross sales at 12% in 2013-14 from 11% in 2012-13. The region has exhibited a decline in the growth scenario at 13.8% in 2013-14 from 27% in 2012-13. According to the survey, Direct Selling Entities felt that the region holds immense potential for better growth and employment opportunities.

Western region— The western region of the country includes Dadra and Nagar Haveli, Daman and Diu, Goa, Gujarat, Maharashtra and Rajasthan. According to the survey, the key cities of Direct Selling Business includes Ahmedabad, Daman, Gandhinagar, Jaipur, Kalyan, Mumbai, Nasik, Nagpur Panaji, Pune, Surat Sriganga Nagar, Silvassa and Udaipur. The survey revealed that the region has contributed around INR 11,971 million in 2013-14. The region has scripted an increase in the share to gross sales at 16% in 2013-14 from 15% in 2012-13 and registered growth rate of 11.4% in 2013-14 as against 9% in 2012-13. According to the survey, the region must be exploited to its potential coupled with conducive policy milieu and ease of doing business.

Southern region--The Southern region has been the largest and most well established market for the Direct Selling Industry in the past few years. However, it share in the total gross sales of the industry has declined. The region includes Andhra Pradesh, Andaman and Nicobar Islands Karnataka, Kerala, Lakshadweep, Puducherry, Tamil Nadu and Telangana. The key destinations for Direct Selling Business in this region according to the survey includes Bengaluru, Blair, Chennai, Cochin, Calicut, Hyderabad, Kannur, Madurai, Mysore, Nagercoil, Port Kavaratti, Puducherry, Thiruvananthapuram, Trichy and Vijayawada.

The survey revealed that the region has contributed around INR 18,634 million in 2013-14. The region holds 25% share to gross sales of the industry in 2013-14 as against 30% in 2012-13. The growth of the region stands at (-) 13.3% in 2013-14 as against (-) 14% in 2012-13. The concentration of sales of Direct Selling Industry in the Southern region has started shifting to the other regions of the country.

Table 5.4: Geographical segmentation and gross sales (in %) of Direct Selling Entities

Region	States/UTs	Key Cities	% share in gross sales (2013-14)	% share in gross sales (2012-13)
North	Chandigarh, Delhi, Himachal Pradesh, Haryana, Jammu & Kashmir, Madhya Pradesh, Punjab, Uttar Pradesh and Uttarakhand	Allahabad, Bhopal, Chandigarh, Delhi, Dehradun, Faridabad, Gurgaon, Gwalior, Indore, Jagdalpur, Kanpur, Kondagon, Ludhiana, Lucknow, Mohali, Panchkula, Roorkee, Raigarh, Shimla, Shahdol, Varanasi.	29 (12.2%)	27 (33%)
East	Bihar, Jharkhand, Odisha and West Bengal	Bhubaneswar, Bokaro, Burdwan, Jamshedpur, Jalpaiguri, Kolkata, Muzaffarpur, Midnapur, Patna, Ranchi, Raurkela, Siliguri	18 (10.4%)	17 (19%)
North East	Arunachal Pradesh, Assam, Meghalaya, Nagaland, Manipur, Sikkim, Tripura	Agartala, Dimapur, Gangtok, Guwahati, Imphal, Itanagar, Shillong, Ziro	12 (13.8%)	11 (27%)
West	Dadra and Nagar Haveli, Daman and Diu, Goa, Gujarat, Maharashtra, Rajasthan	Ahmedabad, Daman, Gandhinagar, Jaipur, Kalyan, Mumbai, Nasik, Nagpur, Panaji, Pune, Surat, Sriganaga Nagar, Silvassa, Udaipur	16 (11.4%)	15 (9%)
South	Andhra Pradesh, Andaman and Nicobar Islands, Karnataka, Kerala, Lakshadweep, Puducherry, Tamil Nadu, Telangana,	Bengaluru, Blair, Chennai, Cochin, Calicut, Hyderabad, Kannur, Madurai, Mysore, Nagercoil, Port Kavaratti, Puducherry, Thiruvananthapuram, Trichy, Vijayawada	25 (-13.3%)	30 (-14%)

Source: PHD Research Bureau, Annual Survey of the India's Direct Selling Industry 2013-14 and 2012-13, Note: Figures in the parenthesis indicate regional growth rates (Y-O-Y), Northern regional includes Madhya Pradesh. Panchukula is representing views of the state of Haryana, Chandigarh and Punjab. Hyderabad is representing views of Andhra Pradesh and Telangana

As per the survey, Bengaluru was ranked the most attractive market followed by Delhi, Ludhiana, Mumbai and Jaipur in 2013-14.

Table 5.5: Ranking of cities: Top ten

Rank	City-2013-14	City-2012-13
1.	Bengaluru	Bengaluru
2.	Delhi	Chennai
3.	Ludhiana	Delhi
4.	Mumbai	Mumbai
5.	Jaipur	Kolkata
6.	Chennai	Hyderabad
7.	Lucknow	Pune
8.	Hyderabad	Allahabad
9.	Bhopal	Ludhiana
10.	Ahmedabad	Patna

Source: PHD Research Bureau, Annual Survey of the India's Direct Selling Industry 2013-14 and 2012-13

5.6 Product expansion

The Direct Selling Entities are expanding their portfolio of products which include expanding production as well as diversification of existing products. According to the survey, on an average, Direct Selling Entities have introduced around 3 new products/ variants during 2013-14 as compared to about 7 new products/variants during 2012-13.

Table 5.6: Product expansion

Product expansion	2013-14	2012-13
New products/expansion	3	7

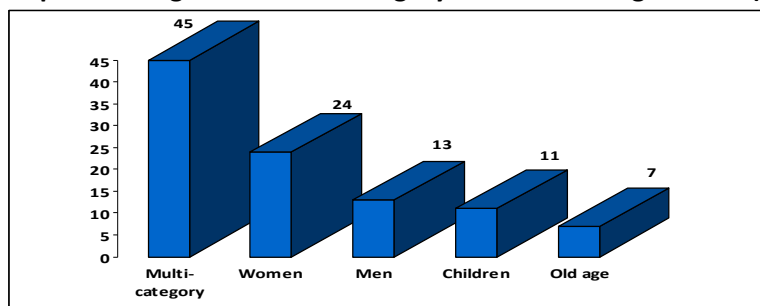
Source: PHD Research Bureau, Annual Survey of the India's Direct Selling Industry 2013-14 and 2012-13

Most of the Direct Selling Entities have reported that their product expansion activities have been impacted by the FSSAI policy norms. On account of delayed approvals, companies are unable to introduce new products and the sourcing of existing products has become a major challenge.

5.7 Population segmentation in manufacturing

During the survey it was found that among 52 Direct Selling Entities, nearly 45% of them manufacture or design products that fulfil requirement of various sections of society like men, women, children, as well as old age members. Survey findings revealed that around 24% of Direct Selling Entities, manufacture products which are utilized by women, including cosmetics, kitchenware, home care, skin care, hair care, jewellery among others, while 13% Direct Selling Entities manufacture products for men, 11% of products cater to children and 7% cater to old age people.

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



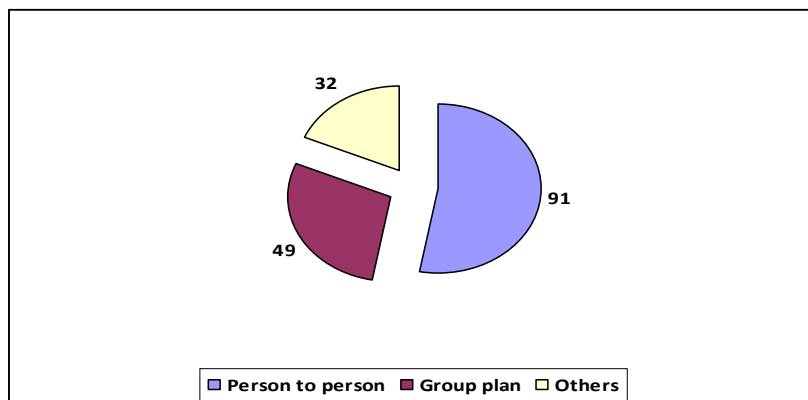
Source: PHD Research Bureau, Annual Survey of the India's Direct Selling Industry 2013-14

5.8 Sales method of Direct Selling Entities

Direct Selling is a distribution channel which emphasizes on the sale of a product or service through person to person interaction, away from a fixed retail location. People in the industry are known as Direct Sellers who enable the products/ services accessible to the consumer. A large share of Direct Selling Entities opined that most of them adopt multiple modes of selling during this year; however person to person method continues to be the predominant way of Direct Selling distribution channel.

The survey revealed that nearly 91% of the Direct Selling Entities used person to person sales method for selling their products. It is usually conducted during afternoon hours and is popular for selling products such as wellness/healthcare, personal care/color cosmetics followed by kitchenware and household products. On the other hand, nearly 49% of the Direct Selling Entities opted for group plan sales method while around 32% also adopted other sales methods like social media platforms.

