KPMG

FICCI

Direct 2015

Direct selling
Mapping the industry across Indian states

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[Foreword]

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FICCI

This report is a follow-up to the FICCI-KPMG report on direct selling in India released in 2014 highlighting the opportunities, potential and contribution of the sector to the entire nation. Direct 2015 is a state-focused report which highlights the potential that the direct selling industry has in select states in India, the challenges it faces, and actionable recommendations at the state level to overcome these challenges.

The Indian direct selling market at INR75 billion (2013-14) has been recording double digit growth of more than 16 per cent over the past four years. This growth has been trending even at state levels. The growing markets in the states have attracted a large number of Indian and foreign direct selling companies.

Although direct selling is a relatively new industry, it has provided self-employment opportunities to a large number of people especially women. Besides providing additional income opportunities to direct sellers, the industry also generates significant direct employment. A majority of the direct selling companies outsource production, packaging and distribution of their products, thus generating indirect employment across the value chain along with enabling the development of the SME sector. The industry also contributes to the state exchequer and generates taxes. The industry has the potential to resolve several socio-economic problems being faced by the states. Many direct selling companies have been at the social forefront, actively contributing towards social activities in different capacities in all the states.

However, the direct selling industry in the states faces many challenges especially on the regulatory front. We strongly believe that a clear distinction between fraudulent companies and legitimate businesses should be made to facilitate the growth of direct selling in the states.

We, as the FICCI direct selling subcommittee, give expert insights into the issues faced by this labour-intensive industry. The subcommittee has an advisory board of experts comprising of economists, academia, thought leaders, lawyers and industry stake holders.

FICCI is confident that this report will provide insights and actionable recommendations for creating a conducive regulatory environment for the industry at the state level.



Dr. A. Didar Singh
Secretary General, FICCI

KPMG in India

After Direct 2014 set the context last year, Direct 2015 attempts to highlight the key nuances of the direct selling industry in select states in India. In addition, the report emphasises the industry's potential and outlines recommendations to further boost the growth of the industry.

Direct selling is one of the oldest, most-traditional forms of selling globally; today it is a successful industry operating in over 100 countries globally with a market size of USD180 billion.[1]

The direct selling industry in India is estimated at INR75 billion (2013-14), and forms only around 0.4 per cent of the total retail sales in the country. This is far lower than the industry's market share in other comparable economies (one-half of direct selling market size of China and one-tenth of Malaysia). Factoring in growth in consumer markets and assuming the direct selling industry penetrates the market to touch globally-comparable levels, the industry has the potential to reach a size of INR645 billion by 2025.

The direct selling industry has contributed significantly to women empowerment, skill development, technology percolation and the growth of the Small & Medium sized Enterprises (SMEs) sector in the states, besides contributing to the state exchequer. In addition, the industry also provides a viable means of alternative income, which promotes self-employment.

With the functioning of the industry relying on individuals to accomplish sales, a number of fraudulent businesses have also tried to emulate the form. This has impacted the industry even at the state level. Regulatory challenges are considered to be among the biggest deterrents to the growth of the direct selling industry in India. There is a need to revisit the existing laws in the states and bring about regulatory clarity.

The need of the hour is to sensitise consumers and stakeholders, as well as constantly lobby for appropriate legislation that would represent the interests of the industry.



Rajat Wahi
Partner and Head,
Consumer Markets, KPMG in India

1. WFDSA website, Date: 22 September, 2015

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Direct selling is essentially the marketing of products and services directly to consumers in a person-to person manner, away from permanent retail locations[1]

Direct Selling is a dynamic and rapidly expanding channel of distribution for the marketing of products and services. While there is no universal definition of direct selling, with different countries, associations and individuals have defined the sector differently. It can be broadly understood as "selling of goods and services to the consumers away from a fixed retail outlet, generally in their homes, workplace etc., through explanation and demonstration of the product by the direct sellers".[1] Direct sales generally benefit from the explanation and demonstration of products made by a direct sales person to the consumer. Being a specialised channel of distribution, which is neither wholesale nor retail, it covers both business-to-business and business-to-consumers aspects.

Despite its differences, in many ways, direct selling is similar to traditional consumer goods retail. In both cases:

- The distributors/direct sellers, can earn a commission, when the sale of the product takes place.
- The sales commission may be based on one's own sales as well as the cumulative sales of the group of the seller.

1. Discussions with National Law School, Industry Discussions, WFDSA, FICCI Direct Selling Task Force, KPMG report- Direct selling: A global industry empowering millions in India, 2014

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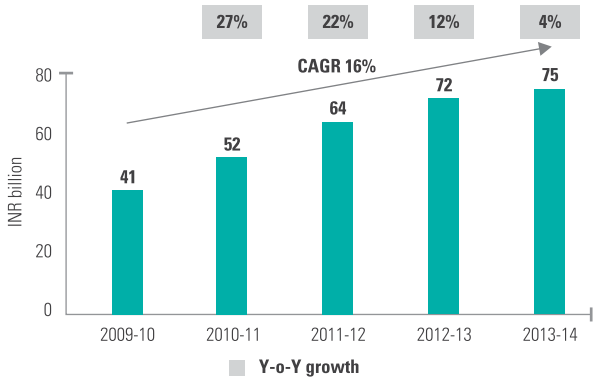
Direct selling market in India



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The direct selling market in India has grown at a CAGR of 16 per cent over the last five years from INR41 billion in 2009-10 to INR75 billion in 2013-14

Direct selling market size in India



Source: IDSA annual survey 2013-14 in association with PHD chamber for years 2009-2014, FICCI Direct Selling TaskForce

The direct selling market in India has grown at a CAGR of 16 per cent over the past five years to reach INR75 billion today. The market grew at a lower rate of 4 per cent in 2013-14 due to slowdown in the industry.

The Indian Direct Selling Industry is well placed to successfully foray into international and domestic markets. However, there are many issues and challenges that need to be overcome to make that vision a reality.

The factors hampering full fledged growth include: fly-by-night Ponzi and pyramid schemes which are often confused with direct selling, a clear legal definition of the industry, and clear and centralised regulations.

In states such as Andhra Pradesh, Telangana and Kerala, the direct selling business has been impacted due to lack of regulatory clarity. There is a need for the central as well as respective state governments to arrive at a comprehensive policy for the industry, which would enable the industry to grow and create both direct and indirect employment.

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North India is the largest market for direct selling followed by the South

The region-wise direct selling market

North

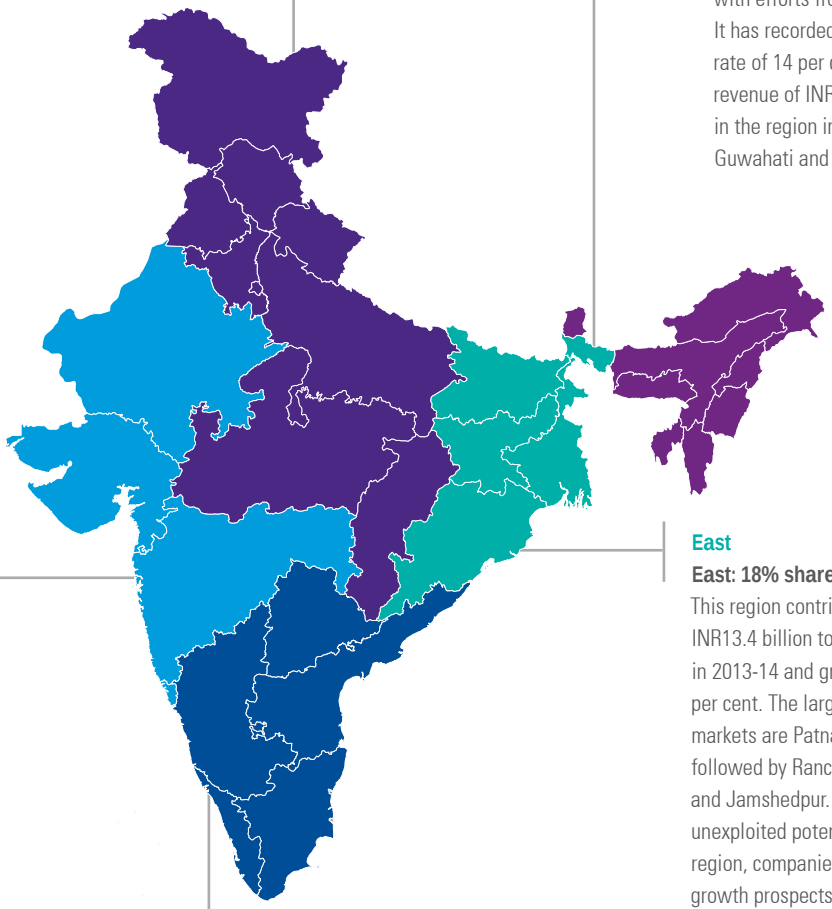
North: 29% share; 12% growth

North India is the largest region by market size and accounted for INR22 billion in 2013-14. Lucknow, Ludhiana and Delhi generate the maximum sales in the region. Other key cities include Bhopal, Chandigarh and Allahabad.

North East

North East: 12% share; 14% growth

North East India is currently the smallest market for direct selling. However, over the past few years, growth has picked up in the region with efforts from industry players. It has recorded the highest growth rate of 14 per cent in India with revenue of INR9 billion. Key cities in the region include Itanagar, Guwahati and Shillong.



West

West: 16% share; 11% growth

West India is a relatively smaller market compared to the northern and southern regions. Direct selling sales in this region are driven by Mumbai and Jaipur followed by other key cities such as Ahmedabad, Surat and Pune. Collectively, the region recorded revenues for INR12 billion in the year 2013-14.

East

East: 18% share; 10% growth

This region contributed around INR13.4 billion to the gross revenue in 2013-14 and grew at around 10 per cent. The largest direct selling markets are Patna and Kolkata followed by Ranchi, Bhubaneshwar and Jamshedpur. With considerable unexploited potential in the eastern region, companies are optimistic about growth prospects in the future.

South

South: 25% share; 13% decline

South India holds the second highest share for the direct selling industry and accounts for INR19 billion in revenue in 2013-14. However its share has fallen along with a negative growth rate in recent times given the unfavourable business environment (lack of regulatory clarity leading to litigation on direct selling companies). Bengaluru, Chennai and Hyderabad are the largest direct selling markets in the South.

Sources: IDSA annual surveys 2013-14, FICCI Direct Selling Taskforce

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State-wise direct selling market

Company name	FY14				FY10-FY14	2025
	Revenues	Employment	Women employment	Taxes paid to the exchequer	Revenue growth rate	Growth vision: Revenue
	INR billion	No. of direct sellers	No. of women direct sellers	INR million	%	INR billion
Andhra Pradesh and Telangana	3.3-3.5	270,000-290,000	160,000-170,000	320-370	15%	48-50
Assam	3.6-3.8	300,000-320,000	170,000-180,000	350-400	46%	8-Jun
Delhi	4.0-4.5	250,000-350,000	145,000-175,000	400-450	43%	15-20
Gujarat	2.8-3.0	240,000-260,000	140,000-150,000	300-350	14%	48-50
Karnataka	3.5-4.0	130.000-180,000	75,000-100,000	350-400	8%	35-40
Kerala	0.7-0.75	80,000-90,000	45,000-50,000	70-75	-30%	18-20
Maharashtra	7.6-7.8	630,000-640,000	370,000-380,000	740-790	9%	68-70
Punjab	3.0-3.5	260,000-270,000	150,000-160,000	330-340	38%	25-28
Tamil Nadu	9.0-11.0	900,000-950,000	520,000-560,000	1,000-1,050	-2%	75-80
West Bengal	7.5-7.7	630,000-650,000	370,000-380,000	750-800	30%	19-21

Source: IDSA Annual Survey 2013-14, industry discussions, FICCI Direct Selling Task Force and KPMG in India analysis, 2015



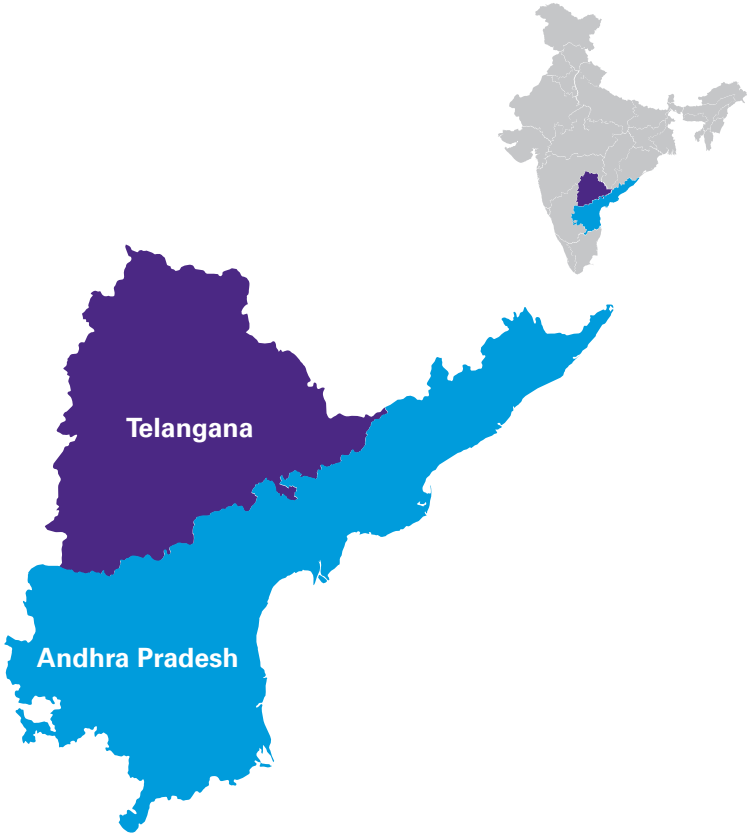
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Direct selling market in Andhra Pradesh and Telangana



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The direct selling market in Andhra Pradesh and Telangana was estimated to be around INR3.3-3.5 billion in 2013-14



State overview

With a high rate of economic development, the FMCG market is well developed in Andhra Pradesh and Telangana, especially in urban markets like Hyderabad, Vijayawada and Vishakhapatnam. Organised retail is also a fast-growing sector with the development of many malls in the state. With the rising demand for FMCG, the state should enjoy the full potential of the direct selling industry as well.

