

India's direct selling industry has the potential to reach INR 645 billion by 2025: FICCI-KPMG report

DIPP pushes for the formation and implementation of Guidelines for Direct Selling Industry in various states

NEW DELHI, 8 December 2015: Mr. Amitabh Kant, Secretary, Department of Industrial Policy and Promotion, Ministry of Commerce and Industry, said that direct selling will have to be given a greater thrust as it empowers women, MSMEs and promotes manufacturing in India, at FICCI DIRECT 2015, an annual flagship event for Direct Selling (DS) industry. Mr. Kant said that the industry has a potential to grow to INR 1000 billion by 2025 much beyond the FICCI-KPMG report projection of INR 645 billion.

Acknowledging the need for clarity in definition of direct selling and a separate regulatory framework for the industry, Mr. Kant said that DIPP has already submitted the draft guidelines to Ministry of Consumer Affairs for the direct selling industry and is hopeful for its implementation by various states.

He also urged the industry to embrace technology as the industry can deliver better and even faster once technology becomes its strength.

Mr. Kant released FICCI-KPMG report on '**Direct selling- Mapping the industry across Indian states.**'

Direct selling, one of the oldest and traditional forms of selling, is today a successful industry operating in over 100 countries, with a market size of USD 180 billion. In India, the market was estimated at INR 75 billion (2013-14), and forms around 0.4 per cent of the total retail sales in the country. To showcase the potential and highlight the opportunities and challenges faced by the DS industry, FICCI organizes its annual event on Direct Selling 'DIRECT' every year. During last year's edition of DIRECT, Minister of Consumer Affairs Shri. Ram Vilas Paswan promised the formation of an Inter-Ministerial committee (IMC) on Direct Selling to develop the regulatory framework for this industry, which he delivered. IMC was immediately formed after the announcement in our last year's edition of DIRECT. FICCI is fortunate to be the knowledge partner for the IMC for developing regulatory structure for this industry.

Further on the occasion, **Dr. A Didar Singh**, Secretary General, FICCI said "Indian Direct Selling Industry" is an important component of the Indian economy and acknowledging this, we at FICCI through our focused task force on direct selling is working dedicatedly towards the growth of this industry and seeking regulatory clarity for this new industry. FICCI is working closely with the Central and State Governments on the same and today's conference is a step in that direction. Today, we have launched the FICCI-KPMG report on the current state and contribution of Direct Selling industry in various states. This would be a reservoir of information on how this industry is contributing towards the development of various parts of India.

During the event, he assured Mr. Kant that FICCI would deliver a white paper on “Technology for Direct Selling”.

The Report ‘Direct 2015 – Direct selling- Mapping the industry across Indian states’ by FICCI-KPMG in India highlights the current challenges faced by the industry and the potential that the industry holds in select Indian states.

According to the report, the industry has recorded high double digit growth of about 16 per cent over the past four to five years. The market has grown to become a key channel for distribution of goods and services in the country, especially for health and wellness products, cosmetics, consumer durables, water purifiers and vacuum cleaners.

The report attempts to analyze the region-wise direct selling market comparing and contrasting growth patterns. In the last five years, the industry has recorded strong growth rates especially in the states of Assam, Delhi, Punjab and West Bengal. As per our analysis, North India emerged as the largest region by market size and accounted for INR 22 billion in 2013-14; South India which holds the second highest share of the direct selling market was pegged at INR 19 billion in terms of revenue in 2013-14. While the north east is currently the smallest market, it has recorded the highest growth rate of 14 per cent in India with a revenue of INR 9 billion. The growth has primarily been driven by rising income levels, high rate of urbanization and growing consumerism in the states.

The report also lists the challenges faced by the direct selling industry, one of the biggest being the lack of regulatory clarity. In our opinion, to provide a conducive and sustainable operating environment, a series of reforms are required ranging from short-term reforms like amendments in existing Acts/policies to long-term measures like implementing a specific governing legislation for the sector. A separate policy framework for the direct selling industry is required which helps identify ethical industry players, and can help regain consumers’ confidence.

The direct selling industry has significantly contributed to women empowerment, skill development, technology percolation and the growth of the SMEs sector in the states, besides contributing to the state exchequer. Total indirect tax contribution by direct selling industry to the government in FY14 alone is estimated at INR 740-790 million. In addition, the industry also provides a viable means of alternative income, which promotes self-employment. Going ahead, the industry is expected to be driven by factors such as growth in consumer markets and increase in the penetration to globally comparable levels.

In continuation with Direct 2014, this year’s summit has scaled up to new heights. It is unprecedented to have such a cohesive voice of all regional, sectoral and National associations working for this sector together at one platform. The confidence is displayed in the sheer number of more than 700 delegates assembled together here at FICCI.

Weblink: <http://ficci.com/Sedocument/20342/survey-fdi-retail.pdf>

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