

A study on Socio-economic Impact of Direct Selling

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- India is one of the fastest growing economies in the world. Over the past decade, the gross domestic product (GDP) and per capita income has grown at an average annual rate of seven per cent and five per cent, respectively. By 2015, with a projected GDP of \$2.18 trillion, India is expected to be the 11th largest economy in terms of GDP based on the market exchange rate and the fourth largest in terms of purchasing power parity (PPP). The Indian consumer market underwent changes due to this. There has also been a shift in the pattern of consumption from necessities to discretionary consumption. In 2007, India was ranked the 12th largest consumer market in the world and it is expected to be the fifth largest consumer market by 2025 after the United States (US), Japan, China and the United Kingdom (UK). With economic development and growing consumerism, the retail sector in India also underwent significant changes. Various store and non-store retail formats have evolved to cater to this growing market and direct selling is one such non-store retail format. Direct selling is one of the fastest growing non-store retail formats, recording double-digit growth in the post-reform period. The growing Indian market has attracted a large number of Indian and foreign direct selling companies. So, the concept of direct selling in India has a very positive impact in future course of time and it will soon cover the rural parts of the country as well where maximum people of India use to live.

Keywords : Direct Selling, Socio-Economy

Introduction

Direct selling is the business model which helps in marketing and selling of products directly to consumers away from a fixed retail location. Peddling is the oldest form of direct selling. Modern direct selling includes sales made through the party plan, one-on-one demonstrations, and other personal contact arrangements as well as internet sales. This business model is one of the major contributors in the economic development of most of the developed countries. In more than 12 years of its existence in India the Direct Selling industry has been able to make a meaningful contribution to society. Direct Selling's USP - low investments and high returns - makes it a great equalizer and a key driver of balanced growth in the country. This industry is empowering women in India at a large scale. 68% of Direct Sellers are women and 32% are

men in India (IDSA, 2009). Since it covers both business-to-business and business-to-consumers aspects, some experts point out direct selling is neither wholesale nor retail, but only a specialized channel of distribution. India is on the radar of many companies from all regions whether it is USA, Europe, and South East Asia. And many more are waiting for the government to pass legislation for Direct Selling industry in India, which is not considered as an industry yet. The Indian Direct Selling industry, whose annual revenues are expected to double by 2012, is set to grow by 100% in the next four years. IDSA is confident that the vision for Rs 5,000 crore as annual turnover is very much in sight by 2012 provided Direct Selling gets government recognition as an industry in India (Dilip Vamanan, 2010). India is expected to become the fifth largest consumer market by 2025 with an expanding middle

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class, which means lot of Foreign Multinational Companies want to sell their products here. India which has shown dramatic growth from a mere Rs. 2.5 billion in 1997 to an estimated Rs.33.3 billion in 2008 - 09. It is expected to grow at an annual compound growth rate of 12.5 - 15 per cent to touch the Rs. 80 billion mark by 2014, the study also analyses the social and economic contributions made by this sector to the economy, to employment and to ancillary industries such as, manufacturing and logistics units (Arpita Mukherjee, Tanu M. Goyal, Divya Satija & Nirupama Soundararajan Sponsoring Agency, 2009). Amway is the top global direct selling brand and Tupperware is the most visible face of direct selling in India. In the years 2008-09 and 2009-10, when the Indian economy was battling a growth slowdown, the number of direct sellers grew to 3 million from 1.8 million, or a growth rate of nearly 67 per cent (Nikhila Gill, 2011).

Companies engaged in direct selling business in India:

- Avon
- Amway
- Max New York
- Natura
- Vorwerk
- Herbalife
- Mary Kay
- Tupperware
- Oriflame
- Forever Living Products
- Nu Skin Enterprises

Direct selling in India has a positive socio-economic impact on society and economy as well in terms of employment generation, product coverage, contribution in the growth of GDP, developing selling and management skills, building of self-esteem and confidence especially in women.

Reasons for the Popularity of Direct Selling

1. Rise in income level: People working as well as non-working want to opt for direct selling business because they can get a good amount of income from this business.
2. Owner of the business: Middle class people like to be the owner of their own business and the USP of direct selling i.e. low investment and low risk makes it more popular and attracts large people.
3. Women participation: The participation from the side of housewives is increasing day by day as compare to working women and this business provides them more flexibility towards working time and style. In India 68% women and 32% men are engaged in direct selling business.
4. More Savings: With the help of direct selling activities members are capable of earning fixed plus variable incomes by which they can save more money for themselves. This helps in improving their financial conditions.
5. Social networks: This business model gives opportunity to its employees to be more connected with the society as it is focused on making more and more networks for the business which atleast results in the development of society.

