

Selling Directly

Chavi Hemanth says direct selling, an alternate sales distribution channel, is growing rapidly in India

Direct selling has emerged as a rapidly growing sales option in the recent times. It involves the selling of products directly to buyers or end users through personal presentations or demonstrations of products instead of the conventional channels such as retail.

Globally, direct Selling Industry generated sales of USD 178,521 million in 2013, registering a growth of 8.1 per cent over 2012 when the total revenue was USD 165,200 million. The Indian direct selling industry grew 4 per cent to reach the market size of INR 7,472 crores in 2013-2014. In the previous year, however, it had grown 12 per cent. In 2013-14, organized sec-

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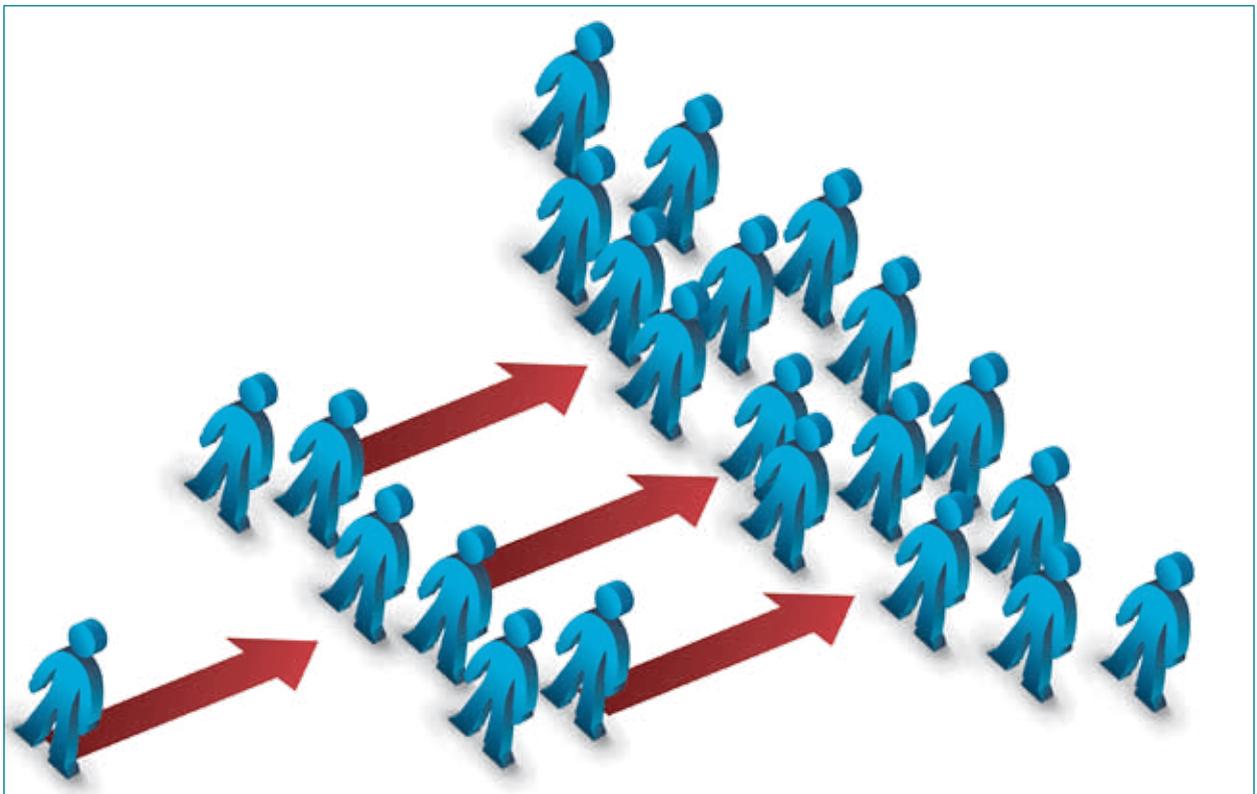
tor contributed nearly 95 per cent to the total sales.

The way forward

A recent survey by the PHD Chambers of Commerce and Industries reports that sales revenue will rise to INR 10,843 crores by 2014-15. In the coming years, the direct selling industry would to grow at an annual average rate of about 20 per cent.

As per Indian Direct Selling Association (IDSA) estimates, the number of distributors associated with the direct selling industry in India are expected to increase by 8 per cent over next two years.

Remarkable Progressive Impact & Widespread Significance – Direct sell-



ing has been instrumental in enhancing self-employment; contributing to the exchequer by paying different levels of taxes, providing financial stability by boosting per capita revenue generation, encouraging women empowerment by way of flexible work schedules and extra income opportunities, thereby contributing to overall economic growth and development.

