



## Top-Performing Global Markets

Seventeen countries now have more than US\$1 billion in revenue annually. *Direct Selling News* caught up with direct selling associations in several countries to gauge how the industry is doing globally. Read more.

## Industry News

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# Top-Performing Global Markets

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Direct selling is still strong around the world. Seventeen countries now have more than US\$1 billion in sales annually through this channel of distribution. The results are indisputable. Business in North America is gaining representatives; Asia is decreasing slightly in revenues, but growing in direct sellers; South America continues to rise; and Europe is doing well. Marc Pouw, Managing Director of Direct Selling Europe (DSE) says, “[The industry] continues to grow and offers excellent income and career opportunities for each of the members of DSE. 2010 will be another successful year.”

The World Federation of Direct Selling Associations (WFDSA) has a similar perspective on the status of the industry, but notes that the industry contributes to more than financial health. While the economic contributions of jobs, personal income, investment and taxes can be quantified, it is also important to recognize the social contributions that are made to individual families' lives and well-being. Increased self-esteem, self-confidence, organization and management skills will play a major role in building a stronger future for direct sellers, their families, their communities and their country. Read on to see how the industry is faring in each of the billion-dollar countries and what makes direct sales slightly different wherever you go.



## 1. United States

Still at the top in direct selling, at US\$29.6 billion and with a salesforce of more than 15 million independent contractors, the United States formalized the industry a century ago through a trade association, which included modern-day Avon as an original founder. Today's Direct Selling Association (DSA) helps lead companies as they strive for even greater achievements and expansion around the world.

Forty-four of the top direct selling companies are based in the United States, and the U.S. industry consists of approximately 1,500 companies, including global companies, such as Amway, Avon, Mary Kay and Tupperware. These giants sell a wide variety of products, with leading product categories taking in 25.4 percent of 2008 sales for home and family care/home durables, 22.7 percent for wellness products, 21.5 percent for personal care, and 16.6 percent for services/other. More than 90 percent of the country's representatives work less than 30 hours a week.

The economic downturn of 2009 wasn't all bad for direct selling. "Non-scientific data tracking surveys conducted in 2009, along with anecdotal company reports, suggest that recruiting was up for the year," says Amy Robinson, DSA Vice President of Communications & Media Relations. "On the sales side, it's been a mixed bag. We've had some companies reporting a strong year, while others remain flat or have experienced a decline. We won't know for sure where we ended up for the year until the Growth & Outlook Survey numbers come in later this year."

Looking to 2010, DSA President Neil Offen and the DSA plan to carefully watch and participate in discussions about the classification of independent contractor status. The association also will continue to lead the way in embracing new media and social marketing to make a positive impression for direct selling.



## 2. Japan

With almost US\$23 billion in revenue, the relatively small island of Japan is, nevertheless, a huge player in the industry. It has 14 of the world's direct selling companies, with more than US\$100 million in annual sales each. There are approximately 260 companies in the Japanese Direct Selling Association (JDSA) and nearly 1,000 direct selling companies that are not in the JDSA. Together, these small armies of salespeople bring a wide variety of wares to consumers, including home goods, clothing and accessories, cosmetics and toiletries, nutritional products, and communication and office equipment.

The JDSA works closely with the country's Ministry of Economy, Trade and Industry (METI) to supervise the industry. It adheres to the Door-to-Door Sales Law, which protects both consumers and direct selling companies while also overseeing consumer complaints about its members.

A Japan-based company, For Days specializes in health food and cosmetics. For Days President Keiko Wada has seen careful consumer spending in 2009 inspired by the international economic crunch. "People are not buying anything extra," she says. "Even though something may be inexpensive, it isn't bought." This mindset is driving For Days and others to prove the value and need for their products. "Our products continue to be successful because they are unique and use genetic health," Wada says. "Also, we focus on the customer first, which helps us stay at the front of the market."

According to the WFDSA, the industry in Japan includes a number of global companies with household names, such as Avon, Amway and Tupperware. Japan-based companies include Miki Shoji, Nikken Sogyo, Fuyo Company, Nikken Sohonsa, Oppen Cosmetics, and Nippon Menard. Pola Cosmetics, an award-winning cosmetics company and homegrown direct seller, is also a major force locally, with more than 100,000 consultants across Japan.