Graph 5.8: Sales method adopted (%)



Source: PHD Research Bureau, Annual Survey of the India's Direct Selling Industry 2013-14
Note: Direct Selling Entities have opted for more than one method of selling

Backed by state of the art Research & Development (R&D) facilities and high quality products, the core principal of most Direct Selling Entities are consumer centric. On an average, the Direct Selling Entities have invested around 2% of their gross sales for research & development during 2013-14. Further, almost all the Direct Selling Entities offer 100% money back policy even if the products are used.

5.9 Contribution to exchequer

The IDSA Direct Selling Entities(member) pay varying levels of taxes²⁰ including corporate tax, sales tax/ value added tax, customs and excise duty, octroi etc, inter- state manufacturing and selling of products. The percentage of total taxes including both direct tax and indirect tax in gross sales by the IDSA Direct Selling Entities have increased from 21.5% in 2010-11 to 21.8% in 2011-12, 22.4% in 2012-13 and further marginally to 22.7% in 2013-14.

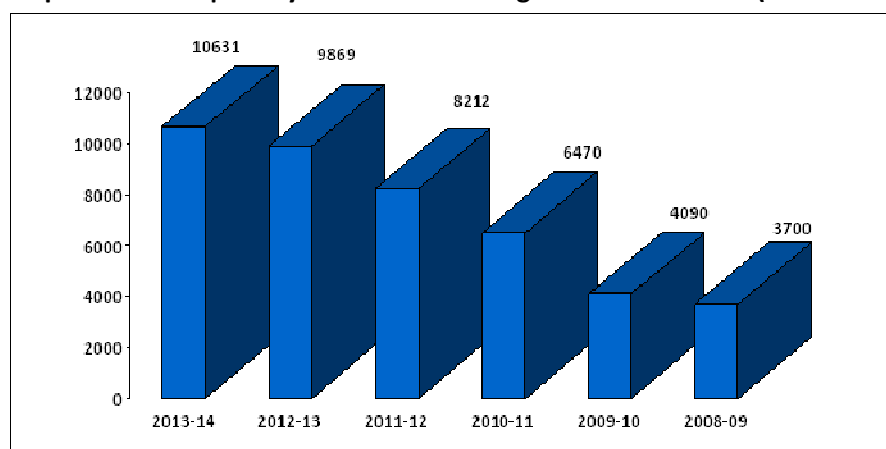
Table 5.7: Taxes paid by IDSA Direct Selling Entities (member)

Year	(% share in gross sales by IDSA Direct Selling Entities)
2013-14	22.7
2012-13	22.4
2011-12	21.8
2010-11	21.5
2009-10	17.0
2008-09	20.0

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

The total tax paid by the IDSA Direct Selling Entities (member) amounts to INR 10,631 million in 2013-14 as compared to INR 9,869 million in 2012-13, INR 8,212 million in 2011-12, INR 6,470 million in 2010-11, INR 4,090 million in 2009-10 and INR 3,700 million in 2008-09. The tax paid as reported by the IDSA Direct Selling Entities (member) has increased to about 7.7% in 2013-14 over 2012-13.

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

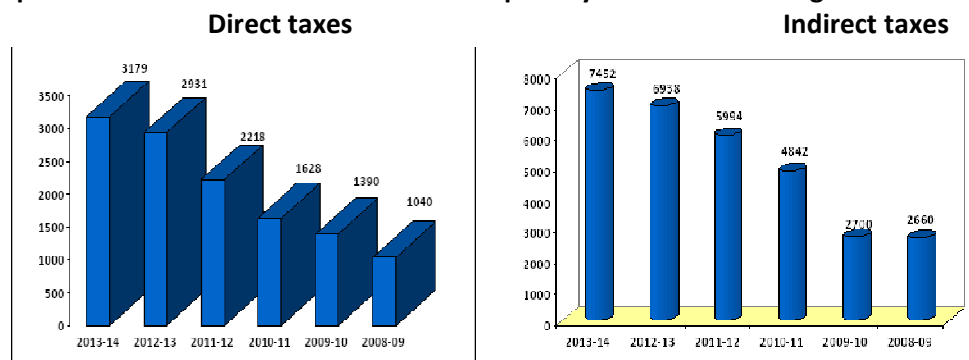


Source: PHD Research Bureau, Annual Survey of the India's Direct Selling industry 2013-14

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

The direct taxes have increased from INR 1,040 million in 2008-09 to INR 1,390 million in 2009-10 to INR 1,628 million in 2010-11 to INR 2,218 million in 2011-12, INR 2,931 million in 2012-13 and INR 3,179 million in 2013-14. While indirect taxes have scaled up from INR 2,660 million in 2008-09 to INR 2,700 million in 2009-10 to INR 4,842 million in 2010-11 to INR 5,994 million in 2011-12, INR 6,938 million in 2012-13 and further to INR 7,452 million in 2013-14.

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



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

However, for the current year we have also gathered inputs from the IDSA non member Direct Selling Entities on Indirect taxes paid by them. During, 2013-14, the indirect tax paid by IDSA non-member Direct Selling Entities stands at about INR 4,741 million .

5.10 Self - employment generation

Entering Direct Selling Business requires little or no capital as it is a channel where sales happen through demonstrations and venue of demonstration is decided by the consumer, hence no outlets are required. The only pre-requisite to start a Direct Selling Business is to have the zeal to work hard. The Direct Sellers of the Indian Direct Selling Industry during 2013-14 stands at 62,37,373 as against 57,75,345 during 2012-13. The growth of Direct Sellers is around 8% in 2013-14 as against 18.9% in 2012-13.

Table 5.8: Direct Sellers

Category	Direct Sellers	Y-o-Y Growth (in %)
2013-14	62,37,373	8.0
2012-13	57,75,345	18.9
2011-12	48,53,232	22.5

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

According to the survey, Direct Selling Entities have responded that on an average nearly 70% of total Direct Sellers are active²¹. So, going by this percentage, during 2013-14, active Direct Sellers stands at 43,83,487 .

The region wise split of Direct Sellers stand highest in the Southern region of the country at 11,83,541 followed by Northern region at 10,95,872, Eastern region at 8,32,863 and Western region at 7,01,358 and North Eastern Region at 5,69,853.

Table 5.9: Region wise Direct Sellers in 2013-14

Category	Direct Sellers in 2013-14
North	10,95,872
East	8,32,863
North East	5,69,853
West	7,01,358
South	11,83,541
Total Direct Sellers	43,83,487

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

Note: Total Direct Sellers represent active Direct Sellers in 2013-14

The industry witnesses high attrition rate, as many individuals join Direct Selling as part timers to earn supplementary income. The factors that have been observed for rising attrition rate are such as Direct Sellers at times is unable to target the right customers, making almost no sales, Direct Sellers change Direct Selling Entity and Direct Sellers are unable to devote time to the business. The survey revealed that during the 2013-14, attrition rate amongst Direct Sellers/field force as a percentage of total Direct Sellers stands at around 11%.

5.11 Per capita revenue generation shoots up

The per-capita revenue generation has been witnessing a declining trend from INR 13,156 in 2011-12 and further to INR 12,404 in 2012-13. However, during 2013-14 the per-capita revenue generation has scaled up to INR 17,046. The reason could be attributed to the fact that although the gross sales of the industry has grown, however the Direct Sellers of the industry has registered significant decline over the previous year.

Table 5.10: Per-capita revenue generation by Direct Selling Industry

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

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

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

*Note: For the year 2013-14, total Direct Sellers represents active Direct Sellers

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

5.12 Share of men and women among Direct Sellers

With rising cost of living, it has been noticed that Direct Selling Business is not only popular among women but also among men. The share of women has always been around 60% in Direct Selling Business (average during last three years). However, Indian men are looking up to this sector as a supplementary earning opportunity, as consumption basket of the families has swelled up over the years. Among males, it has been noticed that students are fast picking up to earn extra money to support their short or medium term goals. The share of men (Direct Sellers) has increased from 38% in 2011-12 to about 42% in 2013-14.

Table 5.11: Direct sellers' gender wise split (in %)

Year	Men	Women
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 2013-14
Note: For 2013-14, Direct sellers' gender wise split represents share in active Direct Sellers

5.13 Pattern of commitment among Direct Sellers

According to the survey, in the category of men percentage of self-employed of Direct Sellers stands at 27% and part-timers²² of Direct Sellers stands at 73%. While in the category of women percentage of self-employed of Direct Sellers stands at 64% and part-timers of Direct Sellers stands at 36%.

5.14 Training

Most of the Direct Selling Entities are providing or conducting training programmes to Direct Sellers. The survey has revealed that Direct Selling Entities have offered training to their sales representatives in the range of 200 man hours per quarter to around 22,000 man hours/ quarter in 2013-14.

According to the survey, Direct Selling plays a vital role in uplifting and developing skills of individuals that join as Direct Sellers by giving them an opportunity to work, learn and grow by way of improving their inter-personal skills.

