



CATALYTIC ROLE OF IDSA & FDSA IN PROMOTING DIRECT SELLING INDUSTRY IN INDIA

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ABSTRACT

Direct selling Industry is a very fast growing industry of India and rapid hike is expected in future years. According to a report by the Federation of Indian Chambers of Commerce and Industry (FICCI), the direct selling industry in India was valued at \$2.47 billion in 2019, and is expected to grow to \$8.96 billion by 2025. During the 1950s and 1960s, many international direct selling companies such as Amway, Avon, and Tupperware began to enter the Indian market. However, the direct selling industry in India faced many challenges and controversies during this period, including issues with pyramid schemes, illegal money circulation schemes, and fraudulent practices. To address these challenges, the Indian government enacted the Prize Chits and Money Circulation Schemes (Banning) Act in 1978, which prohibited pyramid schemes and other fraudulent practices in the direct selling industry. As a result, government has taken action against the direct selling industry and announces to stop the operations of all direct selling companies working in India in 2012. Later on, the IDSA and FDSA worked the government to developing and implementing the effective guidelines for the smooth running of the industry. This research paper is trying to represent the contribution of both the bodies in the development, promotion and monitoring the direct selling industry.

Keywords: IDSA, FDSA, Direct Selling.

1. INTRODUCTION:

1.1 What is Direct Selling?

Direct selling is a method of marketing and selling products or services directly to consumers, typically outside of a traditional retail setting. In direct selling, the sales process is often based on building personal relationships between the direct seller and their customers, with the goal of creating a loyal customer base that is willing to buy from the seller again and again.

Direct selling can take many different forms, including door-to-door sales, home parties, and online sales through social media platforms or e-commerce websites. The key feature of direct selling is that the salesperson interacts directly with the customer, rather than through an intermediary like a retailer or distributor.

Direct selling can be a popular way for individuals to start their own business and earn income, as it typically involves low start-up costs and flexible hours. However, it can also be a competitive and challenging industry, requiring strong sales and marketing skills, as well as a deep understanding of the products or services being sold.

The regulations in India governing the market of direct selling are primarily based on considerations of consumer welfare and creating a level-playing field for market players.

The Direct Selling Guidelines 2016, issued by the Ministry of Consumer Affairs, Food and Public Distribution, aim to protect the interests of consumers and promote fair competition among direct selling companies. The guidelines require direct selling companies to provide accurate and complete information about their products, compensation plan, and refund policy to consumers. They also require companies to provide a cooling-off period, during which consumers can cancel their purchase without penalty.

In addition, the guidelines require direct selling companies to operate in a manner that is fair, transparent, and ethical. Companies are prohibited from making false or misleading claims about their products or earnings potential, and they must not engage in any illegal or unethical business practices.

1.2 Traditional Distribution Model V/s Direct Selling Distribution Model:

In traditional or indirect selling system there are many parties involved in the distribution of the goods and services such as company, agent, distributors, wholesaler and retailers between the manufacturers to consumers. At every stage some value is added which leads to high price and profit is also distributed among these parties. The burden of advertisement cost is also on the shoulders of customers. Whereas in the direct selling system there are only company is involved between the manufacturer and consumers, as a result the profit can also be used to create the earning of the direct seller.

Though this model, a common man can also start earning with consuming the products and referring the products to others without involving any investment.

Traditional distribution system and direct selling distribution system are two different approaches to selling products.

In a traditional distribution system, products are manufactured and distributed through a series of intermediaries, such as wholesalers, distributors, and retailers, before reaching the end consumer. This system is commonly used in industries such as consumer goods, electronics, and automotive, and it relies on economies of scale and wide distribution networks to reach customers.

In contrast, a direct selling distribution system involves selling products directly to consumers, often through a network of independent salespeople or distributors. This system is commonly used in industries such as cosmetics, health and wellness, and home goods, and it relies on personal relationships and word-of-mouth marketing to reach customers.

There are several differences between traditional and direct selling distribution systems. For example, traditional distribution systems typically require more upfront investment in distribution networks, whereas direct selling systems require more investment in training and supporting a network of independent distributors. Direct selling systems also often offer more personalized customer experiences, whereas traditional systems focus more on efficiency and scale.

Ultimately, the choice between a traditional or direct selling distribution system will depend on the nature of the product being sold, the target customer base, and the goals and resources of the company selling the product.