Direct selling in Japan offers a wide variety of products, ranging from food to services. The largest categories of product sales are personal care and cosmetics, followed by nutrition.



### 3. Brazil

As the highest-growth market in the world with more than US\$10 billion in revenue, Brazil's vibrant lifestyle extends to its direct selling industry. The Associação Brasileira de Empresas de Vendas Diretas (ABEVD) saw an impressive 17.9 percent increase in sales through the third quarter of 2009, and salesforce numbers, shown at more than 2 million in 2008 by the WFDSA, grew by 19.2 percent. The ABEVD's 28 direct selling members include Brazil-based Natura, which is a strong leader for the industry nationally. It helps propel cosmetics, fragrances and toiletries to the No. 1 spot for product sales. However, direct sellers in Brazil offer a wide range of products, including food and services, with the largest categories being personal care, followed by food and household products. Last year didn't bring doom and gloom to Brazil's direct selling. "The industry wasn't affected by the economic crisis, showing sustainable results since fourth-quarter 2008 and continuing along 2009, driven mainly by a representatives number increase," says ABEVD Executive Director Roberta Kuruzu. "Our expectations [for 2010] are in the direction of continuity of growth, considering the history of the last five or 10 years, when direct selling showed a strong increase."

Kuruzu attributes the success of the industry to several factors. Income is a prime driver, because direct selling can bring far more money than the minimum salary in Brazil and can supplement an existing job. Flexibility and independence are other attractions, as is the ability to begin a business with no previous experience or business credit. It's also a great option for those far away from large cities; consumers can buy elusive products and salespeople can earn a living, even without an employer's physical office.



### 4. Germany

Climbing in international rankings, Germany is one of Europe's powerhouse direct selling nations, with its 2008 revenue at almost US\$9 billion and its salesforce totaling 778,000. It is home to three companies that exceed US\$100 million in annual revenues, and homegrown Vorwerk has branched out to include JAFRA Cosmetics in its family of companies. Germany has two trade associations, with some duplication between their rosters. There are the Bundesverband Direktvertrieb Deutschland (BDD) and Unternehmensverband Direktvertrieb e.V. (UVDV). There seems room for both of these organizations, with significant sales and interest in the industry.

One of the largest direct sales companies in the world is Vorwerk, a 125-year-old company based in Germany that owns Lux Asia Pacific and JAFRA Cosmetics among others. Including their self-employed advisors and consultants, more than half a million people work with the company in 61 markets. In a recent survey conducted by business careers magazine Handelsblatt Junge Karriere and the Corporate Research Foundation, Vorwerk came in 14th among the top 20 employers in Germany. The company received excellent ratings in all the categories, including remuneration, image, work-life balance, personal-development opportunities and corporate culture, showing that its motto of "Our success depends on people" is not just a phrase.

Big names, like Tupperware, Eismann, Avon, LR Health & Beauty Systems and Amway, take up much of the market share and contribute to product sales in the leading categories of health and wellness and personal care. 2009 was not a watershed year for Germany direct sellers. UVDV Representative Christel Frank says that it led to even better numbers, Germany maintaining the No. 1 spot for European direct sales, the development of new companies, and more hybrid party-plans. She has high hopes for 2010, saying she expects the industry to be "very positive and growing."



### 5. China

Corralling direct sellers in China is difficult, as Chinese DSAs are structured more as regulatory bodies than most global DSAs. According to China Daily, China's global newspaper, high-ranking industry leaders at the 14th Academic Symposium on Direct Selling in Beijing (November 2009) anticipated that sales revenue for the direct selling industry in China will grow more than 30 percent this year to 60 billion yuan (US\$8.79 billion). A New York Times article from December 2009 shows direct selling

as a growing industry in the country, earning US\$8 billion and marketing products as diverse as health supplements, cosmetics, toothpaste and dishwashing liquid.