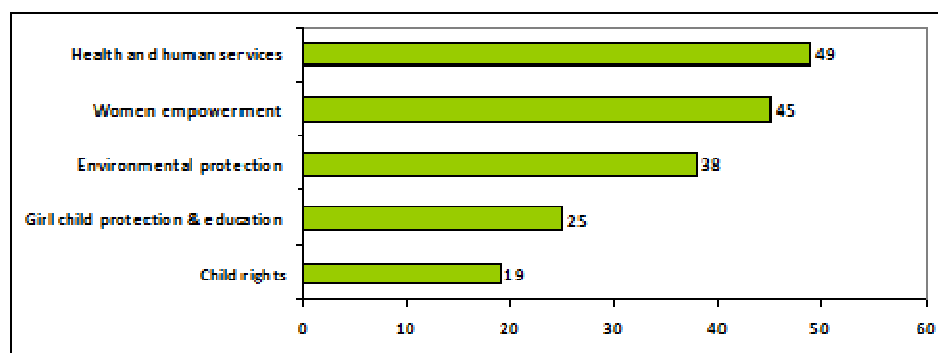
5.15 Direct Selling contribution to CSR

Over the years, there has been growing importance of contributions to Corporate Social Responsibility as society looks forward to companies for their commitment to contribute to the overall well being of the society by improving the quality of life of the workforce and their families as well as of the local community and society at large.

²² Part-timers are defined as persons who are already in some business or service.

According to the survey, most of the Direct Selling Entities are participating in the CSR activities. There are various areas that have been supported by Direct Selling Entities. The area that tops the chart with highest attention of 49% Direct Selling Entities is health and human services which include services rendered for old age/orphanage homes and supporting disabled people. It is followed by women empowerment (45%) and environmental protection (38%). Nearly 25% of Direct Selling Entities support girl child protection and education and 19% for child rights. According to the survey, Direct Selling Entities have contributed approximately INR 500 million of their gross sales.

Graph 5.11: 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 2013-14
Note: Multiplicity of options have been chosen by the respondents

5.16 Direct Selling contributing to growth of Micro Small and Medium Enterprises (MSMEs)

Micro Small and Medium Enterprise (MSME) sector has emerged as a dynamic sector of the Indian economy over the last five decades. The sector is considered to be the strategic asset for the Indian economy as it contributes significantly to the growth of economy with a vast network of around 47 million industrial units, providing employment to about 106 million people and manufacturing more than 6000 products²³. They are widely dispersed across the country and produce a diverse range of products and services to meet the needs of the global and local markets.

MSMEs play vital role in providing large employment opportunities at comparatively lower capital cost. On the other hand, the Indian Direct Selling Industry is people centric industry and has a positive socio-economic impact in terms of self employment, decent income opportunities and growing skill development. It has also 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 revealed that the Direct Selling Entities' import only 30% of the total produce and the remaining 70% are produced through contract manufacturing particularly through MSMEs in

²³ Annual Report 2013-14, Ministry of Micro, Small and Medium Enterprises, Government of India

India. Thus, 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, on time delivery of orders etc. This has led to expansion in output and employment generation among them, and in creating higher growth opportunities for one and all. The MSME sector has emerged as a driver of industrial expansion and Direct Selling has the potential to trigger the growth of the sector by its edge in marketing and distribution strategies. Hence, MSMEs and Direct Selling Industry complement each other.

Direct Selling pledge to facilitate Make in India Initiative

Indian Direct Selling Industry is people centric industry and has a positive socio-economic impact in terms of direct and indirect employment, decent income opportunities and growing skill development. It has also 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 revealed that the Direct Selling Entities' import only 30% of the total produce and the remaining 70% are produced through contract manufacturing particularly through MSMEs in India.

Pertinent to mention, our survey coincided with the "Make in India" initiative launched on 25th September 2014 by our Hon'ble Prime Minister Shri Narendra Modi. This initiative aims to bolster India's manufacturing sector to increase its share in India's GDP to 25% from the current level of 16%.

During the survey it was found that each and every stakeholder is focusing on domestic manufacturing. Almost all the Direct Selling Entities unanimously opined that they are willing to reduce their import of finished goods to less than 10% by 2019-20. It will facilitate indigenous manufacturing in the country and enhance production possibility frontiers.

It is further observed that Direct Selling Entities unanimously opined that it is important to encourage successful start-ups as it can contribute significantly in accelerating growth of manufacturing output as well as catalysing a shift towards better technologies and productivity.

Direct Selling Industry will facilitate import substitution -- Presently, the gross sales of the Indian Direct Selling Industry stands at US\$ 1.2 billion during 2013-14 of which US\$0.36 billion (30% of the total) is imported. Industry is expected²⁴ to reach US\$ 3.9 billion by 2019-20 of which about US\$1.2 billion (30% of the total) would be imported. Going ahead, launch of Make in India programme is expected to facilitate manufacturing and the demand for MSMEs, who are offered manufacturing contracts by the Direct Selling Entities, is expected to boost in the coming times. As a result, if Direct Selling Industry provides manufacturing contracts to large number of MSMEs or set up their own manufacturing base, it is estimated that the industry would reduce its import content from the level of 30% (US\$ 1.2 billion) to 10% (US\$ 0.4 billion) by 2019-20. Reduced import content will lead to help improved current account deficit, employment generation vis-à-vis domestic manufacturing and promotion of technology and investments in the economy.

²⁴ The exchange rate for 2019-20 has been considered at 60.5 INR/USD.

Highlights – Direct Seller Entities survey analysis

In the presence of the diverse consumer base in the country, the Direct Selling Industry is rapidly emerging as an alternative channel of distribution along with the conventional sales/marketing formats like malls, retail shops, conventional stores, kiranas, grocery stores, etc. Direct selling industry plays an important role in boosting self employment, contributing to the exchequer, providing financial stability, encouraging women empowerment and holds significance to the overall economic growth and development.

The sales growth of the Indian Direct Selling Industry has registered deceleration over the recent years. The gross sales²⁵ by the Direct Selling Industry reached at INR 74,722 million in 2013-14 from INR 71,641 million in 2012-13 and INR 63,851 million in 2011-12. The gross sales can be split up in to gross sales of INR 70,239 million by the Direct Selling Entities belonging to organized sector and INR 4,483 million by the unorganized sector. The Direct Selling Industry has registered growth rate of about 4.3% in 2013-14 as against the growth rate²⁶ of 12.2% in 2012-13, 22% in 2011-12, 27% in 2010-11 and 24% in 2009-10.

Products related to wellness/healthcare contributed to a lion's share in the gross sales of the organised Direct Selling Industry, by a share of 44%, whereas, beauty/cosmetics and personal care and home ware and home improvements products have captured 33% and 12% shares respectively. This is followed by 6% share of consumer and household durables and 5% share belonging to other categories.

The Northern region has registered an increase in share to gross sales at 29% in 2013-14 from 27% in 2012-13 and has registered growth rate of 12.2% in 2013-14 as against 33% in 2012-13.

The Eastern region has scripted marginal increase in share to gross sales at 18% in 2013-14 from 17% in 2012-13 and has registered growth rate of 10.4% in 2013-14 as against 19% in 2012-13.

The North Eastern region has scripted a marginal increase in share to gross sales at 12% in 2013-14 from 11% in 2012-13. The region has exhibited a decline in the growth scenario at 13.8% in 2013-14 from 27% in 2012-13.

The Western region has scripted an increase in the share to gross sales at 16% in 2013-14 from 15% in 2012-13 and registered growth rate of 11.4% in 2013-14 as against 9% in 2012-13.

The Southern region holds 25% share to gross sales of the industry in 2013-14 as against 30% in 2012-13. The growth of the region stands at (-) 13.3% in 2013-14 as against (-) 14% in 2012-13.

The total tax paid by the IDSA Direct Selling Entities (member) amounts to INR 10,631 million in 2013-14 as compared to INR 9,869 million in 2012-13, INR 8,212 million in 2011-12, INR 6,470 million in 2010-11, INR 4,090 million in 2009-10 and INR 3,700 million in 2008-09. The tax paid as reported by the IDSA Direct

²⁵ The figures used for sales revenue in the Annual Survey 2013-14 refers to Gross sales of direct selling industry which is net sales plus direct and indirect taxes. However, the retail size of the direct selling industry has not been estimated, which may be higher than the gross sales revenue, as retail margins varies between 5% to 25% in the industry.

²⁶ IDSA Annual Surveys since FY2010

Selling Entities (member) has increased to about 7.7% in 2013-14 over 2012-13. However, for the current year we have also gathered inputs from the IDSA non member Direct Selling Entities on Indirect taxes paid by them. During, 2013-14, the indirect tax paid by IDSA non-member Direct Selling Entities stands at about INR 4,741 million.

The Direct Sellers of the Indian Direct Selling Industry during 2013-14 stands at 62,37,373 as against 57,75,345 during 2012-13. The growth of Direct Sellers is around 8% in 2013-14 as against 18.9% in 2012-13. According to the survey, Direct Selling Entities have responded that on an average nearly 70% of total Direct Sellers are active. So, going by this percentage, during 2013-14, active Direct Sellers stands at 43,83,487 .

