



## Direct Selling industry expected to reach Rs 53,200 million by 2012-2013 Says IDSA - Ernst & Young Annual Survey findings 2008-09

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- The total size of the direct selling industry in India at Rs 33,300 million for 2008-2009 (excluding insurance)
- Overall direct selling industry grew by 17% in 2008-2009
- Unorganized activity in the direct selling industry has been estimated to be Rs 3,030 million.
- IDSA member companies contribute 62% revenues to the overall organized sector.
- Increase in distribution reach and penetration, combined growing coverage of product categories has contributed to growth in 2008-09
- Health, comprising products related to nutrition, wellness and supplements, has emerged as a leading product category in the direct selling space
- A 10-15% y-o-y growth rate is expected for the overall industry in the next 1-2 years
- Future growth in direct selling is also expected to be driven by the emerging markets in Tier 1 and Tier 2 cities.
- India stands 11<sup>th</sup> overall among the top 25 countries world wide in the number of sales consultants present within the direct selling network, and 23<sup>rd</sup> in terms of the revenue generated through direct selling

New Delhi, October 27, 2009: To harness the potential of the direct selling industry and to provide transparency, its autonomous body Indian Direct Selling Association (IDSA) in association with Ernst & Young released an Annual Survey 08-09 on the Indian direct selling industry which aims to assess the current state of this industry in India and most importantly to identify the contribution it makes to the economy. The survey indicates that the total market size of Direct Selling Industry grew by 17% in 2008-09, to reach Rs 33,300 in 2008-09.

Fredrik Widell, Chairman, IDSA and Regional Director South Asia & MD, Oriflame India informed, "Direct selling companies have been active in contributing to the social and economic development of the country, with over Rs. 3,700 million paid as taxes to the Government exchequer by IDSA member companies alone".

Mr Pinakiranjan Mishra, Partner & Industry Leader, Retail & Consumer Product Practice, Ernst & Young adds that, ' Comparing India with other similar developing countries such as Malaysia, Thailand, Indonesia, etc, indicates that while India has a significant number of consultants involved in direct selling, the revenue generated out of the network is still low. Therefore an increased focus on new and emerging product categories, growth in depth and breath of distribution along with improved productivity of the sales consultant network will help to boost the growth of this industry."

Chavi Hemanth, Secretary General, IDSA says, "With over 13 years of activity in India, direct selling has emerged as a predominant medium for the sale and marketing of product and services across a range of consumer needs, with the associated industry encompassing a size of Rs. 33,300 million for the year 2008-09". She further added "IDSA collaborated with Ernst & Young in creating a report on the direct selling space in India. This joint effort will act as a valuable tool for facilitating effective communication and awareness creation about the direct selling activity in India to the key stakeholders, media and Government and eventually highlight the attractiveness and potential of this industry to the overall Indian economy".

#### Objective of the Survey:

The 2008-2009 survey on the direct selling industry conducted by Ernst & Young in close collaboration with the Indian Direct Selling Association (IDSA) aimed at assessing the current state of the direct selling industry in India across several key parameters encompassing revenues, sales force employed, product category coverage, distribution reach and most importantly the contribution of this industry to the government exchequer. The Report also addressed points like challenges faced by this industry and the overall future outlook.

#### Methodology of the Survey:

To obtain a comprehensive perspective of the direct selling activity, an exhaustive list of companies across product categories and services was first compiled. Subsequently, a total of 50 companies representing the industry universe were selected in consultation with IDSA, taking into account parameters such as revenue, size, product category coverage and acceptance for participating in the interaction.

Key activities in the interaction process ranged from preparation of the questionnaire to verification of the survey findings along with top management personnel and also key inputs from experts in the direct selling industry.

#### Summary of the findings:

- The total size of the direct selling industry in India, not including the insurance activity, is estimated to be at Rs 33,300 million for 2008-2009. Of this the organized sector was at Rs 30,270 million and the unorganized sector was at Rs 3,030 million. IDSA member companies contributed revenues of Rs 18,840 million to the overall organized sector.
- During the year, the overall direct selling industry grew by 17% from Rs 28,510 million in 2007-2008 to touch Rs 33,300 million in 2008-2009. As much as 95% of the

respondent companies posted a revenue growth in the current year. This growth was mainly attributed to increase in distribution reach and penetration and growing coverage of products being sold under the direct selling activity

- The taxes (direct and indirect taxes) paid by the IDSA member companies in the direct selling industry was at Rs 3,700 million for 2008-2009, an increase of 18% over the previous year. The tax paid as a share of revenue was at 20% of the overall revenues. The indirect taxes paid by the IDSA member companies rose sharply by 41.5% primarily on account of increased complexity in the indirect taxation structure for the direct selling industry.
- Health, comprising of products related to nutrition, wellness and supplements, has emerged as a leading category within the product landscape of the organized direct selling industry, with over 42% of the respondents offering these products and contributing to 32% of the overall revenues of the organized direct selling industry. The traditional product categories of personal care & cosmetics occupy a combined share of 18% of the total market, and have been covered by 51% of the companies surveyed.
- In terms of contribution by different regions to the overall direct selling industry, south India remains a key hub of activity for direct selling companies closely followed by North India. The presence of a strong base of sales consultants, combined with high awareness levels of the direct selling concept have contributed to the growth of direct selling in south India. Key states like Delhi and Maharashtra have now started showing a high affinity towards the direct selling concept.
- In terms of cities, metro cities (comprising of the top 8 cities) contribute to 57% of overall revenues of the IDSA member companies. The Tier 1 cities contribute to 29% of the revenues with Tier 2 cities contributing the balance 14%. However, Tier 1 and Tier 2 cities have recorded faster growth than the metro cities
- Nearly 1.82 million individuals have been involved in organized direct selling activity as sales consultants in 2008-09, with women forming 68% of the network. In case of IDSA member companies (not including insurance), as much as 1.2 million individuals are employed as sales consultants
- IDSA member companies spent nearly 13,302 man hours every quarter in imparting training programs for their sales consultants
- In terms of future outlook, a 10-15% y-o-y growth rate is expected for the overall industry in the next 1-2 years. This is expected to take the overall direct selling industry, excluding insurance to a size of Rs 53,200 million by 2012-2013

Fredrik Widell, drawing attention towards global trend of the direct selling industry, said, "The domestic direct selling market might sound optimistic with over 17% growth this year but when India is compared to the top 25 countries internationally for direct selling activity, we see that in terms of the number of sales consultants involved, India ranks 11<sup>th</sup> but in terms of the total industry size, India ranks a distant 23<sup>rd</sup> internationally". However, we are positive that India will long term be a major player in the world Direct Selling industry. We are confident and adamant in together with the Government regulate the industry so that only serious companies offering high quality products/services with a clear focus on end consumers & consultants are operating in India.

About

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.

Incorporated in 1996 and headquartered in Delhi, IDSA strives to create and further an environment conducive to the growth of direct selling industry in India, partnering industry and government alike through advisory and consultative activities.

IDSA catalyses change by working closely with government on policy issues, enhancing efficiency and ushering in desired credibility, clarity & confidence in Direct Selling.

Since its inception the Association has grown to several members representing over a million independent salespeople in India and still counting.

IDSA's members are leading Indian and international organizations engaged in the business of direct selling in India.

The association is also associated with the World Federation of Direct Selling Associations (WFDSA), a non-governmental, voluntary organization globally representing the direct selling industry as a federation of national Direct Selling Associations.

The IDSA and WFDSA table annual plans to take steps so that an environment that supports direct selling emerges and the independent entrepreneurs can create fulfilling careers in direct selling just like in over 150 nations of the world.

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