Direct selling giant Amway leads the way, with its Chinese arm, Amway China Co. Ltd., boasting revenue for 2009 of US\$2.6 billion. Other US-based companies show combined local revenue of more than US\$740 million for 2009, and not all the numbers are in yet. The year-end 2009 financial report of Avon Products Inc. shows revenue of more than US\$350 million.

After banning direct sales completely in 1998, the Chinese government reopened the market in 2006, with Avon Products Inc. awarded the first license that same year. Many companies have since re-entered the market, including Mary Kay Inc., Nu Skin, Herbalife and USANA. However, the government has imposed strict regulations on direct sellers, including an upfront investment of US\$10 million and a security deposit to protect consumers. The salesforce is also heavily regulated, with China insisting on formal contracts, limiting the cost of kits and setting the maximum attendance for training meetings. While China does not have a DSA for the country as a whole, the Hong Kong DSA's membership includes several U.S. giants, such as Amway, Mary Kay Inc. and USANA, and a few homegrown companies, including Best World Lifestyle and Infitus Co. Ltd.



## 6. South Korea

2008 WFDSA numbers show South Korea with a salesforce of an impressive 3,089,163 and revenue at US\$7 billion. "The direct selling industry in Korea was growing in 2009," says South Korea Direct Selling head Se Joon Park, who is also President of Amway Korea. "Korean domestic door-to-door sales companies were especially doing quite well. Generally, big companies were growing, but small companies suffered a little bit."

While final sales figures have yet to be issued, a slight upturn is expected. The 62 members of the Korean Direct Selling Association (KDSA) include domestic companies, such as WoongJin, Amore Pacific, DagKyo and Univera, as well as multinational companies like Amway, Nu Skin, Herbalife, Avon, Unicity, Tahitian Noni and USANA. They divide the market to yield 36.5 percent of sales in health supplements, 30.6 percent in cosmetics and 7.3 percent to other categories.

Se Joon Park is expecting a strong showing for 2010. "The Korean economy has already overcome the international financial crisis," he says. "Koreans set great store by human networking and relationships, and Koreans are eager to be successful. So direct selling can be—and is—successful in Korea."



## 7. Mexico

Mexico is an important market for multinationals as well as homegrown companies, with revenue for 2008 totaling more than US\$4 billion and a salesforce of 1.9 million. Forty-one corporations belong to the Asociacion Mexicana de Ventas Directas (AMVD), claiming 85 percent of the country's total US\$4.4 billion in direct sales for 2008. In addition to foreign-based companies, Mexico's own Omnilife Manufactura—a multimillion-dollar producer—leads the industry to increasingly greater achievements. There are 1.9 million direct sellers working the business in Mexico.

But Mexico is not immune to the worldwide financial turmoil. "The market economy in 2009 did suffer the same problems as the United States," says Jesus Alvarez, Mexico DSA Chairman and General Manager of Amway Mexico. "Direct selling and most other industries had problems sustaining their business; however, during 2009, more direct sales companies did arrive to Mexico and started operations." Alvarez adds that nutrition and wellness companies are increasingly setting up shop in the nation and are taking on a more dominant role in the industry. Direct selling also fares well because it complements the Mexican culture of person-to-person selling and provides opportunities for lower-income people.

Some Mexico-based companies did not suffer in 2009 and are truly optimistic about 2010. Alejandro Díaz de León, Co-Founder of Ardyss International, says, "In 2009, Ardyss saw exponential growth due to our rapid expansion into the United States through our network marketing model." His fellow Co-Founder, Antonio Díaz de León, adds, "2010 looks fruitful for Ardyss. With our continued growth in the U.S. market and plans to enter new markets, we have positioned ourselves for limitless growth. We will continue to expand our immense product line with even more valuable products for our consumers."



## 8. United Kingdom

In Britain, direct selling continues to go swimmingly. There are approximately 400,000 direct sellers, and more than 330,000 of those are from 61 companies active in the UK Direct Selling Association (UKDSA). Latest figures from the UKDSA show numbers that top even those of the WFDSA's statistics: US\$3.6 billion. Five member companies account for sales of more than US\$30 million—a big footprint in the landscape on the British Isles and environs.