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Policy Interventions



6. Policy interventions

Direct selling Industry plays critical role in boosting self employment, contributing to the exchequer, providing financial stability, encouraging women empowerment and holds immense significance to the overall economic system. At this backdrop, several countries have undertaken initiatives in this direction to address the issues of regulation in the Direct Selling Industry.

Table 6.1: Summary of some country specific regulations

Country		Legislation
EUROPEAN UNION	Item 14, Annex I of Directive 2005/29/EC of European Parliament and of the Council defines Pyramid Schemes	Establishing, operating or promoting a pyramid promotional scheme where a consumer gives consideration for the opportunity to receive compensation that is derived primarily from the introduction of other consumers into the scheme rather than from the sale or consumption of products.
HONG KONG	Pyramid Schemes Prohibition Ordinance 2012	Legislation specifically affecting Direct Selling is the Pyramid Schemes Prohibition Ordinance 2012. In this, a pyramid scheme is defined as a scheme whereby any or all new participants must provide a financial or non-financial benefit to, or for the benefit of, any participant or any promoter of the scheme, a financial or non-financial benefit partly to, or for the benefit of, any participant or any promoter of the scheme and partly to, or for the benefit of, another person.
KOREA	Door-to-Door Sales, etc. Act	The purpose of this Act is to prescribe matters concerning the fair trading of goods and services in such transactions as door-to-door sales, telemarketing sales, Multilevel marketing transactions, specified continuous service offers and business offer solicitation sale translations, with a view toward protecting consumer rights and enhancing market reliability, thereby contributing to the sound development of the national economy.
MALAYISIA	Direct sales and anti-pyramid scheme act 1993	An Act to provide for the licensing of persons carrying on direct sales business, for the regulation of Direct Selling, for prohibiting pyramid scheme or arrangement, chain distribution scheme or arrangement, or any similar scheme or arrangement, and for other matters connected therewith.
SINGAPORE	Multi-level Marketing and Pyramid Selling (Prohibition) Act (Chapter 190)	This Act prohibits the registration of businesses that are designed to promote multi-level marketing schemes or pyramid selling schemes in relation to the distribution and sale of commodities and makes it unlawful for any person to promote such schemes

	Multi-level marketing and pyramid selling (excluded schemes and arrangements) order 2000	This Order explicitly excludes from the Multi-level Marketing and Pyramid Selling (Prohibition) Act certain schemes and arrangements. MTI has enhanced the safeguards on MLM schemes operating in Singapore, with the aim of protecting Singaporean consumers and at the same time promoting a conducive environment for legitimate businesses.
United Kingdom	Pyramid Selling and Similar Trading	Covered under Section 118 to 123 of Fair Trading Act 1973 to make provision with respect to pyramid selling and similar trading schemes;
USA	Oklahoma Pyramid Promotional Scheme Act	Pyramid promotional scheme means any plan or operation by which a participant gives consideration for the opportunity to receive compensation which is derived primarily from the person's introduction of other persons into the plan or operation rather than from the sale of goods, services or intangible property by the participant or other persons introduced into the plan or operation
	Competition and Trade Practices defines Pyramid Promotional Scheme	Promoting a pyramid promotional scheme" means: (A) inducing or attempting to induce one or more other persons to participate in a pyramid promotional scheme; or (B) assisting another person in inducing or attempting to induce one or more other persons to participate in a pyramid promotional scheme, including by providing references.

Source: PHD Research Bureau compiled from various sources

Policy intervention--India

In October, 2014, Ministry of Consumer Affairs, Government of India has proposed for creating a new law on Direct Selling in the light of the law and practices across the globe in consultation with the Industry represented by IDSA, Other Chambers of Commerce, Consumer Groups along with the concerned Ministries of Government of India.

At state level, Kerala and Rajasthan Government came up with Guidelines on Direct Selling Industry vide notification number GO (MS) No. 190/2011/ICD dated 12.09.2011 and F5(2) Ind /1/2012 dated 05/10/2012 respectively.

6.1 India's Direct Selling Industry key concerns

Almost all the Direct Selling Entities felt that uncertainty in policy results in untoward incidents in terms of unwanted harassment (including imprisonment) and other related investigations which have severely impacted and shaken confidence of not only the Direct Selling players but of consumers too. Almost all Direct Selling Entities felt that such unfortunate happenings in India

have not only impacted the investment flows from global Direct Selling Entities but also demoralized the sentiments of domestic players. Further, it has also triggered the closure of couple of international Direct Selling Entities operating in India.

Almost all Direct Selling Entities felt that at international front; almost all countries have framed their national laws regarding Direct Selling in the interest of the consumer and to help Direct Selling Business to prosper vis-à-vis avoiding fraudulent practices through enforcement of stringent laws. Almost all Direct Selling Entities opined that introduction of centralised legislation across India will enable Direct Selling Industry to smoothly conduct their business by removing fraudulent operators. Further, it will augment self employment generation, boost confidence of investor and therefore lead the industry to higher growth trajectory.

Further a large number of Direct Selling Entities felt that the companies should have the licence to do business in India and file all mandatory returns. They should have trademarks or licences and maintain a regularly updated website, giving details of their products, services, price, and other details, besides information on their companies.

6.2 Industry requires government policy support

According to the survey, majority of Direct Selling Entities demanded industry status and a separate legislation for the Industry. Importantly, Industry also seeks exclusion from the Prize Chits and Money Circulation Schemes (Banning) Act, 1978. Almost all the Direct Selling Entities have expressed the need for central guidelines and regulation for direct selling industry, as at state level these Direct Selling Entities are already governed by state specific laws.

Most of the Direct Selling Entities felt that there should be only one set of standard guidelines across the country. However, the survey 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.

To effectively mitigate fraudulent practices, Direct Selling Entities also suggested that a separate body should be formed to check the entry of new players into the market with strict laws.

Almost all the Direct Selling Entities opined that there is a need for clear and uniform guidelines to differentiate the Direct Selling Entities from fraudulent fly by night operators.

The Direct Selling Entities were also of the view that there is an urgent need for organising awareness programmes jointly by the industry and the government to educate public regarding Direct Selling and spread awareness of this distribution channel. Over last many years, the Indian Direct Selling Association has also initiated 'Direct Selling Knowledge and Discussion Forums' to brainstorm on issues related to such activities and raise awareness for consumer protection.

Consumer Survey Analysis



7. Consumer survey analysis

As perceived by Consumer, Direct selling is a social and personal level of trading where direct interaction of sellers and customers is the main focus. In other words it is the action of marketing of the products/services to consumers in a non-retail milieu i.e. generally from home or workplace with the help of explanation and demonstration of the products by a Direct Seller. The familiarity about the sector relies heavily on word-of-mouth publicity. This medium of marketing has strong reliance among stakeholders and is evolving year after year with new and better products to meet the diverse needs of consumers.

Hence, it becomes imperatives to obtain the insight of 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 surveys for better outlook of the sector and inferences have been derived on the responses received.

7.1 Sample characteristics

The survey pertains to responses from individuals who were randomly selected for survey from across various segments of the society and the sample size chosen for the study is 3,580. Out of the total 3,580 respondents, 52% are females and remaining 48% are males. Whereas, 63% of the sample respondents are married, while 37% are single. It has been observed that women are more amenable to Direct Selling than men. The survey was conducted capturing respondents with direct interactions from field and also through e-mails.

Since it was not feasible to survey all cities due to time constraints, responses were received from cities including Ambala, Amritsar, Allahabad, Agartala, Bhopal, Bengaluru, Bhubaneswar, Bokaro, Chennai, Chandigarh, Cochin, Delhi, Dehradun, Dimapur, Daman, Faridabad, Gurgaon, Gwalior, Gangtok, Guwahati, Gandhinagar, Jaipur, Hyderabad, Itanagar, Indore, Imphal, Jaipur, Kolkata, Kavaratti, Ludhiana, Lucknow, Mumbai, Muzaffarpur, Pune, Patna, Port Blair, Panchkula, Puducherry, Ranchi, Shimla, Silvassa, Surat, Sriganaga Nagar, ShillongPanaji, Thiruvananthapuram, Udaipur, and Vadodara

Majority of the respondents surveyed belonged to age group of 21-30 years, representing 47% of the total sample population. It was followed by individuals within 31-40 years (23%), within 41-50 years (12%) and more than 50 years (11%). The largest share of respondents served the corporate sector including private Indian and Multi-National companies contributing 44% of responses, while 19% were house wives, 18% served the government, 11% self employed and 8% students. Nearly 52% of the survey respondents have family size with 2-4 members, whereas, 37% respondents had a family size of 5-7 and 11% respondents had a family size of more than 7.