The direct selling market in Andhra Pradesh and Telangana is approximately INR3.3-3.5 billion market today and is dominated by international companies including Amway, Avon, Herbalife and Oriflame.[1]

The direct selling industry spans across a diverse range of products. However, specialised products requiring one-on-one interaction and demonstrations such as health and wellness products, cosmetics and personal care products dominate the direct selling market.

As a result, over the last decade Andhra Pradesh and Telangana have offered significant opportunities for investment by direct selling companies.

Particulars	Remarks
State	Andhra Pradesh and Telangana
Capital	Hyderabad
Population (2011 census)	84.6 million
GDP per capita (FY14)	INR176,758
Direct selling market (2013-14)	INR3.3-3.5 billion
Number of direct sellers (2013-14)	0.27 million-0.29 million
Market growth potential (2025)	INR48-50 billion

Source: IDSA Annual Survey 2013-14, Indiacensus, FICCI Direct Selling Taskforce, Industry Discussions and KPMG in India analysis 2014-15

1. Industry discussions, FICCI Direct Selling Task Force, KPMG in India analysis 2014-15

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Direct selling industry in the state has created a positive impact on several social and economic parameters

Direct selling in Andhra Pradesh and Telangana

Today, the direct selling market in Andhra Pradesh and Telangana is estimated in the range of INR3.3-3.5 billion.[2] Our interaction with industry stakeholders suggests that the industry has created a positive impact on several social and economic parameters.

a. **Additional income opportunities:** Direct selling provides additional income opportunities to a large number of people and promotes micro-entrepreneurship. Currently, nearly 0.27 million direct sellers are estimated to be engaged with the industry,[3] and this number is projected to grow further. In addition to providing income opportunities, direct selling also imparts transferable skills in sales and management, which can be used outside the direct selling industry as well.

b. **Women empowerment:** Direct selling offers self-employment opportunities to a large number of people, especially women. Direct selling gives women the flexibility to manage their time and balance their work and personal lives. The industry in FY14 provided self-employment to more than 0.16 million female distributors (58 per cent of the total direct seller workforce in the state).[3] Many companies work towards the empowerment of women. Through Project Shakti, Hindustan Unilever (HUL) markets and sells its health and beauty care products by recruiting female entrepreneurs called 'Shakti Ammas'.[4]

c. **Development of the SME sector:** Many direct selling companies rely on SMEs to manufacture their products. They also rely on ancillary support services such as packaging, labeling, logistics and material supply. In many cases, the direct selling companies impart the manufacturing know-how, technology and processes to enable the SMEs to produce quality products. Many cases direct selling companies also invest in providing the right equipment and machines to the SMEs for production. Driven by these initiatives, several SMEs have now developed capabilities to cater to the needs of other MNCs and have started supplying to them, promoting India as a manufacturing destination.

d. **Employment generation:** Besides providing additional income opportunities to direct sellers, the industry also generates significant direct employment. A majority of the direct selling companies outsource the production, packaging and distribution of their products, thus generating indirect employment across the value chain.

e. **Social initiatives:** In terms of responsibilities towards the society, direct selling companies have several contributions to their credit in India. Many of the companies involved in direct selling actively contribute towards social activities. Avon's Breast Cancer Crusade and Amway's Sunrise project for education are well known for their social impact.[4]

f. **Contribution to the government exchequer:** The operating model for direct selling generates tax contributions to the government across its value chain. Total indirect tax contribution by direct selling industry to the government in FY14 alone is estimated to be in the range of INR320-370 million.[4]

2. KPMG in India analysis, 2014-15

3. IDSA Annual Survey 2013-14, KPMG in India analysis 2014-15, Industry Discussions

4. Industry Discussions, FICCI Direct Selling Task Force, KPMG India analysis 2014-15



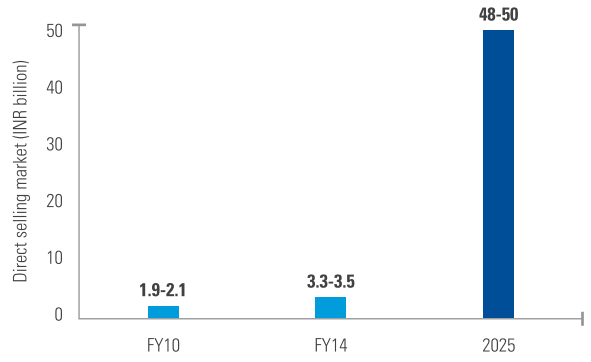
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Direct selling industry in the state has the potential to reach INR48-50 billion by 2025

Going forward, the industry has the potential to create a significant social and economic impact in Andhra Pradesh and Telangana. Our estimates suggest that the industry in Andhra Pradesh and Telangana has the potential to reach a size of INR48-50 billion by 2025, driven by the growth in consumer markets and an increase in the penetration of direct selling to globally-comparable levels. This could however be contingent upon creating an enabling environment for the industry, and mitigating of some of the challenges it is faces today.

Immense market potential of INR48-50 billion

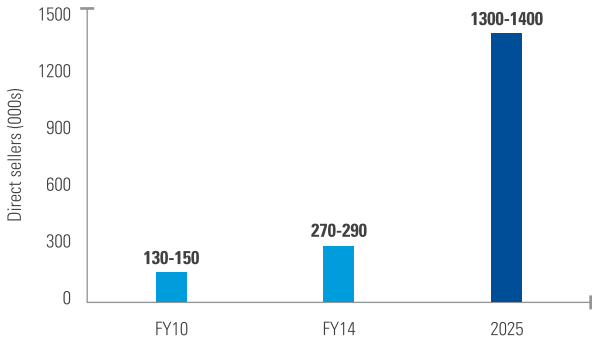
Direct selling market size



Sources: IDSA Annual Survey 2013-14, FICCI Direct Selling Taskforce, KPMG India analysis 2014-15

..offering self-employment opportunities to 1.3-1.4 million

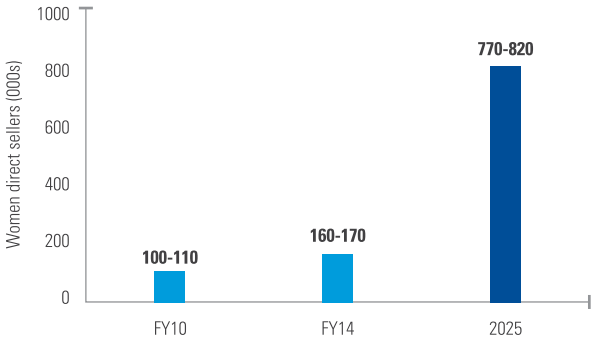
Self-employment opportunities



Sources: IDSA Annual Survey 2013-14, FICCI Direct Selling Taskforce, KPMG India analysis 2014-15

..with the potential to economically empower 0.8 million women

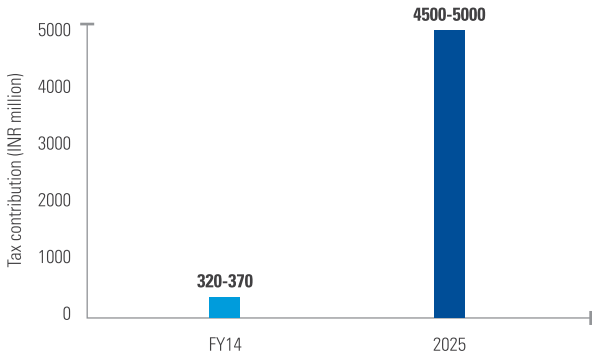
Growth in number of women direct sellers



Sources: IDSA Annual Survey 2013-14, FICCI Direct Selling Taskforce, KPMG India analysis 2014-15

..and the ability to contribute INR4.5-5.0 billion to the exchequer

Contribution to exchequer



Sources: IDSA Annual Survey 2013-14, FICCI Direct Selling Taskforce, KPMG India analysis 2014-15

Impact of GST has not been considered for the opportunity assessment of the industry and its contribution to the exchequer.

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Direct selling market in Assam



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The direct selling market in Assam is estimated to be around INR3.6-3.8 billion in 2013-14



State overview

At a CAGR of 46 per cent[1], Assam has been one of the fastest-growing direct selling states in India between FY10 and FY14. Assam is fast emerging as a key destination for the international direct selling companies. On the back of consistent annual growth, several new players are now targeting the region to expand their operations.

Industrialisation in Assam dates back to the days of the first commercial plantation of tea and which occupies an important position in the state's economy. The registered factories in the state include major, medium and small units in central public sector, state public sector and private and joint sector. Major cities driving significant growth in the state are Guwahati, Dibrugarh, Digboi and Jorhat.[2]

The future growth of the direct selling industry in the east is expected to be fuelled by rising awareness of the concept, led by categories such as personal care and cosmetics which typically show high demand. With the rising demand for FMCG products, the state should witness growth in the direct selling industry as well. The direct selling market in Assam is approximately a INR3.6-3.8 billion market today and is dominated by international companies including Amway, Avon, Herbalife and Oriflame.[1]

The direct selling industry spans a wide-range of products. However, specialised products requiring one-on-one interactions and demonstrations with the customers such as health and wellness products, cosmetics and personal care products dominate the direct selling market.

Particulars	Remarks
State	Assam
Capital	Dispur
Population (2011 census)	31.2 million
Key cities	Guwahati, Silchar, Dibrugarh, Digboi, Jorhat
GDP per capita (2013)	INR46,354
Direct selling revenue (FY14)	INR3.6-3.8 billion
No. of direct sellers (FY14)	0.30-0.32 million direct sellers
Market growth potential -2025	INR6-8 billion

Source: IDSA Annual Survey 2013-14 , Industry Discussions, FICCI Direct Selling Taskforce and KPMG in India analysis 2014-15

1. IDSA Annual Survey 2013-2014, Industry Discussions, FICCI Direct Selling Taskforce, KPMG India analysis 2014-15
2. Website of Assam state government, retrieved- 10-Sep-2015

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Direct selling industry in the state has created a positive impact on several social and economic parameters

Direct selling in Assam

Today, the direct selling market in Assam is estimated in the range of INR3.6-3.8 billion.[3] Our interaction with industry stakeholders suggests that the industry has created a positive impact on several social and economic parameters.

a. **Additional income opportunities:** Direct selling provides additional income opportunities to a large number of people and promotes micro-entrepreneurship. Currently, nearly 0.3 million direct sellers are estimated to be engaged with the industry,[4] and this number is projected to grow further. In addition to providing income opportunities, direct selling also imparts transferable skills in sales and management, which can be used outside the direct selling industry as well.

b. **Women empowerment:** Direct selling offers self-employment opportunities to a large number of people, especially women. Direct selling gives women the flexibility to manage their time and balance their work and personal lives. The industry in FY14 provided self-employment to more than 0.17 million female distributors (58 per cent of the total direct seller workforce in the state).[4] Many companies work towards the empowerment of women. Through Project Shakti, Hindustan Unilever (HUL) markets and sells its health and beauty care products by recruiting female entrepreneurs called 'Shakti Ammas'.[5]

c. **Development of the SME sector:** Many direct selling companies rely on SMEs to manufacture their products. They also rely on ancillary support services such as packaging, labeling, logistics and material supply. In many cases, the direct selling companies impart the manufacturing know-how, technology and processes to enable the SMEs to produce quality products. Many cases direct selling companies also invest in providing the right equipment and machines to the SMEs for production. Driven by these initiatives, several SMEs have now developed capabilities to cater to the needs of other MNCs and have started supplying to them, promoting India as a manufacturing destination.

d. **Employment generation:** Besides providing additional income opportunities to direct sellers, the industry also generates significant direct employment. A majority of the direct selling companies outsource the production, packaging and distribution of their products, thus generating indirect employment across the value chain.

e. **Social initiatives:** In terms of responsibilities towards the society, direct selling companies have several contributions to their credit in India. Many of the companies involved in direct selling actively contribute towards social activities. Avon's Breast Cancer Crusade and Amway's Sunrise project for education are well known for their social impact.[5]

f. **Contribution to the government exchequer:** The operating model for direct selling generates tax contributions to the government across its value chain. Total indirect tax contribution by the direct selling industry to the government in FY14 alone is estimated to be in the range of INR350-400 million.[5]

3. KPMG in India analysis, 2014-15
4. IDSA Annual Survey 2013-14, KPMG in India analysis 2014-15, Industry discussions
5. Industry Discussions, FICCI Direct Selling Taskforce, KPMG India analysis 2014-15



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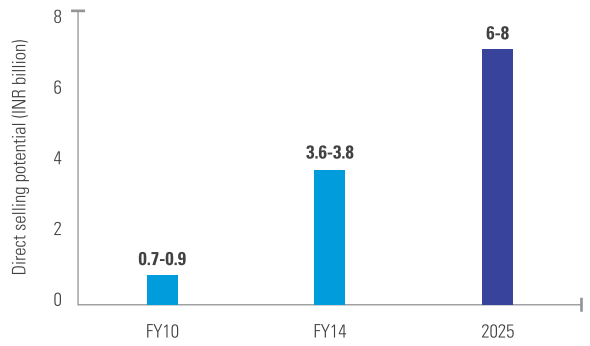
Direct selling industry in the state has the potential to reach INR6-8 billion by 2025

Going forward, the industry has the potential to create a significant social and economic impact in Assam. Our estimates suggest that the industry in Assam has the potential to reach a size of INR6-8 billion by 2025, driven by growth in consumer markets and an increase in the penetration of the direct selling industry to globally comparable levels.