DSA Executive Director Richard Berry is also Chairman of the Federation of European Direct Selling Associations and has a continentwide view of the market. The UK is faring well, partly because of an increase in sales agent recruiting, as more and more people look for second incomes that can be integrated into full-time employment and other time constraints, leading to increases of up to 30 percent for member companies.

The UK also has "very reasonable legislation," which allows more companies to operate there and be successful. Of course, this works because the DSA monitors companies and offers consumer and salesforce protections.

For 2010, recruitment is expected to return to normally stable levels. The leading product categories of services at 30 percent and personal products at 28 percent will likely continue to dominate the market.



## 9. Italy

Direct selling in Italy is experiencing a renaissance, as evidenced by the country's revenue, which is more than US\$3 billion. Italians were most likely to purchase durable household goods, followed by food/nutrition products, with cosmetics and fashion accessories rounding out the top three. As in most other parts of the world, salesforce numbers are growing, according to the country's industry organization, Associazione Nazionale Vendite Dirette Servizio Consumatori (AVEDISCO). From January through September 2009, the number of independent sales representatives grew 7.9 percent and pulled in a 2.6 percent increase in sales. "Info on fourth-quarter results is promising, and we expect to close 2009 with a sales increase ranging between 3.5 to 4 percent," says AVEDISCO Executive Director Giorgio Giuliani. With more than 106 direct selling companies in Italy, 38 of which are AVEDISCO members, there are many opportunities to buy and sell.

The industry is still riding the wave of positive results from legislation enacted in 2005 that regulated the roles of the independent direct seller, defined pyramid schemes and offered greater clarity for customers. It basically put AVEDISCO's codes of conduct into law, which both leveled the playing field and enhanced the industry's image.

In addition, Giuliani says that direct selling is successful in Italy because it "fits really well the attitude and mentality of the Italian people." He also credited the positive behavior of member companies toward consumers and salespeople, the high quality of goods and services, and the excellent sales training as reasons for positive results in his country. As for 2010, Giuliani is bullish: "Member companies are very confident to continue the trend."



## 10. Russia

The Direct Selling Association of Russia (RDSA) continues to report good news. Even though revenue in 2008 was at almost US\$3 billion, sales for the first nine months of 2009 are up and salesforce numbers are 4.5 million. Even without fourth-quarter results, recruitment numbers are up, and sales figures are likely to continue to increase as well. There are 17 members of the RDSA, including household names like Amway, Avon, Herbalife, Mary Kay, Nikken, Oriflame and Tupperware. Together, they are driving these significant numbers. As one would expect, given the leaders in the industry, Russia's strongest sales are in the personal care category, taking 73.69 percent of sales.

Tamara Shokareva, President of the RDSA and Executive Director of Corporate and Government Relations for Mary Kay Russia, says she and her peers are satisfied with their 2009 performance.

"Against the background of falling retail sales under crisis conditions, any growth could be regarded as an excellent result," she says. "Direct selling provided people with opportunities of extra earnings

during the period of recession and unemployment growth. The increase of the number of distributors is a basis for the companies' growth in the future."

While Russian bureaucracy can still be a problem, it doesn't bother the Russian people. They are enthusiastic about direct selling, because they want to build their own businesses but do not typically have large capital for startups. And many people snap up free distributor training, eagerly learning to control not only their businesses, but other aspects of their lives as well, through personal development.



## 11. France

With a salesforce of 242,000, France's direct selling industry is très active. The Federation De La Vente Directe (FVD) has joined the FEDSA, bringing its membership to the regional legion of salesforces. With more than 110 members and US\$2.4 billion in sales as of 2008, the FVD has the second-largest association membership, with 70 percent French-owned companies. Similar to Italy, the top category in France is durable household goods, followed by nutrition/well-being products and foods. And, like its counterparts around the world, France's recruiting is growing and sustaining sales.