Table 7.1: Characteristics of Respondent(s)

Category	Respondent(s) in %
<i>Gender-wise classification</i>	
Female	52
Male	48
<i>Status-wise classification</i>	
Single	37
Married	63
<i>Age group classification</i>	
Less than 20 years	7
21-30 years	47
31-40 years	23
41-50 years	12
More than 50 years	11
<i>Occupation classification</i>	
Government sector –Central & State	18
Corporate sector (Indian Private Companies and Multi-National Companies)	44
Self Employed	11
Housewife	19
Student	8
<i>Family size classification (number of members)</i>	
More than 7	11
2 - 4	52
5 - 7	37
<i>Income group classification (per month)</i>	
INR 10,000- INR 20,000	6
INR 20,001-INR 30,000	9
INR 30,001-INR 40,000	17
INR 40,001-INR 50,000	29
More than INR 50,000	39
<i>Chief family earners classification</i>	
Father	29
Husband	48
Self	23

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

It was revealed that out of the total respondents, 39% of representatives have household income²⁷ more than INR 50,000 per month. It was followed by respondents earning in the range of INR 40,001-50,000 per month (29%) and INR 30,001-40,000 per month (17%) among others. For nearly 48% of the respondents, husbands are the chief earner in their household.

7.2 Awareness and Publicity

According to the survey, it was found that 91% of the sample population are completely well aware and have familiarity with the concept of Direct Selling and their products. The survey has again revealed that Word of Mouth Publicity is still contributing 70% for sale of Direct Selling

²⁷ Household income includes income generated by all earning members of the family

Products and; consumers and direct sellers develop personal relationships. Social Media is helping to leverage the pace for sales of products of Direct Selling Industry and building the brand name for the Industry. The survey revealed that 23% of the respondents have come to know about Direct Selling through their friends. The word spreads from one circle of friends and acquaintances to the next related circle. Thus, relatives (14%), colleagues (16%) and neighbours (6%) play a significant role in the expansion of the business. However, the industry is exploring new opportunities using the social media tools. About 20% of the respondents used Internet as source for their information.

Table 7.2: Source of Direct Selling publicity

Source of Direct Selling Publicity	Respondent(s)%
Friends	23
Relatives	14
Colleagues	16
Direct Seller	11
Neighbour	6
Internet	20
TV/Radio	6
Newspaper/Pamphlets	4

Word of mouth
publicity
(70 %)

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

It has also been observed that gradually other means of marketing are also increasing for generating awareness and publicity regarding products in the markets such as online social networking, TV, print media, pamphlets etc. According to the survey, a large number of respondents stated that product reviews are posted online and opinions disseminated through social networks among consumers, which is rapidly extending these days and has influenced the consumer buying decisions.

7.3 Type of product purchase

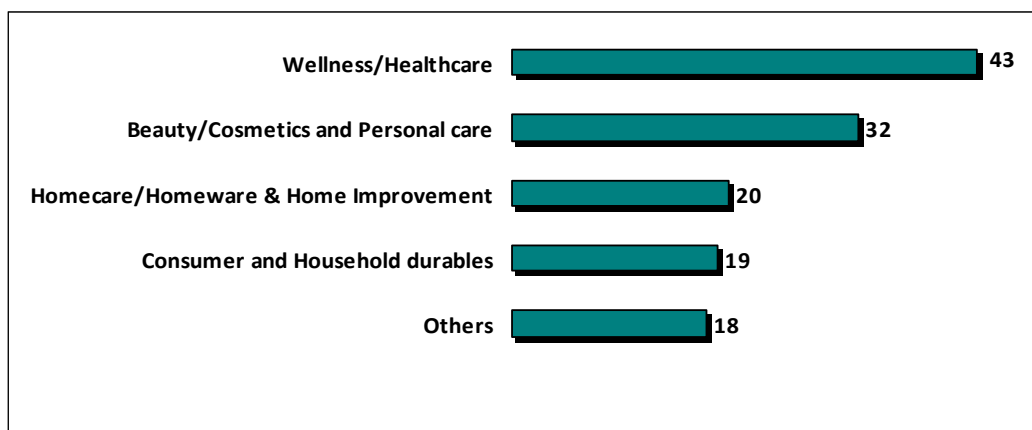
The survey revealed that with rising health consciousness among consumers and rapid increase in inclination towards a good quality of life, it has been observed that customers preferred to consume wellness/healthcare products capturing a share of 43%. The products sold through Direct Selling are quiet attractive to female consumers which is indicated from the fact that cosmetics and personal care²⁸ products have been found to be the second most popular product category capturing a share of 32%. It was followed by home care/home improvement products²⁹ (20%) and consumer and household durables³⁰ (19%).

²⁸ Make-up products, skin care products, hair-care products, Clothing, lingerie, sleepwear, shoes, fashion jewellery, fashion watches, accessories & personal items

²⁹ 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

³⁰ 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

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



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

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

Consumers' view on Direct Selling

According to the consumer survey, almost 65% of the respondents expressed their desire to join Direct Selling. They responded that besides providing goods at door step with personalized attention, the industry also offers employment opportunities which would not only contribute to a household income, but also helps in developing entrepreneurial skills amongst people. Further, there are no required levels of education, experience or financial resources.

Key reasons of consumers on joining direct selling:

- Alternate source of additional income
- Offers flexible work schedules
- High level of motivation and commitment required
- Cost of entry is nil/ reasonable
- Direct Sellers not necessarily skilled or an expert
- High consumer reach
- Wide market penetration
- Good way to socialize with people

However, almost all the consumers unanimously responded that the uncertainty in policy framework is a major hindrance for Indian Direct Selling Industry.

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

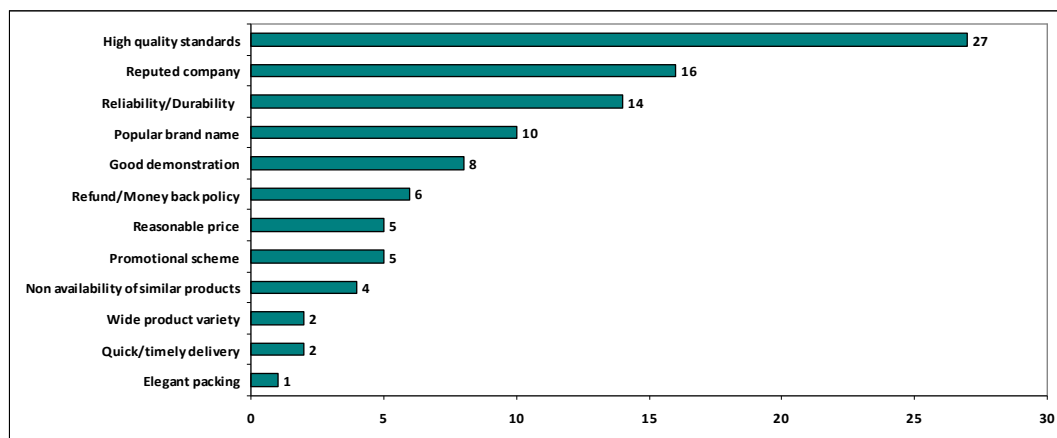
According to the survey, all respondents unanimously opined that consumers' perception and attitude hold a significant say in determining their purchasing behaviour. Further, there are diverse reasons, situation and needs of a consumer that motivates a consumer to purchase or not to purchase a product. They also responded that attributes which are merely the

features/characteristics of the product, its brand name, service, advertisement or any object of interest also plays an important role for pushing a consumer for its demand or non-demand, even without the requirement or necessity. The survey revealed that 67% of the respondents have purchased/re-purchased Direct Selling products which may be attributed to several reasons such as personalized attention, the chance to ask questions, chance to try products or have them personally demonstrated and finally the trust and confidence on the word-of-mouth usage by relatives, friends or neighbours have been attributed for this. However, remaining 33% have not purchased/re-purchased any products as they were not very positive on these products.

7.4.1 Positive attributes for purchasing/re-purchasing

As per the survey, out of the 2399 (67% of the respondents who have purchased/ re purchased products) consumers, 27% of the respondents rely mainly on high quality standards of products for purchasing/re-purchasing. The other attributes include reputed company (16%), reliability/durability (14%), popular brand name (10%) and good demonstration (8%) among others.

Graph 7.1: Factors for purchase/re-purchase (responses in %)

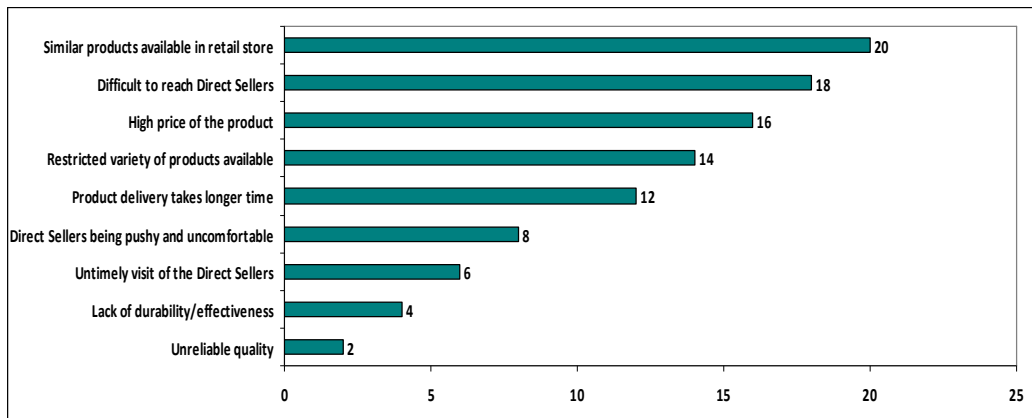


Source: PHD Research Bureau, Annual Survey of the India's Direct Selling Industry 2013-14

7.4.2 Factors for not purchasing/no repurchase

Out of the 1181 respondents (33% of the total respondents who have not purchased/not repurchased), similar products available in retail store acted as deterrents as it kept nearly 20% of the survey participants away from purchasing it. Around 18% respondents experienced difficulty to reach Direct Sellers and around 16% of the participants accorded high prices of products as the reason for not purchasing or repurchasing Direct Selling products.