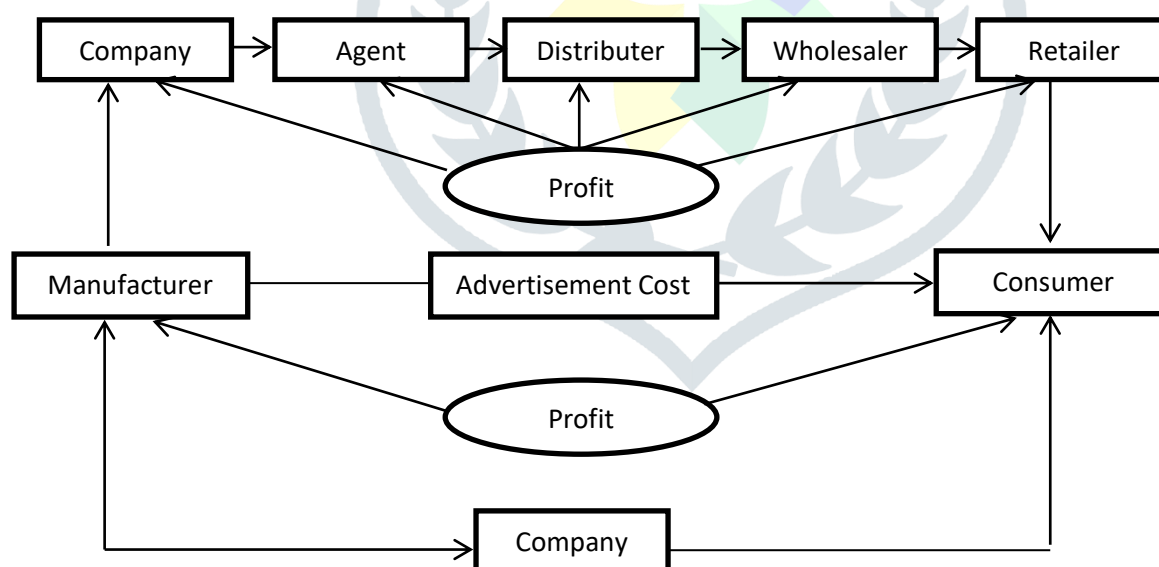


Fig.01: Traditional Distribution Model V/s Direct Selling Distribution Model

1.3 Related Associations of Direct Selling Industry:

Indian Direct Selling Association (IDSA) and Federation of Direct Selling Association (FDSDA) are two separate bodies but working on the same objectives. Their holistic objective to promote, protect the interest of people and development of direct selling companies in India. Direct selling industry was facing many challenges

related to legality of these companies and many MLM scams done in India over the past two decades. These associations are working as bridge between the direct selling companies and government bodies to make regulations for the industry.

1.3.1About IDSA: Indian Direct Selling Association was incorporated in 1996 as an autonomous, self-regulatory body of direct selling companies in India. It acts as an interface between the industry and the Government bodies which are associated with the making policies related to direct selling industry in India. IDSA is trying to create conducive environment for the growth of direct selling industry through advisory and consulting services. IDSA is internationally affiliated with WFDSA, based on Washington DC.

IDSA has many Government Recognitions, These are as follows –

- Appointed as “Member” in the state monitoring committee of Goa Food, Civil Supplies and Consumer Protection Department.
- Appointed as “Member” in the state monitoring committee of Chhattisgarh Food, Civil Supplies and Consumer Protection Department.
- Appointed as “Subject Matter Expert” in the state monitoring committee of Himachal Pradesh Food, Civil Supplies and Consumer Protection Department.
- Appointed as “Subject Matter Expert” in the state monitoring committee of Madhya Pradesh Food, Civil Supplies and Consumer Protection Department.
- Appointed as “Subject Expert” in the state monitoring committee of Punjab Food, Civil Supplies and Consumer Affairs Department.
- Appointed as “Advisor” in the state monitoring committee of Tamil Nadu Civil Supplies and Consumer Protection Department.

Membership Companies:

1. Amway India Enterprises Pvt. Ltd.
2. Altos Enterprises Ltd.
3. Avon Beauty Products India Pvt. Ltd.
4. 4Life Trading India Ltd.
5. Blulife Marketing Pvt. Ltd.
6. DXN Marketing India Pvt. Ltd.
7. Enagic India Kangen Water Pvt Ltd.
8. Glaze Trading India Pvt. Ltd.
9. Herbalife International India Pvt. Ltd.
10. International Marketing Corporation Pvt. Ltd.
11. Jeunesse Global India Pvt. Ltd.
12. K-Link Healthcare (India) Pvt. Ltd.
13. Modicare Ltd.
14. Oriflame India Pvt. Ltd.
15. PM International India Pvt. Ltd.
16. Tianjin Tianshi India Pvt. Ltd.
17. Tupperware India Pvt. Ltd.
18. Unicity India

1.3.2 About FDSA: The Federation of Direct Selling Associations (FDSA) is a non-profit organization registered under the Society Act in Hyderabad, India. Its purpose is to represent genuine direct selling companies and their interests to both Union and State Governments, and to help establish the legal legitimacy of the industry. To achieve this goal, FDSA has brought together like-minded companies and industry experts who share a collective vision for the future of direct selling in India.