Research Objectives

- i) To examine the socio-economic impact of direct selling.
- ii) To analyse the current state of direct selling industry in India.
- iii) To know about the level of women participation in direct selling industry.

Hypothesis

- 1) H0: Building of Self-Esteem does not have a significant input into the socio impact of direct selling.
- H1: Building of Self-Esteem has a significant input into the socio impact of direct selling.

2) H0: Income does not influence the purchasing pattern of the people.
 H1: Income influences the purchasing pattern of the people.

Research Methods

The research being conducted is descriptive based on the following reasons:

1. The population as well as objectives are clearly defined.
2. Descriptive research also known as statistical research will help in tabulating the data in numerical as well as graphical form.
3. It often uses visual aids such as graphs and charts to aid the reader in understanding the data distribution.
4. It provides simple summaries about the sample and

the measures.

5. It is used to present quantitative descriptions in a manageable form.

Research Process

It is the systematic design, collection, analysis, and reporting of data relevant to a specific marketing situation facing an organization. It helps the researcher to assess market potential and market share or to measure the effectiveness of pricing, product, distribution and promotional activities.

Analysis

The respondents have been asked to rate the following benefits they generally get from the direct selling business.

Factor analysis:

Table 1 KMO and Bartlett's Test

Kaiser-Meyer-Olkin Measure of Sampling Adequacy.		.582
Bartlett's Test of Sphericity	Approx. Chi-Square	187.327
	Df	36
	Sig.	.000

The .582 value shows that factor analysis is valid for this question.

Table 2 Total Variance Table

Components	Initial Eigenvalues			Extraction Sums of Squared Loadings			Rotation Sums of Squared Loadings		
	Total	% of Variance	Cumulative %	Total	% of Variance	Cumulative %	Total	% of Variance	Cumulative %
1	2.332	25.914	25.914	2.332	25.914	25.914	2.069	22.992	22.992
2	1.771	19.682	45.596	1.771	19.682	45.596	1.837	20.407	43.399
3	1.108	12.313	57.909	1.108	12.313	57.909	1.232	13.684	57.083
4	1.033	11.474	69.383	1.033	11.474	69.383	1.107	12.300	69.383
5	.858	9.530	78.913						
6	.678	7.533	86.446						
7	.497	5.526	91.972						
8	.418	4.639	96.611						
9	.305	3.389	100.000						

Extraction Method: Principal Component Analysis.

Table 3 Component Matrix Table

	Component			
	1	2	3	4
The benefits you get from direct selling (Build Self esteem & Confidence)	.018	-.244	-.303	.791
Build better Sales & management skills	.524	-.531	-.232	-.285
Meet & Socialise	.885	.469	.181	-.121
Have Independence	-.048	-.431	.527	-.078
Earn more money & household	.704	.191	.194	.026
Buy products at lower price	-.691	-.135	.480	.131
Work better with others	-.565	.614	-.083	.007
I am my own boss	-.514	.137	-.295	-.502
Better organize your agenda	.172	.757	.199	.188

Table 4 Rotated Component Matrix Table

	Component			
	1	2	3	4
The benefits you get from direct selling (Build Self esteem & Confidence)	-.179	-.019	-.160	-.848
Build better Sales & management skills	.088	-.820	-.099	.037
Meet & Socialise	.885	-.014	-.120	.145
Have Independence	.823	-.169	.831	.058
Earn more money & household	.729	-.187	-.001	-.065
Buy products at lower price	-.463	.413	.598	.001
Work better with others	-.194	.754	-.223	.219
I am my own boss	.803	.166	-.260	.557
Better organize your agenda	.571	.757	-.126	.000

Extraction Method: Principal Component Analysis.

Analysis: Table 2 states that there are 4 factors, which have an Eigen value more than 1. The last column in the table shows that 4 factors extracted together accounted for 69% of the total variance. That means that only 4 factors (reducing from 7), only 31% of the information content is lost. Looking at tables 3 and 4, in the first column, the variables meet and socialise, I am my own boss, and have independence have loadings of .885, .803 & .823 respectively. This suggests that factor 1 is the combination these three variables. And these variables can be clubbed together in single factor named as Self dependence.

Looking at second column, it is found that better organize your agenda and work better with others have loadings of 0.757, 0.754. These variables can be clubbed into a single factor called Relationship maintenance. Looking at third column, it is found that build better skills and earn more money & households have loadings of 0.742 and 0.761. And these variables renamed as Technically Skilled.