This could however be contingent upon creating an enabling environment for the industry, and mitigating some of the challenges it faces today

Immense market potential of INR6-8 billion

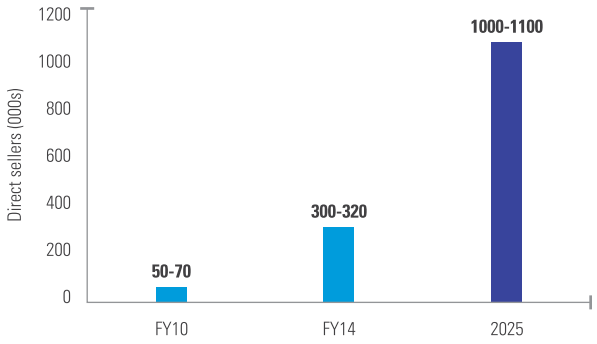
Direct selling revenue



Sources: IDSA Annual Survey 2013-14, FICCI Direct Selling Taskforce, KPMG India analysis 2014-15

..offering self-employment opportunities to 1.0-1.1 million

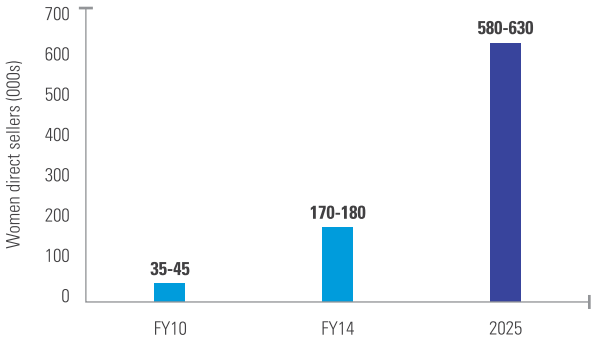
Direct sellers growth



Sources: IDSA Annual Survey 2013-14, FICCI Direct Selling Taskforce, KPMG India analysis 2014-15

..with the potential to economically empower more than 0.58 million women

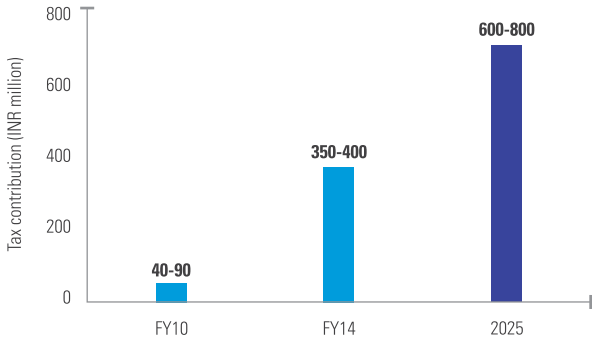
Growth in number of women direct sellers



Sources: IDSA Annual Survey 2013-14, FICCI Direct Selling Taskforce, KPMG India analysis 2014-15

..and the ability to contribute INR600-800 million to the exchequer

Contribution to exchequer



Sources: IDSA Annual Survey 2013-14, FICCI Direct Selling Taskforce, KPMG India analysis 2014-15

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Direct selling market in Delhi



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The direct selling market in Delhi is estimated to be around INR4.0-4.5 billion in 2013-14



State overview

Delhi is an important market for direct selling industry in India. The direct selling industry in Delhi has witnessed rapid growth with a CAGR of 43 per cent over the past five years and was estimated to be around INR4.0-4.5 billion in FY14.[1] This growth has been propelled by high rate of economic development in the state, rising aspirational levels and consumption oriented population. Consequently, Delhi's contribution to overall Indian direct selling industry has gradually risen from 3 per cent in FY10 to about 6 per cent in FY14. As per IDSA annual survey 2013-14, Delhi ranked as the second most attractive market for direct selling in India in FY14.

The major direct selling players operating in Delhi are Amway, Modicare, Tupperware, etc. The direct selling industry spans a wide-range of products. However, specialised products requiring one-on-one interaction and demonstration with the customers such as health and wellness products, cosmetics and personal care products dominate the direct selling market in Delhi.[1]

Particulars	Remarks
State	Delhi
Capital	Delhi
Population (2011 census)	16.75 million
NDP per capita (FY14)	INR219,979
Direct selling market (FY14)	~ INR4.0-4.5 billion
No. of direct sellers (FY14)	~ 250,000-300,000
Market growth potential (2025)	INR15-20 billion

Source: IDSA Annual Survey 2013-14 , Industry Discussions, FICCI Direct Selling Taskforce and KPMG in India analysis 2014-15

1. IDSA Annual Survey 2013-14, KPMG in India analysis 2014-15, Industry Discussions, FICCI Direct Selling Taskforce

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Direct selling industry has created a positive impact on several social and economic fronts in Delhi

Direct selling in Delhi

Today, the direct selling market in Delhi is estimated in the range of INR4.0-4.5 billion.[2] Our interaction with industry stakeholders suggests that the industry has created a positive impact on several social and economic parameters.

a. **Additional income opportunities:** Direct selling provides additional income opportunities to a large number of people and promotes micro-entrepreneurship. Currently, nearly 250,000-300,000 direct sellers are estimated to be engaged with the industry,[3] and this number is projected to grow further. In addition to providing income opportunities, direct selling also imparts transferable skills in sales and management, which can be used outside the direct selling industry as well.

b. **Women empowerment:** Direct selling offers self-employment opportunities to a large number of people, especially women. Direct selling gives women the flexibility to manage their time and balance their work and personal lives. The industry in FY14 provided self-employment to more than 145,000-175,000 female distributors (58 per cent of the total direct seller workforce in the state).[3] Many companies work towards the empowerment of women. Through Project Shakti, Hindustan Unilever (HUL) markets and sells its health and beauty care products by recruiting female entrepreneurs called 'Shakti Ammas'.[4]

c. **Development of the SME sector:** Many direct selling companies rely on SMEs to manufacture their productsThey also rely on ancillary support services such as packaging, labeling, logistics and material supply. In many cases, the direct selling companies impart the manufacturing know-how, technology and processes to enable the SMEs to produce quality products. Many cases direct selling companies also invest in providing the right equipment and machines to the SMEs for production. Driven by these initiatives, several SMEs have now developed capabilities to cater to the needs of other MNCs and have started supplying to them, promoting India as a manufacturing destination.

d. **Employment generation:** Besides providing additional income opportunities to direct sellers, the industry also generates significant direct employment. A majority of the direct selling companies outsource the production, packaging and distribution of their products, thus generating indirect employment across the value chain.

e. **Social initiatives:** In terms of responsibilities towards the society, direct selling companies have several contributions to their credit in India. Many of the companies involved in direct selling actively contribute towards social activities. Avon's Breast Cancer Crusade and Amway's Sunrise project for education are well known for their social impact.[4]

f. **Contribution to the government exchequer:** The operating model for direct selling generates tax contributions to the government across its value chain. Total indirect tax contribution by the direct selling industry to the government in FY14 alone is estimated to be in the range of INR400-450 million.[4]

2. KPMG in India analysis, 2014-15

3. IDSA Annual Survey 2013-14, KPMG in India analysis 2014-15, Industry Discussions

4. Industry Discussions, FICCI Direct Selling Taskforce, KPMG India analysis 2014-15



Note: Delhi represent only Delhi area and not NCR

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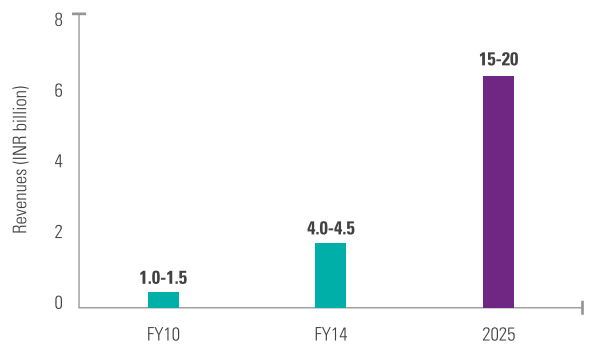
Direct selling industry in Delhi has the potential to reach INR15-20 billion by 2025

Going forward, the industry has the potential to create a significant social and economic impact in Delhi. Our estimates suggest that the industry in Delhi has the potential to reach a size of INR15-20 billion by 2025, driven by the growth in consumer markets and an increase in the penetration of the direct selling industry to globally comparable levels.

This could however be contingent upon creating an enabling environment for the industry, and mitigating some of the challenges it faces today

Immense market potential of INR15-20 billion

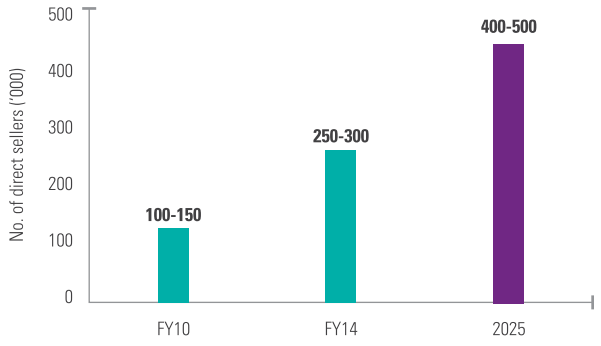
Direct selling market in Delhi



Sources: IDSA Annual Survey 2013-14, FICCI Direct Selling Taskforce, KPMG India analysis 2014-15

..offering self-employment opportunities to 400,000-500,000 people

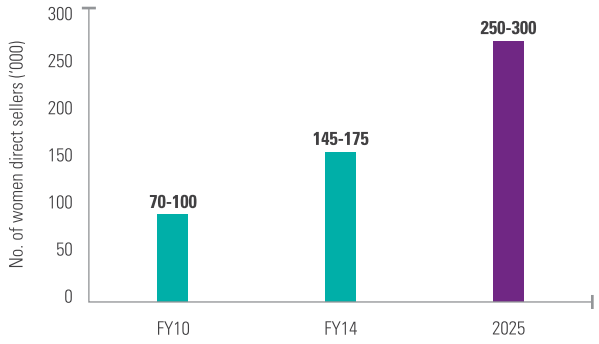
Self-employment opportunities



Sources: IDSA Annual Survey 2013-14, FICCI Direct Selling Taskforce, KPMG India analysis 2014-15

..with the potential to economically empower 250,000-300,000 women

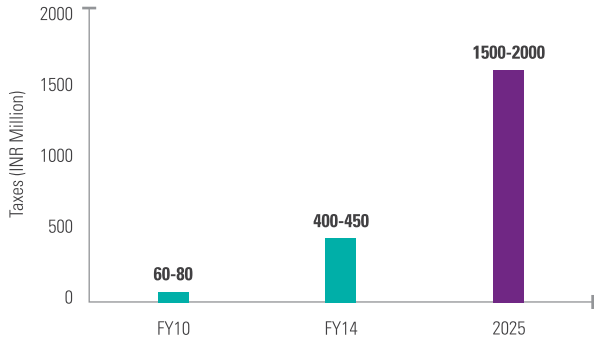
Self-employment opportunities for women



Sources: IDSA Annual Survey 2013-14, FICCI Direct Selling Taskforce, KPMG India analysis 2014-15

..and the ability to contribute INR1,500-2,000 million to the exchequer in the form of indirect taxes

Contribution to the exchequer



Sources: IDSA Annual Survey 2013-14, FICCI Direct Selling Taskforce, KPMG India analysis 2014-15

Impact of GST has not been considered for the opportunity assessment of the industry and its contribution to the exchequer.

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Direct selling market in Gujarat



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The direct selling market in Gujarat is estimated to be around INR2.8-3.0 billion in 2013-14



State overview

At a CAGR of 16.5 per cent, Gujarat's growth was the second highest in India between 2005-06 and 2011-12. Also, Gujarat is one of the most industrially developed states in India. The state has an organised business class and one of the highest per capita incomes in India. Industrialisation has led to an increase in income and this in turn has boosted spending on consumer goods.

Organised retail is a fast growing sector with the development of many malls in the state. With rising demand from FMCGs, the state should witness potential growth of the direct selling industry as well. The increasing working population in cities like Ahmedabad, Gandhinagar and Vadodara also make Gujarat a good direct selling market.

The direct selling market in Gujarat is approximately an INR2.8-3.0 billion market today and is dominated by international companies including Amway, Avon, Herbalife and Oriflame.[1]

The direct selling industry spans a wide-range of products. However, specialised products requiring one-on-one interaction and demonstrations with the customers such as health and wellness products, cosmetics and personal care products dominate the direct selling market.

Particulars	Remarks
State	Gujarat
Capital	Gandhinagar
Population (2011 census)	60.4 million
GDP per capita (2013)	INR96,976
Direct selling revenue (2014)	INR2.8-3.0 billion
No. of direct sellers (2014)	240,000-260,000
Market growth potential -2025	INR48-50 billion

Source: IDSA Annual Survey 2013-14, Industry Discussions, FICCI Direct Selling Taskforce and KPMG in India analysis 2014-15

1. IDSA Annual Survey 2013-14, KPMG in India analysis 2014-15, Industry Discussions, FICCI Direct Selling Taskforce

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Direct selling industry in Gujarat has the potential to reach INR48-50 billion by 2025

Direct selling in Gujarat

Today, the direct selling market in Gujarat is estimated in the range of INR2.8-3.0 billion.[2] Our interaction with industry stakeholders suggests that the industry has created a positive impact on several social and economic parameters.

a. **Additional income opportunities:** Direct selling provides additional income opportunities to a large number of people and promotes micro-entrepreneurship. Currently, nearly 0.25 million direct sellers are estimated to be engaged with the industry,[3] and this number is projected to grow further. In addition to providing income opportunities, direct selling also imparts transferable skills in sales and management, which can be used outside the direct selling industry as well.

b. **Women empowerment:** Direct selling offers self-employment opportunities to a large number of people, especially women. Direct selling gives women the flexibility to manage their time and balance their work and personal lives. The industry in FY14 provided self-employment to more than 0.14 million female distributors (58 per cent of the total direct seller workforce in the state).[3] Many companies work towards the empowerment of women. Through Project Shakti, Hindustan Unilever (HUL) markets and sells its health and beauty care products by recruiting female entrepreneurs called 'Shakti Ammas'.[4]

c. **Development of the SME sector:** Many direct selling companies rely on SMEs to manufacture their products. They also rely on ancillary support services such as packaging, labeling, logistics and material supply. In many cases, the direct selling companies impart the manufacturing know-how, technology and processes to enable the SMEs to produce quality products. Many cases direct selling companies also invest in providing the right equipment and machines to the SMEs for production. Driven by these initiatives, several SMEs have now developed capabilities to cater to the needs of other MNCs and have started supplying to them, promoting India as a manufacturing destination.

