

## Delhi's direct selling market estimated to reach INR 15-20 billion by 2025: FICCI-KPMG Report

- *Direct selling industry in India has the potential to reach a size of INR 645 billion by 2025*
- *Delhi is all set to grow to INR 15-20 billion at CAGR of approximately 43 per cent by 2025*
- *The direct selling industry provided self employment opportunities to around 250,000-300,000 people in FY14 with around 58 per cent of the total workforce dominated by women*
- *Considering the market's potential to grow to INR 15-20 billion in 2025, the contribution to the government revenue in the form of indirect taxes is also expected to reach to INR 1,500-2,000 million by 2025*

**New Delhi, 28 June 2016:** The direct selling industry in India is currently reckoned at INR 75 billion, one of the fastest growing non-store retail formats, recording double digit growth of more than 16 per cent over the past four years. It has attracted a large number of Indian and foreign direct selling companies. The FICCI-KPMG India report, titled, '**Direct Selling: Delhi – A Global Industry, Empowering Millions**' launched today, estimates that this industry in has the potential to reach a size of INR 15-20 billion by 2025, driven by the swelling share of middle income households, growth in consumer markets and an increase in the penetration of direct selling to globally comparable levels. The report also suggests that realising this potential is contingent on creating an enabling environment for the industry and mitigating some of the challenges it faces today.

At a CAGR of 43 per cent, has been one of the fastest growing direct selling states in India between FY10 and FY14. While the direct selling industry in has witnessed reasonable growth in the past few years, the industry faces certain regulatory challenges which impacted the industry in FY13 & FY 14. However, being one of the fastest growing states in India, it also boasts of reasonable per capita incomes in India. This has in turn led to higher expenditure on consumer goods. The increasing working population in state like also make a good direct selling market. The industry picked up in FY14 2014, the direct selling market in Delhi was estimated in the range of INR4.0-4.5 billion.

**Ms. Chandralekha Malviya**, Principal Advisor, Ministry for Consumer Affairs, Food & Public Distribution quoted that "*We acknowledge the contribution of this industry and we have worked hard on preparing the guidelines for the industry. It is in the final stages of approvals and will be released very soon*".

Also, **Mr. Anukul Agrawal**, CEO at Vestige Marketing Pvt. Ltd. said, "*We are very encouraged to learn from Consumer Affairs Ministry that the guidelines will be issued very soon. Direct Selling Industry will strictly follow the guidelines*".

The FICCI-KPMG India report further estimates that the state has witnessed a continuous growth in the number of direct sellers in FY14, over 250,000-300,000 direct sellers were estimated to be engaged with the industry, and this number is projected to grow further with the growth of the industry. The industry is known to facilitate self-employment opportunities and promote women empowerment.

The industry in FY14 provided self-employment to nearly 145,000-175,000 female direct sellers (58 per cent of the total direct seller workforce in the state). It has been observed that with the rising costs of living, the direct selling business is gaining popularity among men too who are looking at it as a supplementary earning opportunity. The sector will provide Self-employment opportunities to 400,000-500,000 people by 2025.

In terms of responsibilities towards society, direct selling companies have several contributions to their credit in Delhi. The report outlines several socio-economic benefits that the industry extends. One of the major benefits comes in the form of reach expansion to rural areas of the state, while providing the consumers with knowledge about different products and services.

The industry has also contributed to greater growth and technology percolation which stems from it sourcing manufacturing capabilities of Small and Medium Enterprises (SMEs) in the state which is in line with the Government's 'Make In India' campaign. The companies also impart the manufacturing know-how, technology and processes, invest in providing the right equipment and machinery for production. The third advantage comes from the operating model for direct selling generating tax contributions to the government which is estimated to be in the range of INR400-450 million in FY 14. Considering market potential and future growth of the industry in 2025, the contribution to the government revenue in the form of indirect taxes is also expected to INR1,500-2,000 million by 2025.

Highlighting the growth contributors, the report suggests that the industry has the potential for greater penetration. Other growth factors include robust GDP growth driving household incomes that is likely to triple by 2025, rapid urbanisation, and overall industry growth in key categories such as health and wellness, cosmetics, household goods, many of which are expected to grow at 10-16 per cent.

The direct selling industry in has witnessed reasonable growth in the past few years. However, the industry faces certain regulatory challenges. There is no systematic and standard policy on direct selling that is based on the constitutional structure. In addition to this, there are other regulatory issues including a lack of definition and separate provisions for the industry, which can adversely affect the industry.

To provide a conducive and sustainable operating environment in India for the companies operating in direct selling industry, a series of reforms are required ranging from immediate short term reforms such as framing state level rules and/or standard operating procedures for

law enforcement agencies to long term measures including enacting a specific governing legislation for the sector or making amendments in the existing Acts/policies.

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