As an accessible business opportunity, direct selling is open to all and entry is generally not restricted by gender, age, education, resources or previous experience. It is encouraging to note that around the world a substantial majority of direct sellers are women.

In India, approximately 6 million distributors are associated with direct selling companies. Women constitute nearly 60 per cent of the total sales force.

The strength of direct selling lies in its tradition of independence, service to consumers and commitment to entrepreneurial growth. The effectiveness and financial attractiveness of the direct selling model has propelled many companies to venture into direct selling, thereby saving costs that include advertising and the fixed costs of operating retail outlets.

According to the annual survey conducted by the PHD Chamber in 2013-14, over the years there has been a growing importance attached to the contributions by businesses to Corporate Social Responsibility (CSR), as society expects companies to commit to contribute to the overall wellbeing of the society by improving the quality of life of their workforce and their families as well as of the local community and society at large.

The survey also reports that most of the direct selling entities are participating in the CSR activities in critical areas like health and human services, women empowerment and environmental protection, girl child protection, education and child rights. According to the survey, Direct Selling Entities have contributed approximately INR 500 million in CSR activities.

Micro, Small and Medium Enterprise (MSME) sector has emerged as a

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dynamic sector of the Indian economy over the last five decades. The sector is considered to be a strategic asset for the economy as a vast network of around 47 million industrial units provides employment to about 106 million people, manufactures more than 6,000 products and contributes significantly to economic growth. These units 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.

On the other hand, the Indian direct selling industry is people centric and has a positive socio-economic impact. It has contributed largely to the growth of India's MSME sector by way of outsourcing their manufacturing processes to these enterprises in order to produce products domestically.

The Direct Selling Entities' import only 30 per cent of the total produce and the remaining 70 per cent are produced through contract manufacturing particularly through MSMEs in India. Thus, the demand for MSMEs in India is rising, and they are upgrading their manufacturing facilities by expanding quality control mechanisms, and on time delivery of orders. This has led to an expansion of their 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.

Overall, 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 the expansion of Indian economy provided the sector is supported with a conducive policy environment. The key facts of the direct selling industry as per the PHD Research Bureau's compilation of various sources for 2013-14 are as follows:

- Gross Sales (INR million) : 74,722
- Share in India's GDP (%) : 0.07
- Growth of Gross Sales (%) : 4.3
- Active Direct Sellers : 4,383,487
- Per capita revenue generation (INR) : 17,046

In Tune With Business Ethics - Around 16 companies involved in direct selling of products are members of the Indian Direct Selling Association or IDSA.

IDSA has laid down a Code of Practice or business ethics which the member companies shall comply with in the conduct of their businesses. This is a non-negotiable feature of the IDSA membership governing the admission and continuation of membership. The general terms apply to both the consumers as well as direct sellers.

The World Direct Selling Code of Conduct (WFDSA) code of ethics incorporates all principles covering the activities of companies and individuals engaged in direct selling. Major objectives of this Code focus on achieving the following outcomes:

- No misleading or deceptive form of advertising and promotion
- Sales conduct to be sensitive of the rights and privileges of the individual consumer in the privacy of his or her home or place where sales may take place other than a fixed retail location
- Demonstration of the product with complete explanation and/or cease on request



- Direct salespersons to verify and authenticate by disclosing full identity and address /contact details
- Apply a minimum 7 days cool-off period
- Full advise on terms of payment at the time the product is ordered
- Provision of comprehensive complaints and disputes procedures
- Mechanisms to ensure the code is administered

Although Direct Sellers are not bound directly by this code, adherence to the rules of conduct is a precondition for the membership. This code is not law, but its obligations require a level of ethical behaviour from companies and direct sellers. Non-observance of this code does not create any civil law liability.

Compliance to all requirements of laws in India is mandatory for all companies including direct sellers. This code does not restate all legal obligations pertaining to direct selling.

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Moreover, each member of IDSA is required to comply with the WFDSA World Code of Conduct for Direct Selling with regard to its activities outside its home country, unless those activities are under the jurisdiction of codes of conduct of another country's direct selling association to which the member also belongs.

The code contains three major sections; conduct for the protection of consumers, conduct between companies and direct sellers and conduct between companies, thereby addresses the varying interactions across the spectrum of direct sales. The main features of the code are satisfaction and protection of consumers; promotion of fair competition within the framework

of free enterprise and enhancement of the public image of direct selling. ■



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