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e. **Social initiatives:** In terms of responsibilities towards the society, direct selling companies have several contributions to their credit in India. Many of the companies involved in direct selling actively contribute towards social activities. Avon's Breast Cancer Crusade and Amway's Sunrise project for education are well known for their social impact.[4]

f. **Contribution to the government exchequer:** The operating model for direct selling generates tax contributions to the government across its value chain. Total indirect tax contribution by the direct selling industry to the government in FY14 alone is estimated to be in the range of INR300-350 million.[4]

2. KPMG in India analysis, 2014-15
3. IDSA Annual Survey 2013-14, KPMG in India analysis 2014-15, Industry Discussions
4. Industry Discussions, FICCI Direct Selling Taskforce, KPMG India analysis 2014-15



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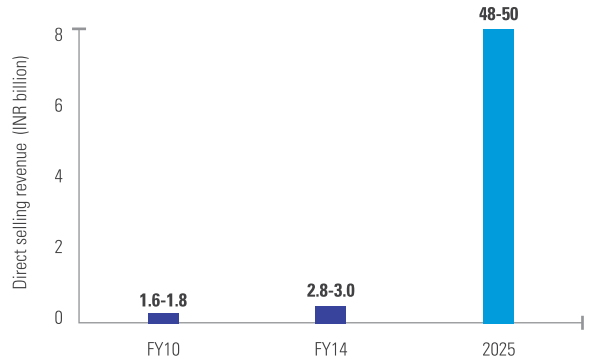
Direct selling industry in Gujarat has the potential to reach INR48-50 billion by 2025

Going forward, the industry has the potential to create a significant social and economic impact in Gujarat. Our estimates suggest that the industry in Gujarat has the potential to reach a size of INR48-50 billion by 2025, driven by growth in consumer markets an increase in the penetration of the direct selling industry to globally comparable levels.

This could however be contingent upon creating an enabling environment for the industry, and mitigating some of the challenges it faces today.

Immense market potential of INR48-50 billion by 2025

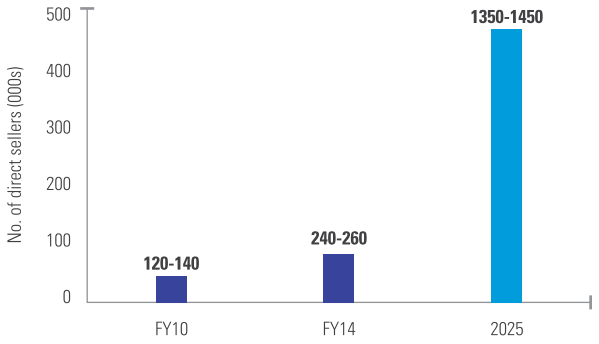
Direct selling market size in Gujarat



Sources: IDSA Annual Survey 2013-14, FICCI Direct Selling Taskforce, KPMG India analysis 2014-15

..offering self-employment opportunities to 1.35 million-1.45 million people by 2025

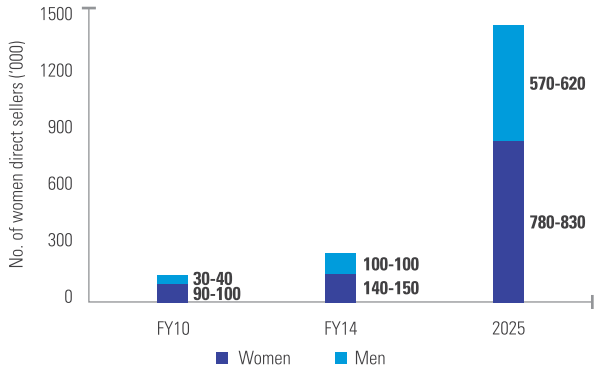
Self-employment opportunities



Sources: IDSA Annual Survey 2013-14, FICCI Direct Selling Taskforce, KPMG India analysis 2014-15

..with the potential to economically empower more than 0.8 million women

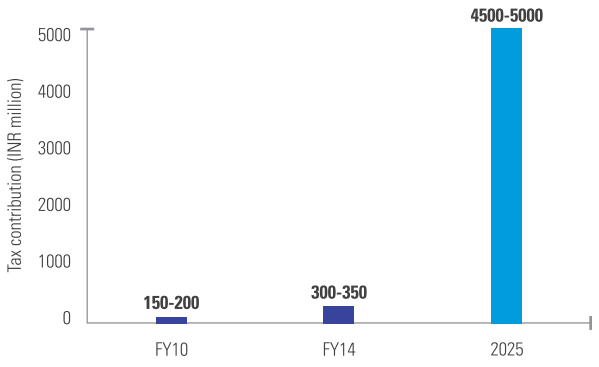
Women empowerment



Sources: IDSA Annual Survey 2013-14, FICCI Direct Selling Taskforce, KPMG India analysis 2014-15

..and the ability to contribute INR4.5-INR5 billion to the exchequer

Contribution to exchequer



Sources: IDSA Annual Survey 2013-14, FICCI Direct Selling Taskforce, KPMG India analysis 2014-15

Impact of GST has not been considered for the opportunity assessment of the industry and its contribution to the exchequer.

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Direct selling market in Karnataka



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The direct selling market in Karnataka is estimated to be around INR3.5-4.0 billion in 2013-14



State overview

Karnataka has been an important market for direct selling industry with leading MNCs like Herbalife, AMC India[1] etc, hosting their headquarters in the state. Bengaluru featured as the most attractive market for direct selling in the country as per the IDSA annual survey 2013-14. With a strong growth in industrialisation, growing GDP in the state, high rate of urbanisation and consumption-oriented population, the direct selling market in the state had reached its peak size of INR4.8-5.3 billion in FY12 and contributed 8 per cent to the overall direct selling market in India.

The direct selling industry spans a wide-range of products. However, specialised products requiring one-on-one interaction and demonstrations with the customers such as health and wellness products, cosmetics and personal care products dominate the direct selling market in Karnataka.

Particulars	Remarks
State	Karnataka
Capital	Bengaluru
Population (2011 census)	61.1 million
NDP per capita (FY14)	INR84,709
Direct selling market (FY14)	~ INR3.5-4.0 billion
No. of direct sellers (FY14)	~ 130,000-180,000
Market growth potential (2025)	INR35-40 billion

Source: IDSA Annual Survey 2013-14 , Industry Discussions, FICCI Direct Selling Taskforce and KPMG in India analysis 2014-15

1. IDSA annual survey 2013-14, KPMG in India analysis, Industry discussions, FICCI Direct Selling Taskforce

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The industry has created a positive impact on several social and economic fronts in Karnataka

Direct selling in Karnataka

Today, the direct selling market in Karnataka is estimated in the range of INR3.5-4.0 billion.[2] Our interaction with industry stakeholders suggests that the industry has created a positive impact on several social and economic parameters.

a. **Additional income opportunities:** Direct selling provides additional income opportunities to a large number of people and promotes micro-entrepreneurship. Currently, nearly 130,000-180,000 direct sellers are estimated to be engaged with the industry,[3] and this number is projected to grow further. In addition to providing income opportunities, direct selling also imparts transferable skills in sales and management, which can be used outside the direct selling industry as well.

b. **Women empowerment:** Direct selling offers self-employment opportunities to a large number of people, especially women. Direct selling gives women the flexibility to manage their time and balance their work and personal lives. The industry in FY14 provided self-employment to more than 75,000-100,000 female distributors (58 per cent of the total direct seller workforce in the state).[3] Many companies work towards the empowerment of women. Through Project Shakti, Hindustan Unilever (HUL) markets and sells its health and beauty care products by recruiting female entrepreneurs called 'Shakti Ammas'.[4]

c. **Development of the SME sector:** Many direct selling companies rely on SMEs to manufacture their products. They also rely on ancillary support services such as packaging, labeling, logistics and material supply. In many cases, the direct selling companies impart the manufacturing know-how, technology and processes to enable the SMEs to produce quality products. Many cases direct selling companies also invest in providing the right equipment and machines to the SMEs for production. Driven by these initiatives, several SMEs have now developed capabilities to cater to the needs of other MNCs and have started supplying to them, promoting India as a manufacturing destination.

d. **Employment generation:** Besides providing additional income opportunities to direct sellers, the industry also generates significant direct employment. A majority of the direct selling companies outsource the production, packaging and distribution of their products, thus generating indirect employment across the value chain.

e. **Social initiatives:** In terms of responsibilities towards the society, direct selling companies have several contributions to their credit in India. Many of the companies involved in direct selling actively contribute towards social activities. Avon's Breast Cancer Crusade and Amway's Sunrise project for education are well known for their social impact.[4]

f. **Contribution to the government exchequer:** The operating model for direct selling generates tax contributions to the government across its value chain. Total indirect tax contribution by the direct selling industry to the government in FY14 alone is estimated to be in the range of INR350-400 million.[4]

2. KPMG in India analysis, 2014-15

3. IDSA aAnnual Survey 2013-14, KPMG in India analysis 2014-15, Industry discussions

4. Industry Discussions, FICCI Direct Selling Taskforce, KPMG India analysis 2014-15



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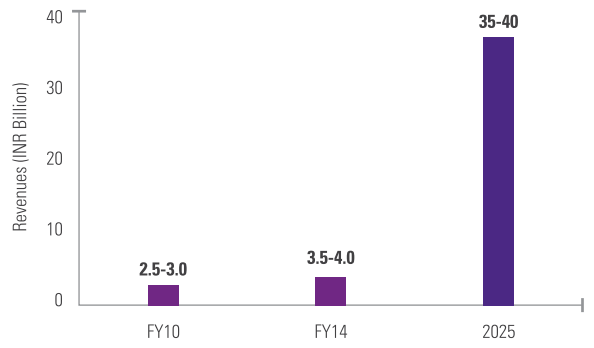
Direct selling industry in Karnataka has the potential to reach INR35-40 billion by 2025

Going forward, the industry has the potential to create a significant social and economic impact in Karnataka. Our estimates suggest that the industry in Karnataka has the potential to reach a size of INR35-40 billion by 2025, driven by growth in consumer markets an increase in the penetration of the direct selling industry to globally comparable levels.

This could however be contingent upon creating an enabling environment for the industry, and mitigating some of the challenges it faces today

Immense market potential of INR35-40 billion

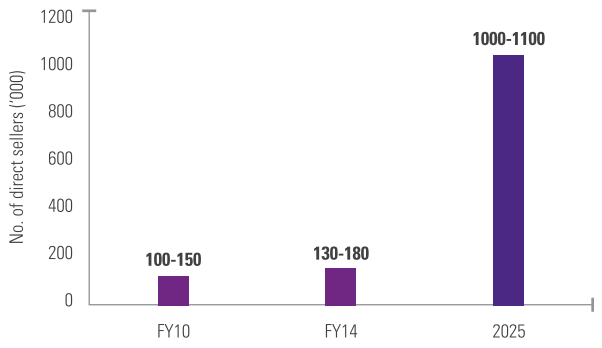
Direct selling market in Karnataka



Sources: IDSA Annual Survey 2013-14, FICCI Direct Selling Taskforce, KPMG India analysis 2014-15

..offering self-employment opportunities to 1.0-1.1 million people

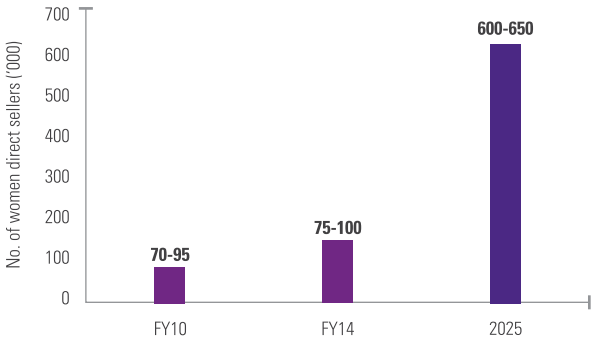
Self-employment opportunities



Sources: IDSA Annual Survey 2013-14, FICCI Direct Selling Taskforce, KPMG India analysis 2014-15

..with the potential to economically empower 600,000-650,000 women

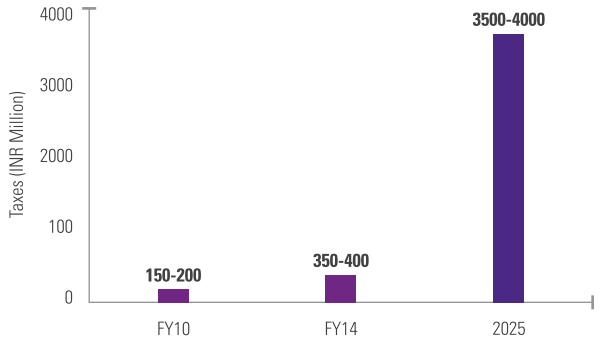
Self-employment opportunities for women



Sources: IDSA Annual Survey 2013-14, FICCI Direct Selling Taskforce, KPMG India analysis 2014-15

..and the ability to contribute INR3,500-4,000 million to the exchequer in the form of indirect taxes

Contribution to the exchequer



Sources: IDSA Annual Survey 2013-14, FICCI Direct Selling Taskforce, KPMG India analysis 2014-15

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Direct selling market in Kerala



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The direct selling market in Kerala is estimated to be around INR700-750 million in 2013-14



State overview

South India has been a key market for direct selling companies in India with many of them starting their operations from this region. The region has witnessed reasonable growth in direct selling over the past few years and constitutes around 25 per cent of the overall Indian direct selling market.[1]

In Kerala, the direct selling industry has been in existence for several years. The industry witnessed a decade of rapid growth till 2010 driven by the high literacy rate, one of the highest per capita incomes in the country, high rate of urbanisation and a consumption-oriented population. As a result, the direct selling market in Kerala had reached its peak size of about INR2,900-3,000 million by FY10 and alone formed about 7 per cent of India's total direct selling industry.[1] However, the industry has been in a state of constant decline over the past five years, mainly due to lack of clarity on the policy for direct selling. The lack of regulatory clarity leading to inability of law enforcement authorities to differentiate legitimate direct selling from illegal pyramid schemes, has severely impacted the sentiments of industry stakeholders and led to confusion among both sellers and customers. As a result, the direct selling industry size has fallen to about INR700-750 million in FY14 and contributes only around 1 per cent to the overall direct selling market in India.[1]

The major players operating in Kerala are Amway, Modicare, K-Link and DXN. Direct selling industry spans wide-range of products. However, specialised products requiring one-on-one interaction and demonstrations with the customers such as health and wellness products, cosmetics and personal care products dominate the direct selling market in Kerala.