"The year 2009 ends, and, despite the grim findings of consumption for all distribution channels, direct sales, and our companies in particular, have managed to maintain their overall activity and some of them to record strong growth," says Jacques Cosnefroy, General Delegate of the FVD. "Our ability to bounce back in these difficult times is reflected by a growing interest of economic actors and media in our country, but also manufacturers who are in the direct sales opportunity to conquer new markets." FVD Chairman Philippe Jacquelinet attributes the industry's strength and continued growth in part to their efforts to reach out to young people looking for careers. "Close links with the Ministry for Education mean young people are exposed early to the concept of direct selling as a credible and positive career choice. These are the decision makers of the future, and this is one way in which we can safeguard the industry for the long term."



## 12. Taiwan

The past few years have been rough for the industry in Taiwan. Despite 2008 revenue numbers of US\$1.6 billion and a salesforce of more than 4 million, figures from the Taiwan Republic of China (ROC) Direct Selling Association show a decrease of 9.3 percent in distributors and 3.16 percent in sales. Forty-five companies are active in the Taiwan DSA, and some of those have made big strides over the last year. "Amway, Melaleuca and Herbalife enjoyed a double-digit annual gain in 2009," says Shirley Chen, Chairman of the Taiwan DSA and General Manager of Amway Taiwan Company Ltd. "We expect 2010 will reverse to growth."

One of the very different trends to emerge in Taiwan is the presence of physical stores to support the direct selling branding and channel. People can come into a store at their convenience to see, feel, touch, smell, and sometimes taste a product, while also talking to a sales representative about it. This may help convince value-centered customers that a product is a good buy. "[In response to] the depression of the economic environment and the deteriorating average income, product value has become extremely sensitive for the consumers," Chen says.

U.S.-based multinational companies continue to dominate in Taiwan, leading nutrition sales to take 54 percent of the market, beauty to have 17 percent, and home care to 8 percent. There is renewed focus on branding and image enhancement, with more companies willing to promote the code of ethics and self-regulate within the industry. There are currently 264 direct selling companies in Taiwan, including such household names as Amway, Avon, Mary Kay and Nu Skin. Taiwan-based companies include Boching, Chlilitina, Formosa Magazine Press, Hsin Ten Enterprise, Medical Designs and Sunpack.



## 13. Thailand

Direct selling is well-established in Thailand, as illustrated by the more than 5 million entrepreneurs that brought in almost US\$1.6 billion in revenue in 2008. The Thai Direct Selling Association has 29 member companies, and there are estimated to be around 500 companies operating in the country. Thai DSA Manager Sukanda Chunchacharachai says that Amway is the largest direct selling

company operating there, and the leading product categories are health at 39.18 percent, cosmetics at 37.58 percent and household products at 9.76 percent.

Sukanda says that trends in 2009 included consumers' growing interest in health products. The industry is also attracting more young salespeople. "The [average] ages of direct sellers have gone down to include younger people," she says. Other items of interest include the increased development of franchised/authorized shops and e-commerce. These changes are not likely to go away in 2010. Sukanda's predictions for the coming months include: "More distribution channels will be expanded, especially via the Internet; the age of direct sellers will expand to younger generations, like students and first-jobbers; and most consumers will be more sophisticated."



## 14. Colombia

The mountainous and jungle-laced country of Colombia is making direct sales one of its specialties. Although revenue was at US\$1.5 billion for 2008, sales have increased 18 percent in the last two years, a feat equaled by very few other sectors in the nation. Among the 867,000 salesforce members and 27 companies active in the local DSA, women have found income opportunities not typically available to them.

Patricia Cerra Madariaga, Executive Director of Asociación Colombiana de Venta Directa (ACOVEDI), notes that the top five companies in Colombia—Avon, Belcorp, Yanbal de Colombia, Industrias INCA-DUPREE, and NOVAVENTA—are selling cosmetics, accessories and confections throughout the nation. Health and wellness companies, such as Nature's Sunshine, 4Life and Herbalife, are also finding success.

While 2009 did not bring as much growth as previous booms, the industry did not suffer. "Fortunately, the trend was a growth industry, not like another year, but still in growth," Cerra Madariaga says. "Colombia has a stable economy, in spite of the world crisis, and it always has had moderate consumption." The key to continuing this growth, in Cerra Madariaga's eyes, is to study the market constantly. With 32 states in Colombia, there are very diverse tastes and sensibilities. The hands-on, personal interaction ensures that direct sellers are best-suited for knowing their customers and providing recommendations and ideas that will keep building the industry in Colombia.