Graph 7.2: Factors for non purchase/no repurchase (responses in %)



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

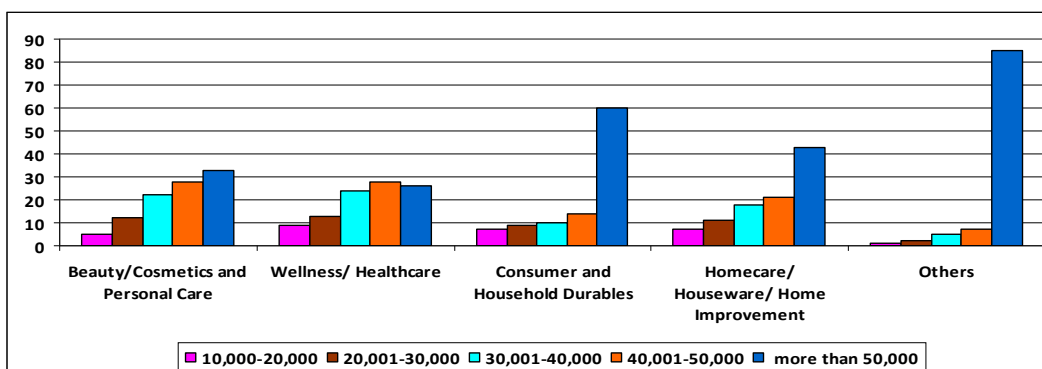
As per the survey, consumers reported that in certain cases Direct Sellers came across as an intrusion, and that they were concerned about letting strangers into their homes, being subjected to use of misleading, deceptive and unfair sales tactics, ending up buying products they didn't need and paying an unfair price for products.

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

Respondents that fall in income bracket of INR 10,000-20,000 per month make very few purchases on Direct Selling products. Out of the total 3,580 respondents, 9% in this income bracket have purchased wellness/healthcare products, followed by Consumer and Household Durables and home care/home improvement (7% each)

The survey revealed that the income group of more than INR 50,000 per month have captured the maximum share of purchases made in all product categories. In cosmetics/personal care products, maximum purchase was made by consumers with income more than INR 50,000 per month contributing a share of 33%. This was followed by consumers in income group of INR 40,001-50,000 per month at 28% and INR 30,001-40,000 per month at 22%. Similarly, for wellness and health care 28% was captured by income group of INR 40,001-50,000 per month and 26% by the highest income group. However, in case of other products it was found that 85% share was captured by the highest income group, whereas marginal shares of 2% and 1% were captured by INR 20,001-30,000 category and INR 10,001-20,000 category respectively.

Graph 7.3: 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 2013-14

Note: Others includes food and beverages, agricultural products, educational products, utilities, promotional items e.t.c.

Highlights-- Consumer survey analysis

According to the survey, it was found that 91% of the sample population are completely well aware and have familiarity with the concept of Direct Selling and their products. The survey has again revealed that Word of Mouth Publicity is still contributing 70% for sale of Direct Selling Products and; consumers and direct sellers develop personal relationships. Social Media is helping to leverage the pace for sales of products of Direct Selling Industry and building the brand name for the Industry.

The survey revealed that 23% of the respondents have come to know about Direct Selling through their friends. The word spreads from one circle of friends and acquaintances to the next related circle. Thus, relatives (14%), colleagues (16%) and neighbours (6%) play a significant role in the expansion of the business. However, the industry is exploring new opportunities using the social media tools. About 20% of the respondents used Internet as source for their information.

It has also been observed that gradually other means of marketing are also increasing for generating awareness and publicity regarding products in the markets such as online social networking, TV, print media, pamphlets etc. According to the survey, a large number of respondents stated that product reviews are posted online and opinions disseminated through social networks among consumers, which is rapidly extending these days and has influenced the consumer buying decisions.

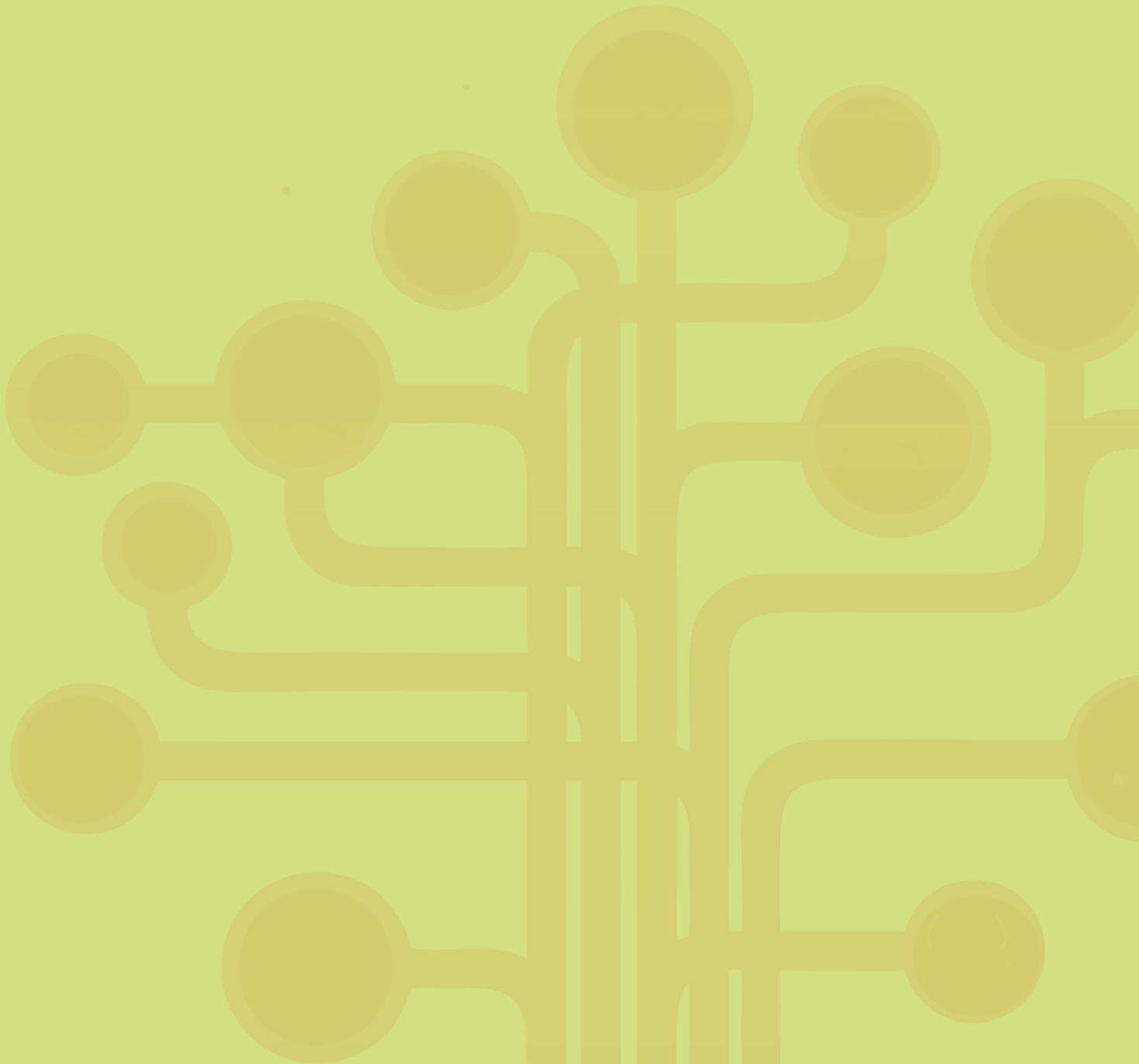
The survey revealed that with rising health consciousness among consumers and rapid increase in inclination towards a good quality of life, it has been observed that customers preferred to consume wellness/healthcare products capturing a share of 43%. The products sold through Direct Selling are quite attractive to female consumers which is indicated from the fact that cosmetics and personal care³¹ products have been found to be the second most popular product category capturing a share of 32%. It was followed by home care/home improvement products³² (20%) and consumer and household durables³³ (19%).