Particulars	Remarks
State	Kerala
Capital	Thiruvananthapuram
Population (2011 census)	33.4 million
NSDP per capita (2013)	INR88,000
Direct selling market (FY14)	~ INR700-750 million
No. of direct sellers (FY14)	~ 80,000-90,000
Market growth potential (2025)	INR18-20 billion

Source: IDSA Annual Survey 2013-14 , Industry Discussions, FICCI Direct Selling Taskforce and KPMG in India analysis 2014-15

1. IDSA annual survey 2013-14, industry discussions, FICCI Direct Selling Task Force and KPMG in India analysis-2014-15

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Direct selling industry has created a positive impact on several social and economic fronts in Kerala

Direct selling in Kerala

Today, the direct selling market in Kerala is estimated in the range of INR700-750 billion.[2] Our interaction with industry stakeholders suggests that the industry has created a positive impact on several social and economic parameters.

a. **Additional income opportunities:** Direct selling provides additional income opportunities to a large number of people and promotes micro-entrepreneurship. Currently, nearly 80,000-90,000 direct sellers are estimated to be engaged with the industry,[3] and this number is projected to grow further. In addition to providing income opportunities, direct selling also imparts transferable skills in sales and management, which can be used outside the direct selling industry as well.

b. **Women empowerment:** Direct selling offers self-employment opportunities to a large number of people, especially women. Direct selling gives women the flexibility to manage their time and balance their work and personal lives. The industry in FY14 provided self-employment to more than 45,000-50,000 female distributors (58 per cent of the total direct seller workforce in the state).[3] Many companies work towards the empowerment of women. Through Project Shakti, Hindustan Unilever (HUL) markets and sells its health and beauty care products by recruiting female entrepreneurs called 'Shakti Ammas'.[4]

c. **Development of the SME sector:** Many direct selling companies rely on SMEs to manufacture their products. They also rely on ancillary support services such as packaging, labeling, logistics and material supply. In many cases, the direct selling companies impart the manufacturing know-how, technology and processes to enable the SMEs to produce quality products. Many cases direct selling companies also invest in providing the right equipment and machines to the SMEs for production. Driven by these initiatives, several SMEs have now developed capabilities to cater to the needs of other MNCs and have started supplying to them, promoting India as a manufacturing destination.

d. **Employment generation:** Besides providing additional income opportunities to direct sellers, the industry also generates significant direct employment. A majority of the direct selling companies outsource the production, packaging and distribution of their products, thus generating indirect employment across the value chain.

e. **Social initiatives:** In terms of responsibilities towards the society, direct selling companies have several contributions to their credit in India. Many of the companies involved in direct selling actively contribute towards social activities. Avon's Breast Cancer Crusade and Amway's Sunrise project for education are well known for their social impact.[4]

f. **Contribution to the government exchequer:** The operating model for direct selling generates tax contributions to the government across its value chain. Total indirect tax contribution by the direct selling industry to the government in FY14 alone is estimated to be in the range of INR70-80 million.[4]

2. KPMG in India analysis, 2014-15

3. IDSA Annual Survey 2013-14, KPMG in India analysis 2014-15, Industry Discussions

4. Industry Discussions, FICCI Direct Selling Taskforce, KPMG India analysis 2014-15



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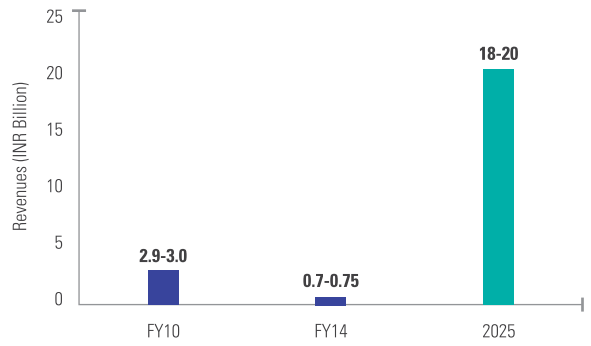
Direct selling industry in Kerala has the potential to reach INR18-20 billion by 2025

Going forward, the industry has the potential to create a significant social and economic impact in Kerala. The state government has also drafted the Kerala State Multi – Level Marketing (Control and Regulation) Bill, 2013 which lays down comprehensive guidelines for regulating direct selling or multi-level marketing activities, particularly to ensure that such business activities are conducted without violating the provisions of the PCMCS Act. This has the potential to provide further boost the direct selling industry in the state.

Our estimates suggest that the industry in Kerala has the potential to reach a size of around INR18-20 billion by 2025 driven by growth in consumer markets and increase in penetration of direct selling. This will however be contingent on creating an enabling environment for the industry, and mitigation of the challenges it is facing today.

Immense market potential of INR18-20 billion

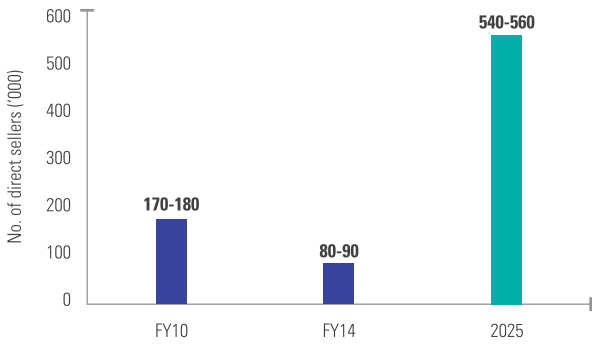
Direct selling market size in Kerala



Sources: IDSA Annual Survey 2013-14, FICCI Direct Selling Taskforce, KPMG India analysis 2014-15

..offering self-employment opportunities to 540,000-560,000

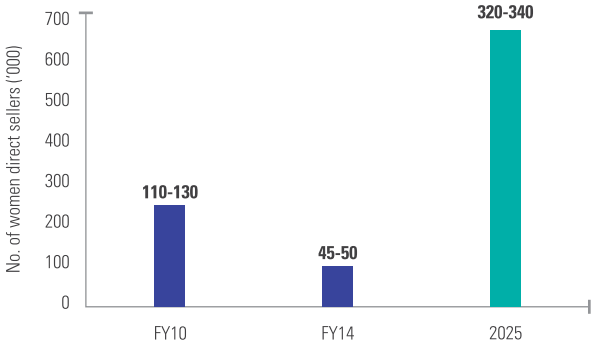
Self-employment opportunities



Sources: IDSA Annual Survey 2013-14, FICCI Direct Selling Taskforce, KPMG India analysis 2014-15

..with the potential to economically empower 320,000-340,000 women

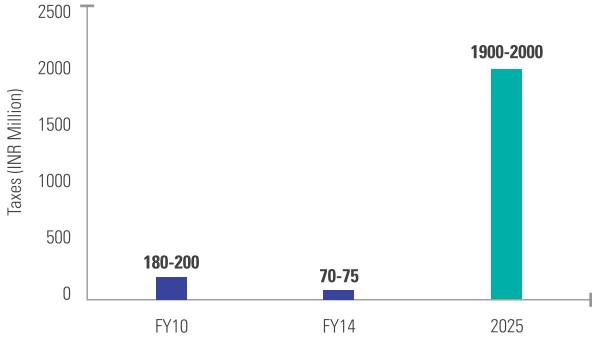
Self-employment opportunities for women



Sources: IDSA Annual Survey 2013-14, FICCI Direct Selling Taskforce, KPMG India analysis 2014-15

..and the ability to contribute INR1,900-2,000 million to the exchequer in the form of indirect taxes

Contribution to the exchequer



Sources: IDSA Annual Survey 2013-14, FICCI Direct Selling Taskforce, KPMG India analysis 2014-15

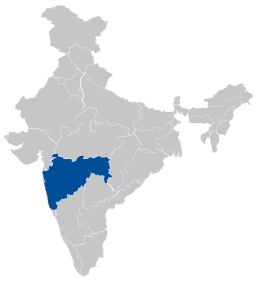
Impact of GST has not been considered for the opportunity assessment of the industry and its contribution to the exchequer.

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Direct selling market in Maharashtra



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The direct selling market in Maharashtra is estimated to be around INR7.6-7.8 billion in 2013-14



State overview

Maharashtra has a strongest FMCG market in India. Mumbai, the financial capital of the country along with other key cities like Pune, Nashik and Nagpur contribute substantially towards the economic growth of the state. It is one of the most industrially developed states in the country and home to many the corporate offices of major companies. The trend of consumerism has risen in the recent years and demand for FMCG products has grown rapidly. With plenty of opportunities for growth many direct selling companies have taken up initiatives in the state.

Organised retail is a fast growing sector with the development of many malls in the state. With rising demand for FMCG products, the state can potentially witness the projected growth in the direct selling industry as well.

The direct selling market in Maharashtra has grown at a CAGR of ~9 per cent over the last 4 years and is approximately INR7.6-7.8 billion market today and is dominated by international companies including Amway, Avon, Herbalife and Oriflame.[1]

The direct selling industry spans a wide-range of products. However, specialised products requiring one-on-one interaction and demonstrations with the customers such as health and wellness products, cosmetics and personal care products dominate the direct selling market.

Particulars	Remarks
State	Maharashtra
Capital	Mumbai
Population (2011 census)	112.6 million
GDP per capita (FY13)	INR1,14,000
Direct selling revenue (FY14)	INR7.6-7.8 billion
No. of direct sellers (FY14)	0.63-0.65 million
Market growth potential-2025	INR68-70 billion

Source: IDSA Annual Survey 2013-14, Industry Discussions, FICCI Direct Selling Taskforce and KPMG in India analysis 2014-15

1. IDSA annual survey 2013-14, industry discussions, FICCI Direct Selling Task Force and KPMG in India analysis-2014-15

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Direct selling industry in the state has created a positive impact on several social and economic parameters

Direct selling in Maharashtra

Today, the direct selling market in Maharashtra is estimated in the range of INR7.6-7.8 billion.[2] Our interaction with industry stakeholders suggests that the industry has created a positive impact on several social and economic parameters.

a. **Additional income opportunities:** Direct selling provides additional income opportunities to a large number of people and promotes micro-entrepreneurship. Currently, nearly 0.63 million direct sellers are estimated to be engaged with the industry,[3] and this number is projected to grow further. In addition to providing income opportunities, direct selling also imparts transferable skills in sales and management, which can be used outside the direct selling industry as well.

b. **Women empowerment:** Direct selling offers self-employment opportunities to a large number of people, especially women. Direct selling gives women the flexibility to manage their time and balance their work and personal lives. The industry in FY14 provided self-employment to more than 0.37 million female distributors (58 per cent of the total direct seller workforce in the state).[3] Many companies work towards the empowerment of women. Through Project Shakti, Hindustan Unilever (HUL) markets and sells its health and beauty care products by recruiting female entrepreneurs called 'Shakti Ammas'.[4]

c. **Development of the SME sector:** Many direct selling companies rely on SMEs to manufacture their products. They also rely on ancillary support services such as packaging, labeling, logistics and material supply. In many cases, the direct selling companies impart the manufacturing know-how, technology and processes to enable the SMEs to produce quality products. Many cases direct selling companies also invest in providing the right equipment and machines to the SMEs for production. Driven by these initiatives, several SMEs have now developed capabilities to cater to the needs of other MNCs and have started supplying to them, promoting India as a manufacturing destination.

d. **Employment generation:** Besides providing additional income opportunities to direct sellers, the industry also generates significant direct employment. A majority of the direct selling companies outsource the production, packaging and distribution of their products, thus generating indirect employment across the value chain.

e. **Social initiatives:** In terms of responsibilities towards the society, direct selling companies have several contributions to their credit in India. Many of the companies involved in direct selling actively contribute towards social activities. Avon's Breast Cancer Crusade and Amway's Sunrise project for education are well known for their social impact.[4]

f. **Contribution to the government exchequer:** The operating model for direct selling generates tax contributions to the government across its value chain. Total indirect tax contribution by the direct selling industry to the government in FY14 alone is estimated to be in the range of INR740-790 million.[4]

2. KPMG in India analysis, 2014-15

3. IDSA Annual Survey 2013-14, KPMG in India analysis 2014-15, Industry Discussions

4. Industry Discussions, FICCI Direct Selling Taskforce, KPMG India analysis 2014-15



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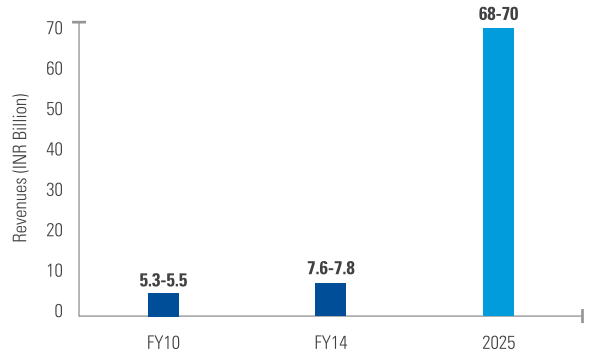
Direct selling industry in Maharashtra has the potential to reach INR68-70 billion by 2025

Going forward, the industry has the potential to create a significant social and economic impact in Maharashtra. Our estimates suggest that the industry in Maharashtra has the potential to reach a size of INR68-70 billion by 2025, driven by growth in consumer markets an increase in the penetration of the direct selling industry to globally comparable levels.

This could however be contingent upon creating an enabling environment for the industry, and mitigating some of the challenges it faces today.