## 15. Canada

Canada is set to have even better results in 2009 than it did for 2008. Figures from 2008 show approximately US\$1.18 billion in sales from 608,778 salespeople in 44 member companies. "It looks like we're going to be about the same in terms of sales, and we're seeing an increase in the number of independent sales consultants," says Ross Creber, President and Secretary of Canada DSA. "Some companies have had an extremely good year, others not so good, and others about the same. Certainly, in this current economic environment, being the same is not that bad—not that you would normally accept that kind of performance, but we've had a relatively good year."

Avon, USANA, Mary Kay, Amway, PartyLite, Arbonne and ACN are among the big players there, and the most identifiable trend is toward nutritional products. Homegrown company Immunotec specializes in just that, with a non-drug listing in the Physicians' Desk Reference (PDR) and the Compendium of Pharmaceuticals and Specialties (CPS). "The huge interest in nutritional products has been emerging over the last four to five years," Creber says. "What we're seeing is reasonable success with party-plans and the traditional skin care, cosmetics. But it's really the nutritional products that are driving the market."

The economy in Canada has been shielded from the financial crises plaguing the United States through stronger Canadian financial institutions and housing market performance. There has been a downturn in money coming from the United States, though, be it tourism or investment dollars. Canadians have been looking for second incomes, just like others around the world, and an increase in recruitment is the net result.

"There is continued interest in the channel," Creber says. He believes that the growing national debt will have long-term effects on growth. "The economic outlook for Canada for the coming year is modest growth. Like other countries, we've now got huge national deficits, so that's going to take time to resolve. I think the fact that we've had growth in the number of sales contractors for this past year certainly bodes well for the coming year."

Direct sellers in Canada offer a range of products, from food to services. The most popular category is personal care, followed by health and household products.



## 16. Argentina

Argentina is new to the list of billion-dollar countries. Its sales grew from US\$992 million in 2007 to US\$1.17 billion in 2008. The trend is likely to continue in 2009, with growth in the number of salespeople as well, at 714,000 in 2008. The national direct selling organization, Camara Argentina De Venta Directa (CAVEDI), has 13 associate members and five provider companies, representing 80 percent of the direct selling market in Argentina. These include recognizable names such as Amway, Avon, Herbalife, House of Fuller and Natura, among others.

Even though Argentinean women have held traditional roles longer than their U.S. counterparts, more and more are going back to work. Some need part-time incomes to supplement their jobs, others need a way to earn a living without extensive education or vast experience. This is why women make up 94 percent of the salesforce in Argentina. They use party-plan and door-to-door visits to make their pitches for items as diverse as cosmetics and toiletries, household and family wares, clothing and accessories, and nutritional and wellness goods.

CAVEDI also noted that strategic alliances, mergers and acquisitions, and public stock offerings among large companies may change the landscape of direct selling in their country.



## 17. Malaysia

The business in Malaysia holds the third spot for Asia, based on 2008 figures reported to the WFDSA. Although revenue was at US\$1.03 billion and the salesforce totaled 4 million in 2008, more current figures are hard to come by. Paul Yee, President of the Direct Selling Association of Malaysia (DSAM), shared his insights recently in a radio interview.

"From the last count, there are 670 licensed direct selling companies in Malaysia. Of these, there are an estimated 4 million Malaysians involved in this business. We have 55 member companies, which range from small, local companies to multinationals and publicly listed companies. Member companies contribute more than 48 percent of the industry's sales." Based on 2008 figures from the WFDSA, the direct selling industry in Malaysia is worth US\$1.03 billion.

"The DSAM has been busy in 2009 instilling an enhanced code of conduct for its members. It provided more clarity in the acceptable actions toward consumers, toward direct sellers, between direct selling companies and for code enforcement," Yee said. "With these enhancements, the responsibilities will weigh heavier on the member companies, and yet, when we embrace this as part of our operational fabric, it will augur well for the industry's reputation and long-term growth."

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