³¹ Color cosmetics, skin care products, hair-care products, Clothing, lingerie, sleepwear, shoes, fashion jewellery, fashion watches, accessories & personal items

³² 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

³³ 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

Challenges faced by the Direct Selling Industry



8. Challenges faced by Indian Direct Selling Industry

The Indian Direct Selling Industry is well poised to occupy an important position in the international and domestic markets. However, there are many issues and challenges which remains bottleneck for growth of Indian Direct Selling Industry. The first and foremost are the activities of fraudulent fly by night operators who are operating under the garb of Direct Selling Business. Further, another biggest challenge faced by the industry is the absence of central guidelines and regulation for direct selling industry and it has been suggested that there should be formulation and implementation of a unified act and regulation throughout the country.

Indian Direct Selling Industry

Challenges	>>	Suggestions
Regulatory law /guidelines	>>	Formulating and Implementation of a unified act and regulation throughout the country
Fraudulent companies operating under the garb of Direct Selling	>>	Stricter registration policy—Development of robust tracking mechanism by the Government
Licensing and Product Approval-- FSSAI		Easy and Early clearances of products under FSSAI
Attrition	>>	Increase the number of trainings provided by Direct Selling Entities
Absence of Policy Clarity	>>	Formulating and Implementation of a unified act and regulation throughout the country
Rigid mindset of consumers to diversify from traditional distribution channel	>>	To establish long term credibility of direct selling distribution channel

Source: Annual Survey of the India's Direct Selling Industry 2013-14

Most of the Direct Selling Entities have reported that their product expansion activities have been impacted by the FSSAI policy norms. On account of delayed approvals, companies are unable to introduce new products and the sourcing of existing products has become a major challenge.

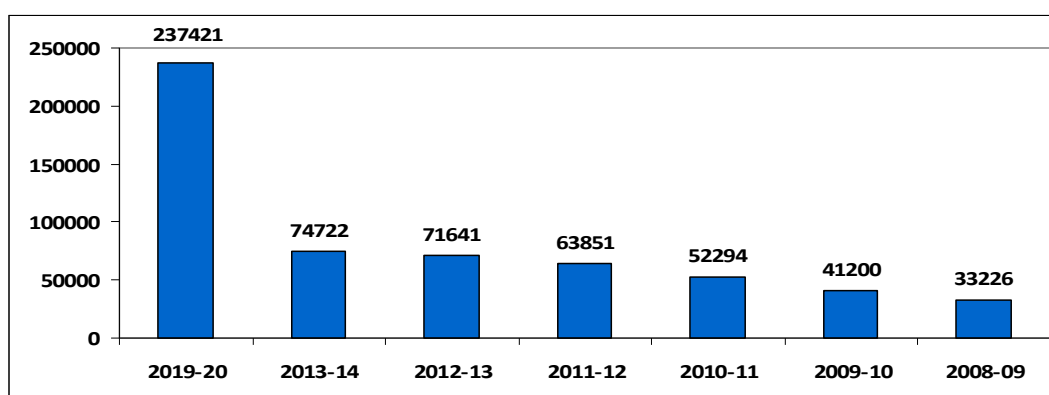
The industry has been victimised by frequent fraudulent activities that have impacted goodwill of the Direct Selling Entities which contributed significantly to a fall in the overall growth of the industry. In addition, the recent incidents in the Southern region, have had a setback at all levels for Direct Selling Business at large. Such activities results in shaking buyer's confidence and demotivation of the Direct Sellers.

Future outlook of **I**ndian **D**irect **S**elling **I**ndustry

9. Future outlook of Indian Direct Selling Industry

The growth prospects of the industry has been analysed in the light of the growth perceptions of the Direct Selling Entities. Although the Direct Selling Industry is currently running in slow gear, growth prospects of the industry are bright, driven by strong consumer base and expanding markets going forward. Direct Selling Entities were positive about the revival of growth of the industry in the coming years. According to the survey, Direct Selling Entities felt that the size of the industry is estimated to leap-frog by 2019-20 scaling upto INR 2,37,421 million from the present level of INR 74,722 million in 2013-14. However, positive policy interventions in the coming times can accelerate the estimated growth pattern to the higher trajectory. It may be mentioned that during the last 5-6 years, Industry has shown 20% CAGR in a row.

Graph 9.1: Market size of Indian Direct Selling Industry (INR million)



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

According to the survey, respondents unanimously felt that the industry is slated to grow (average) in the range of 10-15% in the next three years by 2017. Further, they felt that in long term, over next three to six years by 2020 industry is expected to grow in the range of 15-25%

Table 9.1: Growth perception of Direct Selling Entities

S.No.	Term	Growth rate (%)
1	Medium Term (Within next 3 years)	10-15
2	Long Term (Next 3-6 years)	15-25

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

According to Direct Selling Entities surveyed, health insurance holds the strongest future potential in Indian Direct Selling Sector followed by electronic products including computers and consumer durables while agricultural products including tea could also be a potential in the years to come.

Conclusions

10. Conclusions

Globally, the industry has generated sales of USD 178,521 million in 2013 as against about USD 165,200 million in 2012, registering a growth rate of 8.1%. In terms of employment generation, the sector offered self employment opportunities to 43.8 million Direct Sellers in 2011, which now, in 2013, stood at 96.3 million

The USA recorded highest sales at USD 32,670 million in 2013, while Morocco has registered the lowest sales amongst the nations at USD 12 million in 2013. The industry generated self employment opportunities for 96.3 million Direct Sellers in 2013 as compared to 89.7 million Direct Sellers in 2012, registering a growth rate of 7.4%.

Nearly 43% of market share of global Direct Selling Industry is held by Asian/Pacific markets in 2013 at USD 77,569 million recording a growth rate of 12.6%. Among the regions, North America which captures 19% of global market, the sales stands at USD 34,689 million in 2013 with a growth rate of 2.7%. The market size of Europe stands at USD 31,620 million which captures 18% of global market. The Africa and Middle East captures a share of less than 1% of global market with a growth rate of around 9.2% and (-) 7.7% respectively in 2013. It has been observed that in the BRICS economies, all countries are actively involved in trade through Direct Selling.

The sales growth of the Indian Direct Selling Industry has registered deceleration over the recent years. The gross sales³⁴ by the Direct Selling Industry reached at INR 74,722 million in 2013-14 from INR 71,641 million in 2012-13 and INR 63,851 million in 2011-12. The gross sales can be split up in to gross sales of INR 70,239 million by the Direct Selling Entities belonging to organized sector and INR 4,483 million by the unorganized sector during 2013-14. The Direct Selling Industry has registered growth rate of about 4.3% in 2013-14 as against the growth rate³⁵ of 12.2% in 2012-13, 22% in 2011-12, 27% in 2010-11 and 24% in 2009-10.

Products related to wellness/healthcare contributed to a lion's share in the gross sales of the organised Direct Selling Industry, by a share of 44%, whereas, beauty/cosmetics and personal care and home ware and home improvements products have captured 33% and 12% shares respectively. This is followed by 6% share of consumer and household durables and 5% share belonging to other categories.

The Northern region has registered an increase in share to gross sales at 29% in 2013-14 from 27% in 2012-13 and has registered growth rate of 12.2% in 2013-14 as against 33% in 2012-13. The Eastern region has scripted marginal increase in share to gross sales at 18% in 2013-14 from 17% in 2012-13 and has registered growth rate of 10.4% in 2013-14 as against 19% in 2012-13.

The North Eastern region has scripted a marginal increase in share to gross sales at 12% in 2013-14 from 11% in 2012-13. The region has exhibited a decline in the growth scenario at 13.8% in 2013-14 from 27%

³⁴ The figures used for sales revenue in the Annual Survey 2013-14 refers to Gross sales of direct selling industry which is net sales plus direct and indirect taxes. However, the retail size of the direct selling industry has not been estimated, which may be higher than the gross sales revenue, as retail margins varies between 5% to 25% in the industry.

³⁵ IDSA Annual Surveys since FY2010

in 2012-13. The Western region has scripted an increase in the share to gross sales at 16% in 2013-14 from 15% in 2012-13 and registered growth rate of 11.4% in 2013-14 as against 9% in 2012-13. The Southern region holds 25% share to gross sales of the industry in 2013-14 as against 30% in 2012-13. The growth of the region stands at (-) 13.3% in 2013-14 as against (-) 14% in 2012-13.

The total tax paid by the IDSA Direct Selling Entities (member) amounts to INR 10,631 million in 2013-14 as compared to INR 9,869 million in 2012-13, INR 8,212 million in 2011-12, INR 6,470 million in 2010-11, INR 4,090 million in 2009-10 and INR 3,700 million in 2008-09. The tax paid as reported by the IDSA Direct Selling Entities (member) has increased to about 7.7% in 2013-14 over 2012-13. However, for the current year we have also gathered inputs from the IDSA non member Direct Selling Entities on Indirect taxes paid by them. During, 2013-14, the indirect tax paid by IDSA non-member Direct Selling Entities stands at about INR 4,741 million.