Established in 2011, the Federation of Direct Selling Associations (FDSA) has played a critical role in promoting and safeguarding the direct selling industry in India. In addition to raising awareness about direct selling among the public, FDSA has actively advocated for the acceptance of the industry by the media and government authorities. Through a series of region-wise workshops across India, FDSA has educated people on the importance of genuine direct selling practices, culminating in a powerful demonstration of strength at the Annual Direct Selling Meet held at Talkatora Stadium on September 8, 2016.

Membership Companies: In the absence of any guidelines from the government, During 2013, FDSA had formed self-governing '**Code of Conduct for FDSA membership companies**' to recognize genuine Direct Selling Business models and award memberships to them.

Founder Members: These four companies were founder members of FDSA:

1. Fashion Suitings Pvt. Ltd. (RCM)
2. ARL Retail Pvt. Ltd.
3. Swadharma Corporate International Pvt. Ltd.
4. TranzIndia Corporate Network Pvt. Ltd.

Fellow Members: Fellow Membership is available to those companied who abide by the FDSA Code of Conduct and are in compliance with the Model Direct Selling Guidelines-2016. The companies are kept under strict vigil by the Federation and annual renewal of membership is done on the basis of satisfactory business conduct and ethical practices. These are as follows:

1. My Recharge Pvt. Ltd.
2. Unibiz Multi Trade Pvt. Ltd.,.
3. Oriens Global Marketing Pvt Ltd.
4. Add Shop E-Retail Ltd.
5. Mi Lifestyle Marketing Global Pvt. Ltd.
6. HHI Marketing Pvt. Ltd. (Happy Health India)
7. Green Planet Bio Products Pvt. Ltd.
8. Asclepius Wellness Pvt. Ltd.
9. Pro Healthwayz International LLP
10. Alex World Class Products Pvt. Ltd.
11. Oxi9 Essentials Pvt. Ltd.
12. Winfinith Marketing Pvt. Ltd.
13. Renatus Wellness Pvt. Ltd.
14. PHS.FITT Pvt. Ltd.

2. EMERGENCE OF DIRECT SELLING IN INDIA

Direct selling has been growing steadily in India over the past few decades. The industry has experienced significant growth in recent years, driven by a combination of factors such as rising disposable incomes, a growing middle class, and increasing consumer awareness and demand for high-quality products.

The direct selling industry in India is governed by the Direct Selling Guidelines 2016, which provide a framework for companies operating in the sector. The guidelines define direct selling as the marketing and selling of products directly to consumers in a non-retail environment. The guidelines also specify that all direct selling companies must be registered with the Ministry of Consumer Affairs.

According to a report by the Federation of Indian Chambers of Commerce and Industry (FICCI), the direct selling industry in India was valued at INR 162.8 billion in 2018-19, up from INR 130.8 billion in 2016-17. The

report also highlighted the significant role that the direct selling industry plays in generating employment and providing income opportunities to individuals across the country.

The emergence of direct selling in India has also been driven by the growth of e-commerce and the increasing use of social media for marketing and sales. Direct selling companies in India are increasingly using online platforms to connect with consumers and promote their products.

3. LITERATURE REVIEWS

Many researchers have worked on Multi-level or direct selling, some of these supported reviews are collected and analysed which are supporting to this research. F. Mary Merlin (2012) published a research on “A Study on Direct Selling through Multi-Level Marketing”. This research attempted to clear the concept of multi-level marketing and difference between franchisee and direct selling, traditional marketing v/s direct selling and concluded that this is the modern marketing concept which reduce the cost of advertisement and middleman and provide the benefit directly to the direct sellers. According to Kiewand and Run's (2007) research, financial incentives and high-quality products are the primary factors that attract individuals to join and remain in MLM businesses. Consumers in this industry seek quick and effective solutions to their problems and are interested in innovative, nutritious, and convenient products that meet their needs. Angshuman Hazarika & Komal Ray (2013) focused the legislative portion related to direct selling and discussed the Current Regulatory Regime & Shortfalls in Current Mechanism. Deepali Bhattacharjee (2016) studied the member companies of IDSA like Amway India Enterprises, Oriflame India Private Limited, Tupperware India Private Limited and Max India Insurance to highlight the problem and prospects of direct selling in Assam (India). Dr. Horen Goowalla (2015) concluded in his research that Direct selling industry still have a lack of conceptual clarity in India, but supports to the direct selling concept it can provide a chance to earn a passive income. Vandana Gupta (2012) was also discussed about the IDSA in her research on Socio-economic impact of direct selling, that direct selling was not considered as industry in India at that time but IDSA helped the industry in providing the recognition.