Immense market potential of INR68-70 billion

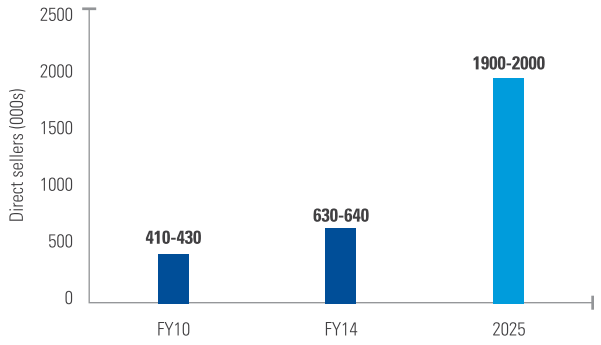
Direct selling revenue



Sources: IDSA Annual Survey 2013-14, FICCI Direct Selling Taskforce, KPMG India analysis 2014-15

..offering self-employment opportunities to 1.9-2.0 million

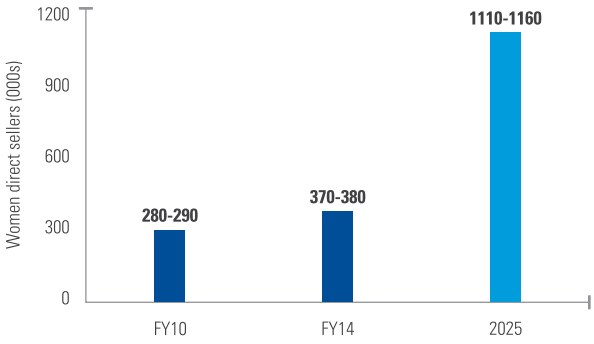
Self-employment opportunities



Sources: IDSA Annual Survey 2013-14, FICCI Direct Selling Taskforce, KPMG India analysis 2014-15

..with the potential to economically empower more than 1.1 million women

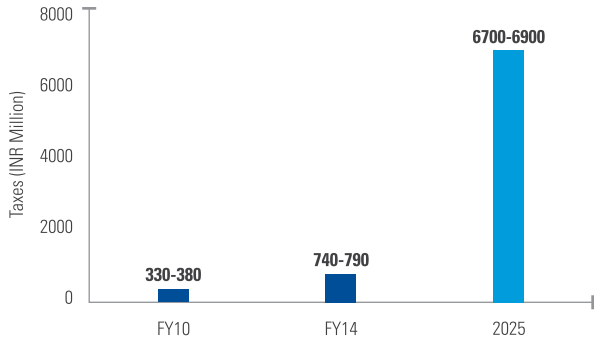
Self-employment opportunities for women



Sources: IDSA Annual Survey 2013-14, FICCI Direct Selling Taskforce, KPMG India analysis 2014-15

..and the ability to contribute INR6.7-6.9 billion to the exchequer

Contribution to the exchequer



Sources: IDSA Annual Survey 2013-14, FICCI Direct Selling Taskforce, KPMG India analysis 2014-15

Impact of GST has not been considered for the opportunity assessment of the industry and its contribution to the exchequer.

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Direct selling market in Punjab



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The direct selling market in Punjab is estimated to be around INR3.0-3.5 billion in 2013-14



State overview

Punjab is an important market for direct selling industry in India. The direct selling industry in Punjab has witnessed rapid growth with a CAGR of 38 per cent over the past five years and was estimated to be around INR3.0-3.5 billion in FY14.[1] This growth has been propelled by high rate of economic development in the state, rising aspirational levels and consumption oriented population. Consequently, Punjab's contribution to overall Indian direct selling industry has gradually risen from 2 per cent in FY10 to about 5 per cent in FY14. As per IDSA report, Ludhiana is among the top five most attractive markets for direct selling in India in FY14.

The direct selling industry provided self-employment opportunities to around 260,000-270,000 people in FY14 and contributed about INR330-340 million to the state exchequer. The industry has contributed significantly to women empowerment by providing employment to around 150,000-160,000 women in the state. The industry is also engaged in social activities in areas like child education, health awareness etc. in Punjab.

The major players operating in Punjab are Amway, Modicare, Avon etc.[2] Direct selling industry spans wide-range of products. However, specialised products requiring one-on-one interaction and demonstrations with the customers such as health and wellness products, cosmetics and personal care products dominate the direct selling market in Punjab.

Particulars	Remarks
State	Punjab
Capital	Chandigarh
Population (2011 census)	27.7 million
NSDP per capita (2014)	INR92,368
Direct selling market (FY14)	~ INR3.0-3.5 billion
No. of direct sellers (FY14)	~ 260,000-270,000
Market growth potential (2025)	INR25-28 billion

Source: IDSA Annual Survey 2013-14 , Industry Discussions, FICCI Direct Selling Taskforce and KPMG in India analysis 2014-15

1. IDSA annual survey 2013-14, Industry interactions, FICCI Direct Selling TaskForce, KPMG India analysis 2014-15
2. Industry interactions, FICCI Direct Selling Taskforce, KPMG India analysis 2014-15

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Direct selling industry in the state has created a positive impact on several social and economic parameters

Direct selling in Punjab

Today, the direct selling market in Punjab is estimated in the range of INR3.0-3.5 billion.[3] Our interaction with industry stakeholders suggests that the industry has created a positive impact on several social and economic parameters.

a. **Additional income opportunities:** Direct selling provides additional income opportunities to a large number of people and promotes micro-entrepreneurship. Currently, nearly 260,000-270,000 direct sellers are estimated to be engaged with the industry,[4] and this number is projected to grow further. In addition to providing income opportunities, direct selling also imparts transferable skills in sales and management, which can be used outside the direct selling industry as well.

b. **Women empowerment:** Direct selling offers self-employment opportunities to a large number of people, especially women. Direct selling gives women the flexibility to manage their time and balance their work and personal lives. The industry in FY14 provided self-employment to more than 150,000-160,000 female distributors (58 per cent of the total direct seller workforce in the state).[4] Many companies work towards the empowerment of women. Through Project Shakti, Hindustan Unilever (HUL) markets and sells its health and beauty care products by recruiting female entrepreneurs called 'Shakti Ammas'.[5]

c. **Development of the SME sector:** Many direct selling companies rely on SMEs to manufacture their products. They also rely on ancillary support services such as packaging, labeling, logistics and material supply. In many cases, the direct selling companies impart the manufacturing know-how, technology and processes to enable the SMEs to produce quality products. Many cases direct selling companies also invest in providing the right equipment and machines to the SMEs for production. Driven by these initiatives, several SMEs have now developed capabilities to cater to the needs of other MNCs and have started supplying to them, promoting India as a manufacturing destination.

d. **Employment generation:** Besides providing additional income opportunities to direct sellers, the industry also generates significant direct employment. A majority of the direct selling companies outsource the production, packaging and distribution of their products, thus generating indirect employment across the value chain.

e. **Social initiatives:** In terms of responsibilities towards the society, direct selling companies have several contributions to their credit in India. Many of the companies involved in direct selling actively contribute towards social activities. Avon's Breast Cancer Crusade and Amway's Sunrise project for education are well known for their social impact.[5]

f. **Contribution to the government exchequer:** The operating model for direct selling generates tax contributions to the government across its value chain. Total indirect tax contribution by the direct selling industry to the government in FY14 alone is estimated to be in the range of INR330-340 million.[5]

3. KPMG in India analysis, 2014-15

4. IDSA Annual Survey 2013-14, KPMG in India analysis 2014-15, Industry Discussions

5. Industry Discussions, FICCI Direct Selling Taskforce, KPMG India analysis 2014-15



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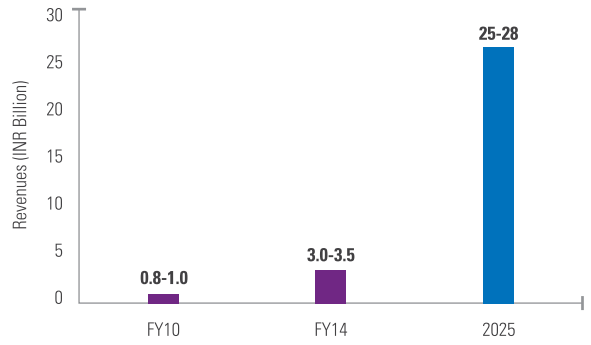
Direct selling industry in Punjab has the potential to reach INR25-28 billion by 2025

Going forward, the industry has the potential to create a significant social and economic impact in Punjab. Our estimates suggest that the industry in Punjab has the potential to reach a size of INR25-28 billion by 2025, driven by growth in consumer markets an increase in the penetration of the direct selling industry to globally comparable levels.

This could however be contingent upon creating an enabling environment for the industry, and mitigating some of the challenges it faces today.

Immense market potential of INR25-28 billion

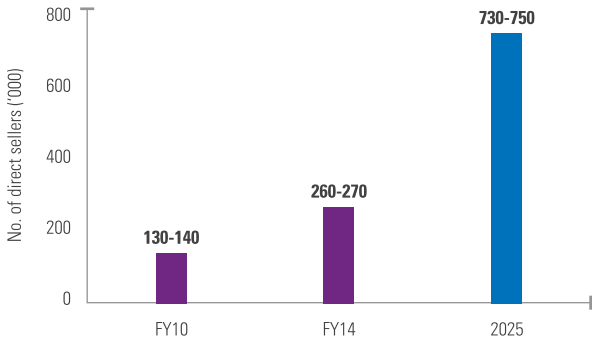
Direct Selling market size in Punjab



Sources: IDSA Annual Survey 2013-14, FICCI Direct Selling Taskforce, KPMG India analysis 2014-15

..offering self-employment opportunities to 730,000-750,000

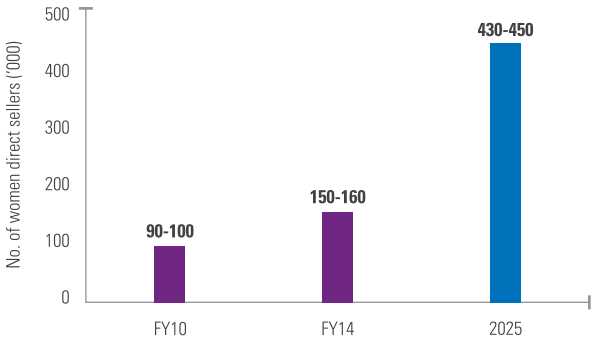
Self-employment opportunities



Sources: IDSA Annual Survey 2013-14, FICCI Direct Selling Taskforce, KPMG India analysis 2014-15

..with the potential to economically empower 430,000-450,000 women

Self-employment opportunities for women

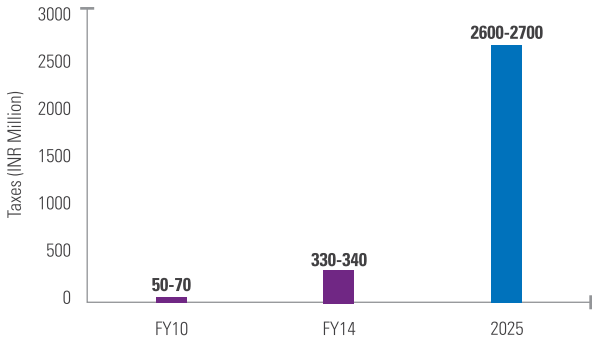


Sources: IDSA Annual Survey 2013-14, FICCI Direct Selling Taskforce, KPMG India analysis 2014-15

..and the ability to contribute INR2,600-2,700 million to the exchequer in the form of indirect taxes

Contribution to the exchequer

sumer



Sources: IDSA Annual Survey 2013-14, FICCI Direct Selling Taskforce, KPMG India analysis 2014-15

Impact of GST has not been considered for the opportunity assessment of the industry and its contribution to the exchequer.

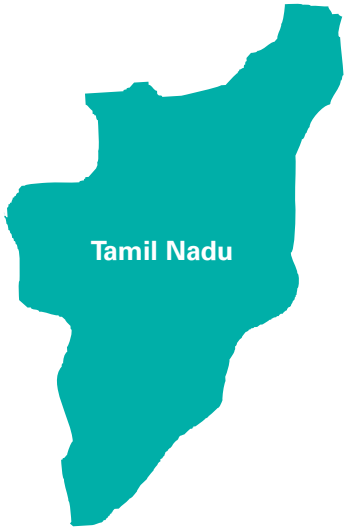
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Direct selling market in Tamil Nadu



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The direct selling market in Tamil Nadu is estimated to be around INR9-11 billion in 2013-14





State overview

Tamil Nadu has traditionally been the largest market for direct selling companies in India.[1] With a strong growth in industrialisation, growing GDP in the state, high rate of urbanisation and consumption oriented population, the direct selling market in the state had reached its peak size of INR13-15 billion in FY11 and contributed 26 per cent to the overall direct selling market in India.[1] Several leading industry players have invested or have created tie ups with local partners in Tamil Nadu. For instance, Amway is starting up its manufacturing plant with an investment of INR5.5 billion in Madurai.[1] The industry is also engaged in social activities in areas like child education, health awareness, etc.

The major direct selling players operating in Tamil Nadu are Amway, Modicare, Avon etc.[1] The direct selling industry spans a wide-range of products. However, specialised products requiring one to one interaction and demonstrations with the customers such as health and wellness products, cosmetics and personal care products dominate the direct selling market in Tamil Nadu.

Particulars	Remarks
State	Tamil Nadu
Capital	Chennai
Population (2011 census)	72.1 million
GDP per capita (2013)	INR98,550
Direct selling market (FY14)	~ INR9-11 billion
No. of direct sellers (FY14)	~ 900,000-950,000
Market growth potential (2025)	INR75-80 billion

Source: IDSA Annual Survey 2013-14 , Industry Discussions, FICCI Direct Selling Taskforce and KPMG in India analysis 2014-15

1. IDSA annual survey 2013-14, Industry Discussions, FICCI Direct Selling TaskForce and KPMG in India analysis-2014-15

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The industry has created a significant impact on several social and economic areas in Tamil Nadu

Direct selling in Tamil Nadu

Today, the direct selling market in Tamil Nadu is estimated in the range of INR9-11 billion.[2] Our interaction with industry stakeholders suggests that the industry has created a positive impact on several social and economic parameters.

a. **Additional income opportunities:** Direct selling provides additional income opportunities to a large number of people and promotes micro-entrepreneurship. Currently, nearly 900,000-950,000 direct sellers are estimated to be engaged with the industry,[3] and this number is projected to grow further. In addition to providing income opportunities, direct selling also imparts transferable skills in sales and management, which can be used outside the direct selling industry as well.

b. **Women empowerment:** Direct selling offers self-employment opportunities to a large number of people, especially women. Direct selling gives women the flexibility to manage their time and balance their work and personal lives. The industry in FY14 provided self-employment to more than 520,000-560,000 female distributors (58 per cent of the total direct seller workforce in the state).[3] Many companies work towards the empowerment of women. Through Project Shakti, Hindustan Unilever (HUL) markets and sells its health and beauty care products by recruiting female entrepreneurs called 'Shakti Ammas'.[4]

c. **Development of the SME sector:** Many direct selling companies rely on SMEs to manufacture their products. They also rely on ancillary support services such as packaging, labeling, logistics and material supply. In many cases, the direct selling companies impart the manufacturing know-how, technology and processes to enable the SMEs to produce quality products. Many cases direct selling companies also invest in providing the right equipment and machines to the SMEs for production. Driven by these initiatives, several SMEs have now developed capabilities to cater to the needs of other MNCs and have started supplying to them, promoting India as a manufacturing destination.

d. **Employment generation:** Besides providing additional income opportunities to direct sellers, the industry also generates significant direct employment. A majority of the direct selling companies outsource the production, packaging and distribution of their products, thus generating indirect employment across the value chain.

e. **Social initiatives:** In terms of responsibilities towards the society, direct selling companies have several contributions to their credit in India. Many of the companies involved in direct selling actively contribute towards social activities. Avon's Breast Cancer Crusade and Amway's Sunrise project for education are well known for their social impact.[4]

f. **Contribution to the government exchequer:** The operating model for direct selling generates tax contributions to the government across its value chain. Total indirect tax contribution by the direct selling industry to the government in FY14 alone is estimated to be in the range of INR1,000-1,050 million.[4]

2. KPMG in India analysis, 2014-15
3. IDSA Annual Survey 2013-14, KPMG in India analysis 2014-15, Industry Discussions
4. Industry Discussions, FICCI Direct Selling Taskforce, KPMG India analysis 2014-15



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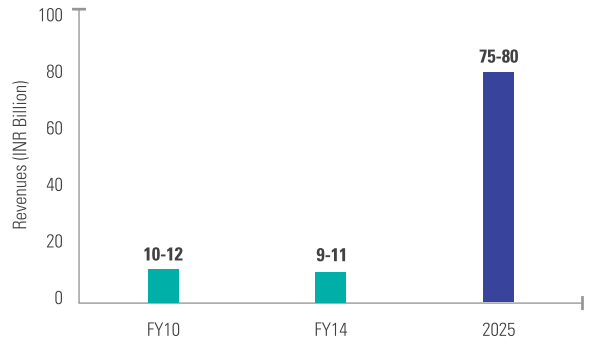
Direct selling industry in Tamil Nadu has the potential to reach INR75-80 billion by 2025

Going forward, the industry has the potential to create a significant social and economic impact in Tamil Nadu. Our estimates suggest that the industry in Tamil Nadu has the potential to reach a size of INR75-80 billion by 2025, driven by growth in consumer markets an increase in the penetration of the direct selling industry to globally comparable levels.