The Direct Sellers of the Indian Direct Selling Industry during 2013-14 stands at 62,37,373 as against 57,75,345 during 2012-13. The growth of Direct Sellers is around 8% in 2013-14 as against 18.9% in 2012-13. According to the survey, Direct Selling Entities have responded that on an average nearly 70% of total Direct Sellers are active. So, going by this percentage, during 2013-14, active Direct Sellers stands at 43,83,487 .

The per-capita revenue generation has been witnessing a declining trend from INR 13,156 in 2011-12 and further to INR 12,404 in 2012-13. However, during 2013-14 the per-capita revenue generation has scaled up to INR 17,046. 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.

With rising cost of living, it has been noticed that Direct Selling Business is not only popular among women but also among men. The share of women has always been around 60% in Direct Selling Business (average during last three years). However, Indian men are looking up to this sector as a supplementary earning opportunity, as consumption basket of the families has swelled up over the years. Among males, it has been noticed that students are fast picking up to earn extra money to support their short or medium term goals. The share of men (Direct Sellers) has increased from 38% in 2011-12 to about 42% in 2013-14.

Almost all the Direct Selling Entities felt that uncertainty in policy results in untoward incidents in terms of unwanted harassment (including imprisonment) and other related investigations which have severely impacted and shaken confidence of not only the Direct Selling players but of consumers too. Almost all Direct Selling Entities felt that such unfortunate happenings in India have not only impacted the investment flows from global Direct Selling Entities but also demoralized the sentiments of domestic players. Further, it has also triggered the closure of couple of international Direct Selling Entities operating in India.

Almost all Direct Selling Entities felt that at international front; almost all countries have framed their national laws regarding Direct Selling in the interest of the consumer and to help Direct Selling Business to prosper vis-à-vis avoiding fraudulent practices through enforcement of stringent laws. Almost all Direct Selling Entities opined that introduction of centralised legislation across India will enable Direct Selling Industry to smoothly conduct their business by removing fraudulent operators. Further, it will augment

self employment generation, boost confidence of investor and therefore lead the industry to higher growth trajectory.

According to the survey, it was found that 91% of the sample population are completely well aware and have familiarity with the concept of Direct Selling and their products. The survey has again revealed that Word of Mouth Publicity is still contributing 70% for sale of Direct Selling Products and; consumers and direct sellers develop personal relationships. Social Media is helping to leverage the pace for sales of products of Direct Selling Industry and building the brand name for the Industry.

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The Indian Direct Selling Industry is well poised to occupy an important position in the international and domestic markets. However, there are many issues and challenges which remains bottleneck for growth of Indian Direct Selling Industry. The first and foremost are the activities of fraudulent fly by night operators who are operating under the garb of Direct Selling Business. Further, another biggest challenge faced by the industry is the absence of central guidelines and regulation for direct selling industry and it has been suggested that there should be formulation and implementation of a unified act and regulation throughout the country. Most of the Direct Selling Entities have reported that their product expansion activities have been impacted by the FSSAI policy norms. On account of delayed approvals, companies are unable to introduce new products and the sourcing of existing products has become a major challenge.

The growth prospects of the industry has been analysed in the light of the growth perceptions of the Direct Selling Entities. Although the Direct Selling Industry is currently running in slow gear, growth prospects of the industry are bright, driven by strong consumer base and expanding markets going forward. Direct Selling Entities were positive about the revival of growth of the industry in the coming years. According to the survey, Direct Selling Entities felt that the size of the industry is estimated to leap-frog by 2019-20 scaling upto INR 2,37,421 million from the present level of INR 74,722 million in 2013-14. However, positive policy interventions in the coming times can accelerate the estimated growth pattern to the higher trajectory. It may be mentioned that during the last 5-6 years, Industry has shown 20% CAGR in a row.

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³⁷ 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

³⁸ 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

Indian Direct Selling Industry so far

Category	2013-14	2012-13	2011-12	2010-11	2009-10
Gross sales (INR Crores)					
Member	4,683.3	4,405.9	3,767.2	3,008.0	2,350
Non-Member	2,788.9	2,758.2	2,617.9	2,221.4	1,770
Organised sector	7,023.9	6,719.9	5,874.3	4,795.4	3,749.2
Unorganised sector	448.3	444.2	5,10.8	434.0	370.8
Gross sales	7,472.2	7,164.1	6,385.1	5,229.4	4,120
YOY Gross sales growth (in %)	4.3	12.2	22.1	26.9	24
Gross sales (INR Million)					
Member	46,833	44,059	37,672	30,080	23,500
Non-Member	27,889	27,582	26,179	22,214	17,700
Organised sector	70,239	67,199	58,743	47,954	37,492
Unorganised sector	4,483	4,442	5,108	4,340	3,708
Gross sales	74,722	71,641	63,851	52,294	41,200
YOY Gross sales growth (in %)	4.3	12.2	22.1	26.9	24
Gross sales (USD Million)					
Member	774.09	809.9	786.5	661.1	495.8
Non-Member	460.98	507	546.5	488.2	373.4
Organised sector	1160.98	1,235.2	1,226.4	1,053.9	791
Unorganised sector	74.10	81.7	106.6	95.4	78.2
Gross sales	1235.07	1,316.9	1,333	1,149.3	869
YOY Gross sales growth (in %)	(-) 6.21	(-) 1.2	16	27.6	24.5
Regional share in gross sale (in %)					
North	29	27	20	15	12
East	18	17	15	14	13
North-East	12	11	10	7	6
West	16	15	17	20	21
South	25	30	38	44	48
Contribution to exchequers by IDSA Direct Selling Entities (member) (INR Million)					
Total taxes paid	10,631	9,869	8,212	6,470	4,090
Direct taxes	3,179	2,931	2,218	1,628	1,390
Indirect taxes	7,452	6,938	5,994	4,842	2,700
Direct Sellers (numbers)					
Direct Sellers Member	36,29,527	47,93,537	39,80,016	32,04,522	25,65,418
Direct Sellers Non-member	7,53,960	9,81,808	8,73,216	7,58,000	6,21,000
Direct Sellers Total	43,83,487	57,75,345	48,53,232	39,62,522	31,86,418
Growth of Direct Sellers (in %)	(-) 24.1	18.9	22.5	24.5	-
Male Direct Sellers	18,27,914	23,44,790	18,19,962	14,26,508	9,55,925
Female Direct Sellers	25,55,573	34,30,555	30,33,270	25,36,014	22,30,492

Source: PHD Research Bureau, compiled from various Indian direct selling surveys.

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Team, PHD Research Bureau, PHD Chamber



Dr. S P Sharma, Chief Economist & Head of Research, PHD Chamber of Commerce and Industry, has around 18 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.



Ms. Surbhi Sharma, Research Officer, PHD Chamber of Commerce and Industry, has nearly four years of experience in wide-ranging socio-economic research issues of the global and Indian macro economy. During her tenure in PHD Research Bureau, she has been working across international, national and sub-national arenas and has worked on several thematic research studies and analytical reports on various segments of the Indian economy. She is a postgraduate in Business Economics from Guru Nanak Dev University and a graduate in Economics from Delhi University.



Ms. Bhawana Sharma, Research Associate, PHD Chamber of Commerce and Industry, has nearly five years of experience in managerial and operational areas. She has worked with TATA Capital before joining PHD Chamber. As a part of the PHD Research Bureau, she has been productive for preparing analytical report on the various aspects of the Indian economy and conducting survey-based studies. She is an MBA from Bharati Vidyapeeth University, Pune.

Team, Indian Direct Selling Association



Ms. Madhuri Maheshwari, Assistant Manager- Corporate Communications, Indian Direct Selling Association has around three years of experience in Government Relations and Corporate Affairs. As a part of Indian Direct Selling Association, she has been instrumental in assembling and bringing together the trends and movement of Direct Selling Industry in India and internationally. She holds a dual degree of MBA and Masters in Business Laws from National Law University and is also a Company Secretary from Institute of Company Secretary of India.



Mr. Nikhilesh Kunal, Sr. Executive – Corporate Communication is working with IDSA for the past one year and does content and concept writing for IDSA. He has been studying the industry from various manifold. Prior to joining IDSA he was working in Chandigarh Edition of the Pioneer. He holds a degree of MBA-Marketing and PG Diploma in Advertising and Marketing from YMCA



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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PHD Chamber of Commerce and Industry

ISBN No. 978 93 84145 11 8

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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.

Dr. S P Sharma
Chief Economist & Director of Research

Ms. Megha Kaul
Sr. Research Officer

Ms. Rashmi Taneja
Sr. Research Officer

Ms. Surbhi Sharma
Research Officer

Ms. Nidhi Gautam
Research Associate

Ms. Pallavi Mehta
Research Assistant

Ms. Bhawana Sharma
Research Associate

Ms. Ekta Goel
Research Assistant

Ms. Sunita Gosain
Secretarial Assistant

We are thankful to Mr. Punit Chaudhry and Mr. Hariom Kuthwaria for providing printing and designing support to publish this report.

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