4. OBJECTIVES OF THE RESEARCH

The main aim of the research is to have conceptual clarity about the direct selling Industry and supportive associations. This research paper also tries to find out the various roles of Indian Direct Selling Association and Federation of Direct Selling Association in the development and growth of direct selling Industry in India.

5. RESEARCH METHODOLOGY

This research study is descriptive in nature, which tries to find out the state of affairs as it exists in present scenario. Secondary data was used to accomplish the objectives from the websites of Indian Direct Selling Association and Federation of Direct Selling Association, Journals, Articles, Books, Theses and Newspapers.

6. ROLE OF ASSOCIATION AND FEDERATION IN GROWTH OF DIRECT SELLING

After studying from the various sources of secondary data, the research found the various roles of IDSA and FDSA in the development of direct selling industry in India. These roles are as follows:

1. **Advocating for the industry:** IDSA advocates for the interests of the direct selling industry to the government and other stakeholders. This includes promoting policies that support the growth of the industry, as well as addressing any regulatory or legal challenges that may arise.
2. **Ushering the Desired Capabilities:** With the help of various workshops and annual meets at different states of India, these associations are creating conducive environment for the ushering the desired capabilities.
3. **Resource for information:** Both these bodies are working as a bridge between the government and the direct selling companies. So these are the source of information about the updations in the rules and regulations related to direct selling industry by the government. IDSA and FDSA are also putting the problems of the industry in front of Government.
4. **Establishment of uniformity in direct selling business:** Along with the implementation of Government rules and regulations, these associations are also responsible to create uniformity among the direct selling business. Such as no company should take money on the joining of the direct seller etc. All the firms engaging in the direct selling should follow the standards provide to them.
5. **Socio-economic Development:** Direct selling industry is offering the chance to earn money through their marketing and selling skills. Whether the person is highly educated or low educated, if anyone is having skills like team building, coordination, and learning, they will earn not only money but respect also and enhance their living of standards.
6. **Creating Awareness:** These catalyst bodies are working regularly to create awareness and positioning direct selling industry as a trust worthy industry. To enhancing the trust of people in the direct selling companies, FDSA issues a newsletter and IDSA issues the Annual Report of their workings. They also provide the list of negative products list which is banned in the industry.
7. **Vigilance and Surveillance:** IDSA and FDSA also play a vital role of monitoring the activities of each member company and issue warning against the defaulters to take corrective actions. These bodies regularly put all the companies of direct selling under the surveillance whether each company is following the set standards or not.
8. **Setting industry standards:** IDSA sets industry standards and guidelines for its members to ensure that they operate in a transparent, ethical, and legal manner. These standards help to build trust and confidence in the direct selling industry among consumers, investors, and other stakeholders.
9. **Providing training and education:** IDSA provides training and education to its members on various aspects of direct selling, including sales techniques, product knowledge, and business management. This helps to improve the skills and knowledge of direct sellers, enabling them to offer better products and services to their customers.

10. **Dispute resolution:** IDSA provides a platform for the resolution of disputes between its members and customers. This helps to ensure that complaints are addressed in a timely and fair manner, and that customers are protected from any fraudulent or unethical practices.
11. **Promotes Industry Standards:** The FDSA works to establish industry standards and best practices, which helps to ensure that direct selling companies operate in an ethical and responsible manner. This, in turn, enhances the reputation of the industry as a whole and helps to build consumer trust.
12. **Provides Resources and Support:** The FDSA provides resources and support to its members, including training and education programs, networking opportunities, and access to industry research and data.
13. **Enhances Credibility:** By being a member of the FDSA, companies demonstrate their commitment to ethical business practices and industry standards. This can enhance their credibility and reputation in the marketplace, which can be a competitive advantage.

7. CONCLUSION

It has been found that direct selling concept is not new in India but earlier this industry was not recognized by the government of India. After some decades with the help of IDSA and FDSA, Department of Consumer Affairs, Ministry of Consumer Affairs, Food and Public Distribution issued guidelines for direct selling industry on 26th October, 2016 in Gazette of India. IDSA and FDSA are play vital role in not only implementation of these guidelines but also motivating, promoting, advocating and trying to provide a noble recognition to the direct selling industry.

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