This could however be contingent upon creating an enabling environment for the industry, and mitigating some of the challenges it faces today.

Immense market potential of INR75-80 billion

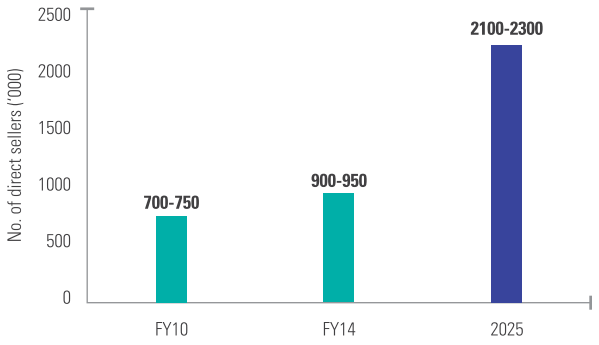
Direct selling market in Tamil Nadu



Sources: IDSA Annual Survey 2013-14, FICCI Direct Selling Taskforce, KPMG India analysis 2014-15

..offering self-employment opportunities to 2.1-2.3 million people

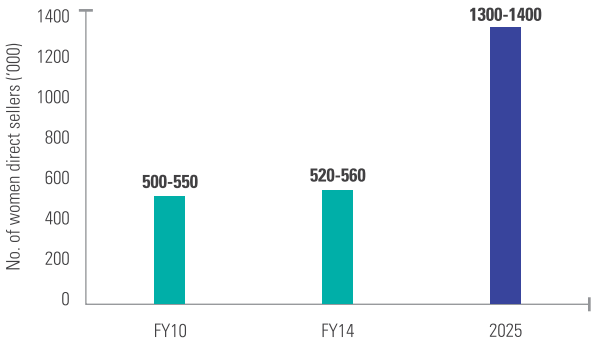
Self-employment opportunities



Sources: IDSA Annual Survey 2013-14, FICCI Direct Selling Taskforce, KPMG India analysis 2014-15

..with the potential to economically empower 1.3-1.4 million women

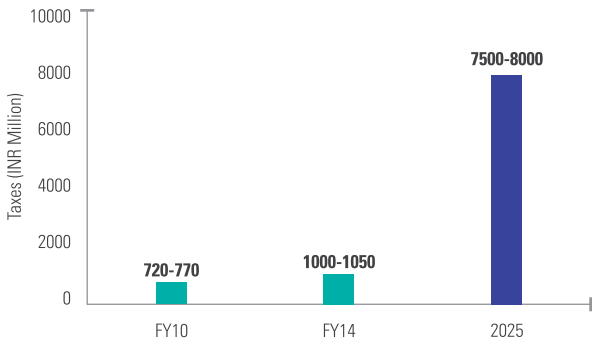
Self-employment opportunities for women



Sources: IDSA Annual Survey 2013-14, FICCI Direct Selling Taskforce, KPMG India analysis 2014-15

..and the ability to contribute INR7,500-8,000 million to the exchequer in the form of indirect taxes

Contribution to the exchequer



Sources: IDSA Annual Survey 2013-14, FICCI Direct Selling Taskforce, KPMG India analysis 2014-15

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Direct selling market in West Bengal



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The direct selling market in West Bengal is estimated to be around INR7.5-7.7 billion in 2013-14



State overview

West Bengal is situated in eastern India and shares its borders with Jharkhand, Bihar, Odisha, Sikkim and Assam. The state also shares international borders with Bangladesh, Bhutan and Nepal. The Bay of Bengal is in the south of the state. Its location advantage makes the state a traditional market for eastern India, the Northeast, Nepal and Bhutan. It is also a strategic entry point for markets in Southeast Asia.

The cost of operating a business is lower in Kolkata than in other metropolitan cities.[1] During FY 2000-15, the state attracted total foreign direct investment (FDI) of USD2.9 billion.[2]

The natural resources, policy incentives and infrastructure in the state support investments in major sectors such as iron and steel, biotechnology, coal, leather, jute products, tea, IT, gems and jewellery.

On the back of consistent annual growth, several new players are now targeting the region to expand their operations.

With rising demand for FMCG products, the state should witness potential growth of the direct selling industry as well. The future growth of the direct selling industry in the east is expected to be primarily fuelled by rising awareness of the concept, led by key categories such as personal care and cosmetics which show high demand. Direct selling in West Bengal is approximately INR7.5-7.7 billion market today and is dominated by international companies including Amway, Avon, Herbalife and Oriflame.[3]

The direct selling industry spans a wide-range of products. However, specialised products requiring one to one interaction and demonstrations with the customers such as health and wellness products, cosmetics and personal care products dominate the direct selling market.

Particulars	Remarks
State	Tamil Nadu
Capital	Chennai
Population (2011 census)	72.1 million
Key cities	INR98,550
GDP per capita (2014)	~ INR9-11 billion
Direct selling revenue (FY14)	~ 900,000-950,000
No. of direct sellers (2014)	~ 900,000-950,000
Market growth potential -2025	INR75-80 billion

Source: IDSA Annual Survey 2013-14 , Industry Discussions, FICCI Direct Selling Taskforce and KPMG in India analysis 2014-15

1. Indian chamber of commerce website, retrieved on: 10-Sep-2015
2. IBEF West Bengal state report, March-2015
3. IDSA annual survey 2013-14, Industry Discussions, FICCI Direct Selling TaskForce and KPMG in India analysis 2014-15

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Direct selling industry in the state has created a positive impact on several social and economic fronts

Direct selling in West Bengal

Today, the direct selling market in West Bengal is estimated in the range of INR7.5-7.7 billion.[4] Our interaction with industry stakeholders suggests that the industry has created a positive impact on several social and economic parameters.

a. **Additional income opportunities:** Direct selling provides additional income opportunities to a large number of people and promotes micro-entrepreneurship. Currently, nearly 0.63 million direct sellers are estimated to be engaged with the industry,[5] and this number is projected to grow further. In addition to providing income opportunities, direct selling also imparts transferable skills in sales and management, which can be used outside the direct selling industry as well.

b. **Women empowerment:** Direct selling offers self-employment opportunities to a large number of people, especially women. Direct selling gives women the flexibility to manage their time and balance their work and personal lives. The industry in FY14 provided self-employment to more than 0.37 million female distributors (58 per cent of the total direct seller workforce in the state).[5] Many companies work towards the empowerment of women. Through Project Shakti, Hindustan Unilever (HUL) markets and sells its health and beauty care products by recruiting female entrepreneurs called 'Shakti Ammas'.[6]

c. **Development of the SME sector:** Many direct selling companies rely on SMEs to manufacture their products. They also rely on ancillary support services such as packaging, labeling, logistics and material supply. In many cases, the direct selling companies impart the manufacturing know-how, technology and processes to enable the SMEs to produce quality products. Many cases direct selling companies also invest in providing the right equipment and machines to the SMEs for production. Driven by these initiatives, several SMEs have now developed capabilities to cater to the needs of other MNCs and have started supplying to them, promoting India as a manufacturing destination.

d. **Employment generation:** Besides providing additional income opportunities to direct sellers, the industry also generates significant direct employment. A majority of the direct selling companies outsource the production, packaging and distribution of their products, thus generating indirect employment across the value chain.

e. **Social initiatives:** In terms of responsibilities towards the society, direct selling companies have several contributions to their credit in India. Many of the companies involved in direct selling actively contribute towards social activities. Avon's Breast Cancer Crusade and Amway's Sunrise project for education are well known for their social impact.[6]

f. **Contribution to the government exchequer:** The operating model for direct selling generates tax contributions to the government across its value chain. Total indirect tax contribution by the direct selling industry to the government in FY14 alone is estimated to be in the range of INR750-800 million.[6]

4. KPMG in India analysis, 2014-15
5. IDSA Annual Survey 2013-14, KPMG in India analysis 2014-15, Industry Discussions
6. Industry Discussions, FICCI Direct Selling Taskforce, KPMG India analysis 2014-15



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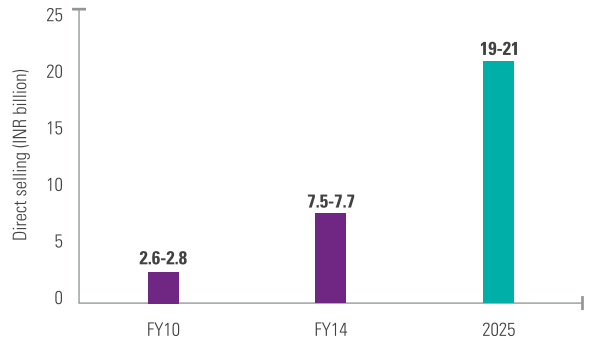
Direct selling industry in West Bengal has the potential to reach INR19-21 billion by 2025

Going forward, the industry has the potential to create a significant social and economic impact in West Bengal. Our estimates suggest that the industry in West Bengal has the potential to reach a size of INR19-21 billion by 2025, driven by growth in consumer markets an increase in the penetration of the direct selling industry to globally comparable levels.

This could however be contingent upon creating an enabling environment for the industry, and mitigating some of the challenges it faces today.

Immense market potential of INR19-21 billion

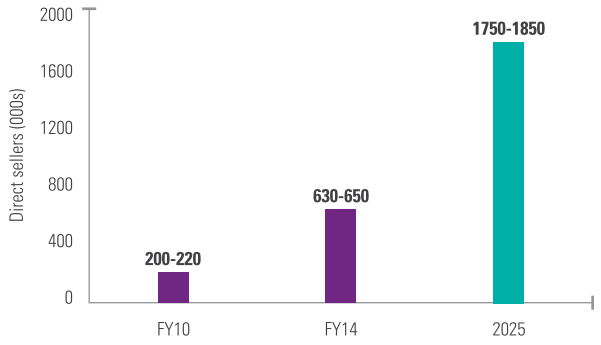
Direct selling revenue



Sources: IDSA Annual Survey 2013-14, FICCI Direct Selling Taskforce, KPMG India analysis 2014-15

..offering self-employment opportunities to 1.75-1.85 million

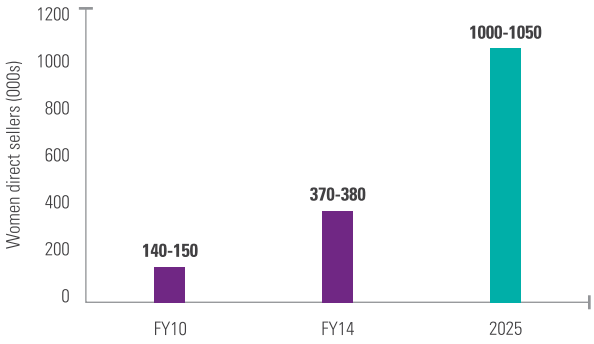
Direct sellers growth



Sources: IDSA Annual Survey 2013-14, FICCI Direct Selling Taskforce, KPMG India analysis 2014-15

with the potential to economically empower more than 1 million women

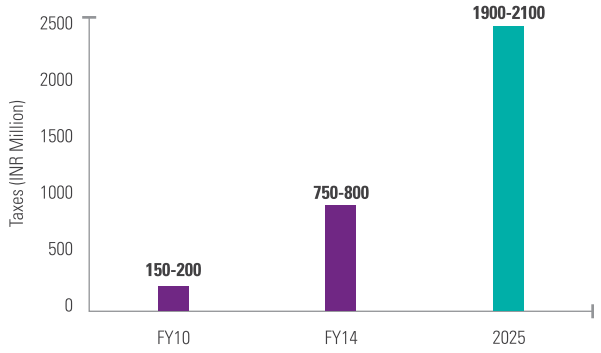
Women empowerment



Sources: IDSA Annual Survey 2013-14, FICCI Direct Selling Taskforce, KPMG India analysis 2014-15

..and the ability to contribute INR1.9-2.1 billion to the exchequer

Contribution to the exchequer



Sources: IDSA Annual Survey 2013-14, FICCI Direct Selling Taskforce, KPMG India analysis 2014-15

Impact of GST has not been considered for the opportunity assessment of the industry and its contribution to the exchequer.