Looking at the fourth column, benefits from direct selling have loading of .791 and this factor is renamed as self-esteem. Therefore nine factors are reduced in to four main factors like self dependence, relationship maintenance, technically skilled and self-esteem.

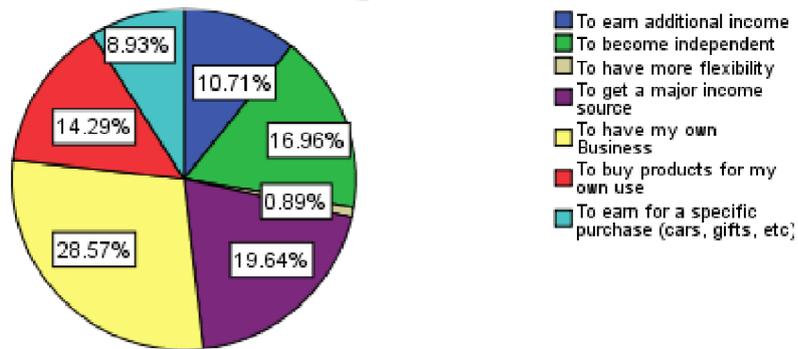
So, People choose direct selling business because it helps them in becoming independent, financially strong, more socialised, technically sound & confident.

The respondents have been asked the reasons for becoming a direct seller & the result has been shown in the figure given on next page.

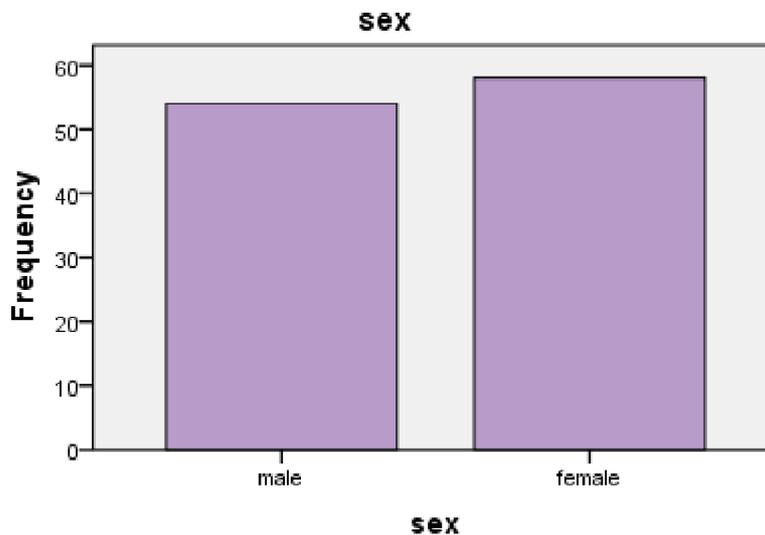
Findings

The level of Women's participation is more than men's in direct selling activities. 51.8% females are engaged in this business as compare to men which have 48.2% participation. The respondents see quality of the product while giving their orders which is the largest percentage chosen by the respondents among all other factors.

Reasons for becoming a direct seller



The question has been asked to the respondents to see the level of participation in this kind of business. Result shows that women have more participation in direct selling activities.



Personal care has a share of 58.9% of the total market in India followed by grocery items, medicines and financial services respectively.

Direct sellers say that this business is an opportunity to become financially independent without fixed time or capital commitment. 28.6% respondents said that for having their own business they have chosen the option of becoming a direct seller. 19.6% for getting a major source of income, 17% said that they want to be independent by having their own business and money.14.29% of the respondents said they buy high quality products for their own consumption as they are compensated through commissions, bonuses, non-cash

equivalents, etc.

Majority of the direct sellers are graduates & fall in the monthly income category of 30,000-60,000, and fall in age group of 25-35 years, followed by 18-24 years.75% of respondents said they have high disposable income by this business.41.1% agreed that their standard of living has changed due to more income in the family.They can save more now and have better purchasing power.It is one of the most labour-intensive segments. Sales consultants engaged in direct selling last year grew from 1,578,367 people to over to 1,600,38 people.

Direct selling now reaches out to around 4648 towns and cities across India and has a rural presence of 270 centres. In terms of the number of direct sellers, India ranked 11th among the top direct selling countries in 2010-11.

South India leads in the direct selling activity followed by Western India. Smaller towns emerged as key markets at 38% of overall industry value. New trends emerged in these areas like rural focus, advertising and web based ordering. More product categories should be added in to the business system.

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