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The regulatory challenge and the way-forward



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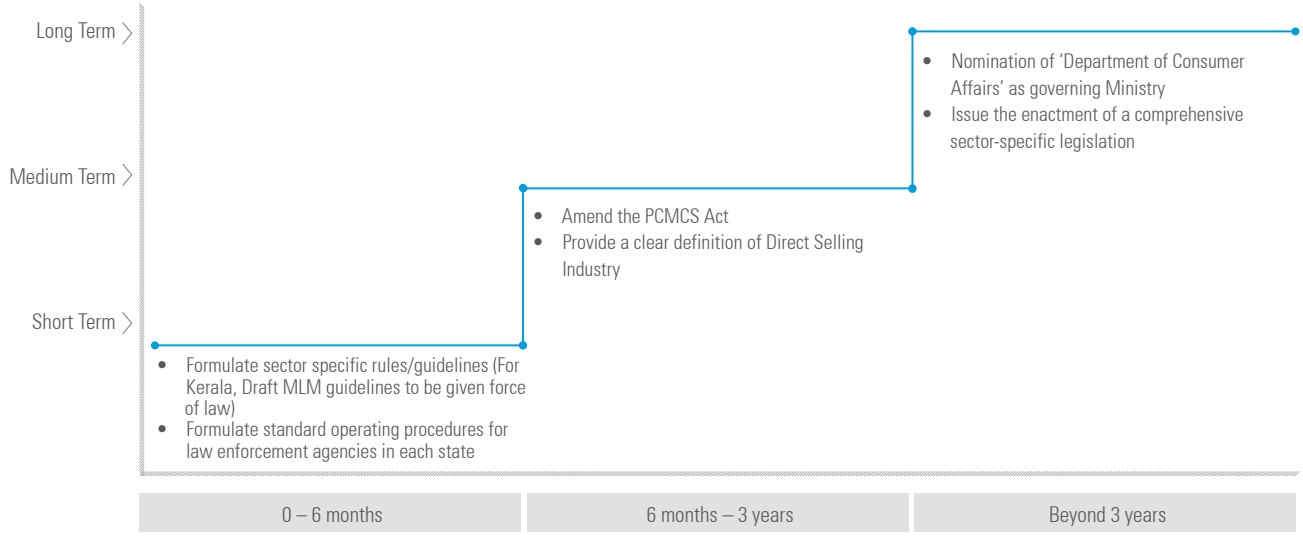
Challenges - Direct selling in India

Similar to the traditional consumer industries, the direct selling industry faces challenges in terms of setting up manufacturing facilities, dealing with import duties, etc. However, one of the most daunting concerns for the direct selling industry in India is the lack of regulatory clarity. Due to this, direct selling companies are often mistaken for fraudulent pyramid/ponzi schemes.

To provide a conducive and sustainable operating environment in India for the companies operating in the Direct Selling industry, a series of reforms are required ranging from immediate short-term reforms in the form of certain amendments in the existing Acts/policies to long-term measures of enacting a specific governing legislation for the sector.

A separate policy framework for the direct selling industry could clear the blurred lines between ethical industry players and impersonators, and go a long way in regaining consumer confidence.

We recommend the following road-map which can be considered by the government/regulators to help benefit this industry in the future.



Source: IDSA annual survey 2013-14, Industry discussions, FICCI Direct Selling Task Force, KPMG in India analysis 2014-15

1 Amendment in the Price Chits and Money Circulation Scheme (PCMCS) Act

Since the PCMCS Act does not explicitly address schemes which involve the genuine sale of products or services, some jurisdictions have attempted to read these clauses of the Act. Amendment in PCMCS Act is therefore needed to make the distinction clear between direct selling, including MLM plans involving the genuine sale of products and fraudulent pyramid, money circulation schemes.

2 Formulation of standard operating procedures

In order to do away with the prevailing operational uncertainty, an immediate action would need to be undertaken at the state level. The need of the hour is the development of standard operating procedures for the law enforcement authorities to be followed in cases where a complaint is filed against fraudulent MLM schemes. This ground level initiative shall help avoid undue harassment to genuine players of the industry and restore public confidence.

3 Formulation of state-specific guidelines

While the Centre evaluates the amendment of PCMCS Act, is that State government(s) formulate specific guidelines governing direct selling activities in the State. Such guidelines should address the underlying problems of information asymmetry between businesses and potential customers, lack of consumer awareness and absence of certainty. Kerala has already drafted the Kerala State Multi-Level Marketing (Control and Regulation) Bill, 2013. The other states can take a cue from Kerala in formulating state specific guidelines. While Kerala should give the draft bill the force of a legal status.

4 Need for a clear definition

There is need for a proper definition of the 'direct selling model' under a specific legislation in India. Moreover, given the numerous social as well as economic benefits of this specialised channel of distribution, direct selling should be given a separate 'industry' status.

5 Need for a governing ministry and legislation

At present, direct selling falls under the purview of state legislation and looks like is governed by various ministries/departments at the centre, state and local levels. The multiplicity of regulatory bodies has resulted in multiple regulations governing this sector. These should be streamlined for the smooth performance of this sector in the long run. One ministry should be nominated to govern direct selling companies, which could also provide for underlying regulations.

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Annexures



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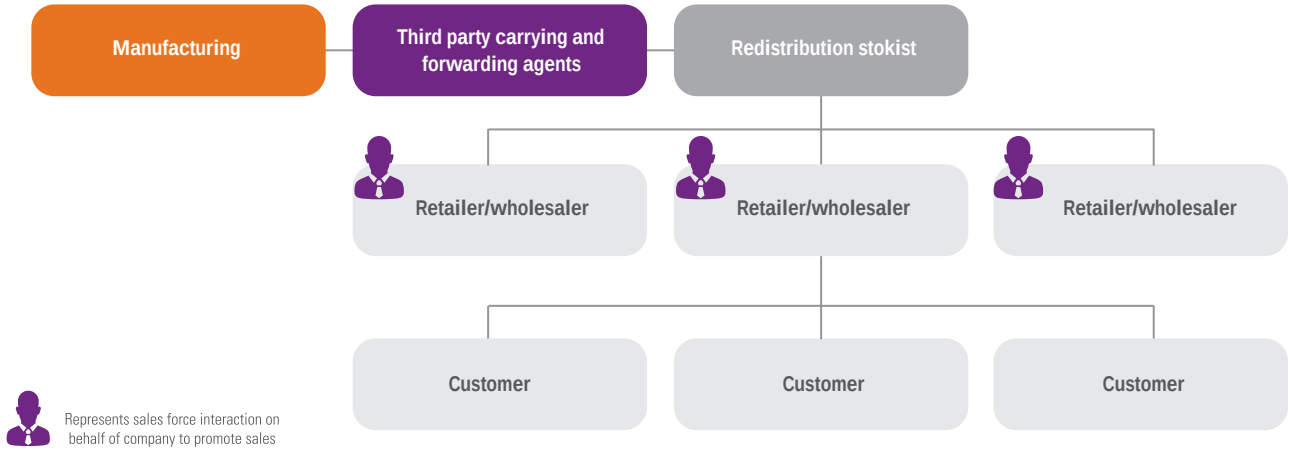
Annexure 1

There are a lot of similarities between traditional consumer goods retail and direct selling models:

- In both formats, distributors/direct sellers earn a commission when product sales takes place.
- Also, in both cases earning of the sales commission is based on the sales volume of the individual (and the group).

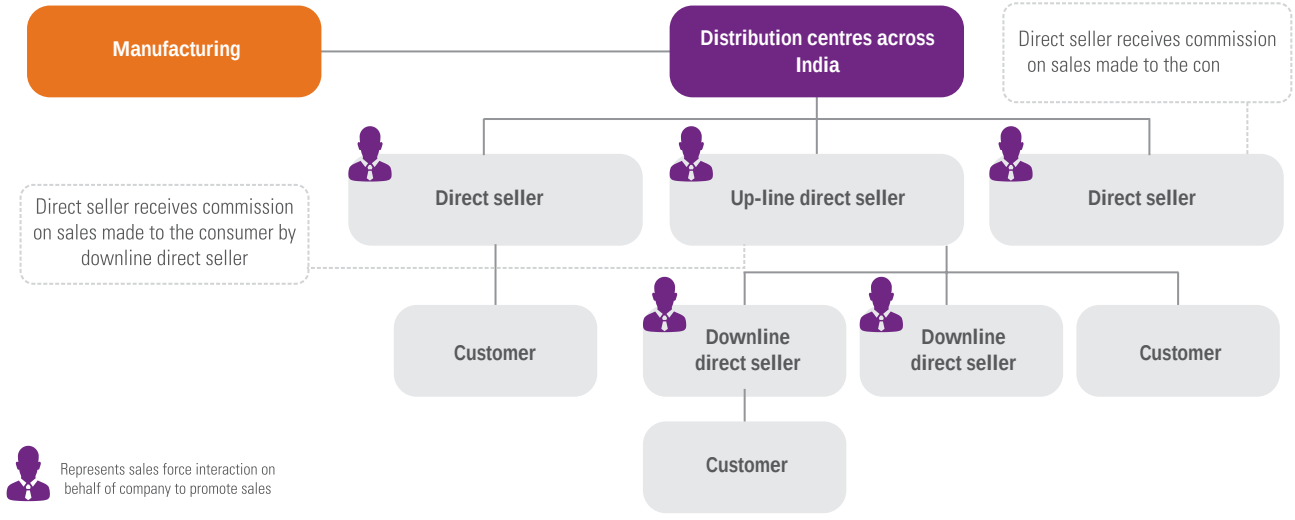
In the retail format, the CFA, re-distribution stockist, and retail seller earn sales margins. In case of direct selling under an MLM plan, all different levels of direct sellers earn commissions on the sale of products.

Traditional consumer goods retail model



Source: Industry discussions, KPMG in India analysis

Direct selling (multi level marketing) model



Source: Industry discussions, KPMG in India analysis

However, despite the similarities above, the traditional consumer goods retail and direct selling models, are essentially different formats with distinct investment requirements and sales philosophies.

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Annexure 2

Forecast methodology

Direct selling market size estimation

Methodology adopted

1

Identification of industries that significantly employ direct selling methods

Based on industries currently forming a major part in direct selling both in India and abroad. For example: beauty and personal care

2

Determine the current market size of the identified industries and the penetration of direct selling in each of the identified industries

Based on secondary sources and KPMG in India analysis

3

Project the market size of the identified industries in 2025

Based on secondary sources and KPMG in India analysis

4

Project the penetration of direct selling in 2025 in each of the identified industries

Comparison with other economies which has exhibited a similar evolution cycle for direct selling industry

5

Aggregate the industry wise numbers to arrive at the total project market size for direct selling in 2025

Market size of the identified industry 1 X **Direct selling penetration in industry 1** + ---- + **Market size of the identified industry n** X **Direct selling penetration in industry n** = **Market size of the direct selling industry**

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Direct sellers' estimation

Methodology adopted

1. Identification of country A whose current industry size is comparable to India's 2025 estimated market
2. Calculation of revenue per direct seller for the indentified country A
3. Calculation of India's 2025 estimated market revenue equivalent in PPP terms for comparable estimation
4. Estimation of India's potential self-employment generation using country A's equivalent

Direct selling market size and direct sellers' estimation for states

Methodology adopted

1. Projection of Indian middle-income households for 2025 using 2011 numbers
2. Distribution of the total Indian middle-income households by states based on estimated improvement in state welfare
3. Distribution of estimated direct selling market in 2025 by states using a proportion of middle income households as proxy for the direct selling potential for that state
4. Distribution of estimated direct sellers in 2025 by states using a proportion of direct selling potential for that state

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FICCI

Established in 1927, FICCI is the largest and oldest apex business organisation in India. Its history is closely interwoven with India's struggle for independence, its industrialisation, and its emergence as one of the most rapidly growing global economies.

A non-government, not-for-profit organisation, FICCI is the voice of India's business and industry. From influencing policy to encouraging debate, engaging with policy makers and civil society, FICCI articulates the views and concerns of industry. It serves its members from the Indian private and public corporate sectors and multinational companies, drawing its strength from diverse regional chambers of commerce and industry across states, reaching out to over 2,50,000 companies.

FICCI provides a platform for networking and consensus building within and across sectors and is the first port of call for Indian industry, policy makers and the international business community.

FICCI Direct Selling Task Force

The FICCI FMCG division has been relentlessly working on various issues which are critical for the industry. We have been actively involved in the policy & strategy, capacity building and global recognition for the Indian FMCG industry. We have formed a Task Force on Direct Selling industry which works on the similar issues with the Government.

Direct Selling is a very obvious distribution channel for FMCG industry and has gained huge importance in the times when demand is further driven by convenience at their door step. Direct Selling, as well understand is a sales and distribution channel/system whereby, on the basis of certain well defined rules direct sellers can derive income not only from personal sales but lso from ongoing sales and consumption by people whom they, directly or indirectly have introduced to the direct selling company and for whom they provide ongoing motivation and training.

We at Direct Selling Sub Committee give expert insight to the issues pertaining to this labour intensive Direct Selling industry. We interact with various ministries – to name a few – Ministry of Consumer Affairs, Ministry of Corporate Affairs, Ministry of Finance etc. to bring legitimacy to Direct Selling Sector. The subcommittee within itself has an advisory board of judgement neutral and intellectual people. In addition the committee has coordinated the think tank which deliberates issues and concerns of the DS industry on regular basis. The committee has also undertaken several events and initiatives to clearly bring out distinction between scams and Multi level marketing.

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KPMG Disclaimer

KPMG in India has, to the best of its ability, taken care to accurately compile the information and material contained in this report. The report contains certain case studies, company profiles and country regulations which have been collected through primary interactions, media reports and company websites. We have indicated within our report the sources of the information presented. We have not sought to establish the reliability of these sources by reference to independent evidence.

In addition, the report contains certain prospective market projections. Such projections are based on secondary research and our analysis based on certain underlying assumptions. We must emphasise that the realisation of the projections is dependent on the continuing validity of the assumptions on which they are based. The assumptions will need to be reviewed and revised to reflect any such changes in the business structure and direction as they emerge.

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This paper shows a potential path the sector will follow in the run up to 2025; all our findings/forecasts are based on extensive research, analysis and discussions with industry players. However, they are subject to change due to the multiple unpredictable variables which could affect the industry.

The report shall be read in its entirety by those to whom it has been circulated for viewing, without removing any disclaimer. By reading this report, the reader/s of the report shall be deemed to have accepted the terms specified above.

Acknowledgements

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Ms Shilpa Gupta and her team at FICCI and Members of FICCI Taskforce on Direct selling, who have guided and facilitated the making of this report.

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