Ipsos MORI

FEDSA
Direct Sellers and Direct Selling Organisations Research

23 October 2007

Ipsos

fedsa
www.fedsa.be
Federation of European Direct Selling Associations

Ipsos MORI

Research Objectives

In the context of the revision of the EU legislation on *consumer acquis* including Directive 85/577/EEC (the Doorstep Selling Directive), the research aims at raising direct selling's visibility and showing its direct and indirect socio economic impact within 7 EU Member States.

Part one (Dec 2006-May 2007)

- **updating the data of the PricewaterhouseCoopers socio-economic impact study on direct selling dating from 2000;**
- **Segmenting more precisely the selling methods by splitting information in person to person or party plan, providing information on the perceived benefits of direct selling as an income generating activity in 7 European countries.**

Research Objectives

Part 2 (June 2007)

- **benchmarking direct selling within the EU non-store retail trade; and**
- **demonstrating that it occupies an important and growing niche in that sector; and**
- **showing that it brings options to various challenges encountered in today's economic environment.**

Ipsos MORI

Part One: IPSOS findings

- **There are two distinct surveys:**

  1. **A survey amongst those working as Direct Sellers**

  2. **A study of direct selling companies on their perceptions of the industry and their immediate future.**

- **Both components of the survey were carried out across 7 member states of the EU, namely the UK, France, Germany, Italy, Poland, Czech Rep & Finland (which represent 80 % of European Direct Sales activities).**

Sources : WFDSA

Information objectives answered by this presentation

- ✓ Who works as a direct seller?
- ✓ When and why did they become a direct seller?
- ✓ How hard do direct sellers work?
- ✓ How do direct sellers communicate with customers and HQ?
- ✓ What do direct sellers think about their work ?
- ✓ What’s their income and how do they spend it?
- ✓ Further feedback from the direct selling organisations
- ✓ Key benefits provided by the direct selling industry

Scope of the survey & methodology

Definition

"Direct selling is the sales of consumer goods and or services through personal explanation and demonstration by direct sellers, directly to the consumer in a face-to-face manner and away from permanent retail locations"

(Source:FEDSA).

Scope

Are excluded from the survey :

- ✓ **Financial services**
- ✓ **Cars**
- ✓ **Insurances**
- ✓ **Real estate**

Data collection methodology

Structured quantitative and qualitative Questionnaires for direct sellers and for direct selling organizations

- **Telephone interviews for direct sellers ; and**
- **Online questionnaires for direct selling organizations.**

Methodology and Sample Composition

SUPPLIERS' SAMPLE	Telephone Methodology – Direct Sellers: Completed
UK	400
France	400
Germany	400
Italy	400
Poland	400
Czech Republic	400
Finland	400
TOTAL	2800

Online Methodology – Direct Selling Organisations: Mailed out	Completed	Response rate
18	**8**	44%
7	**5**	71%
10	**5**	50%
19	**11**	58%
5	**4**	80%
6	**4**	67%
8	**6**	75%
73	**43**	59%

Ipsos MORI

Information objectives answered by this presentation

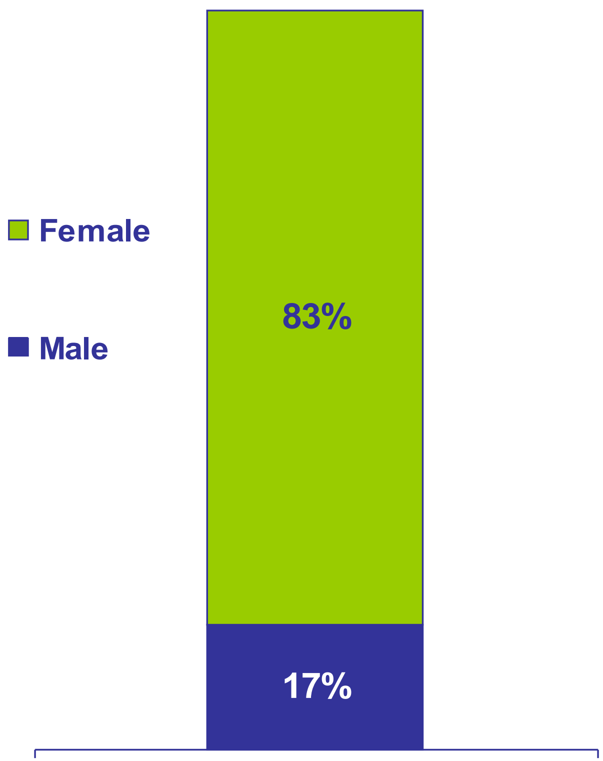
- ✓ **Who works as a direct seller?**
  - ✓ When and why did they become a direct seller?
  - ✓ How hard do direct sellers work?
  - ✓ How do direct sellers communicate with customers and HQ?
  - ✓ What do direct sellers think about their work ?
  - ✓ What's their income and how do they spend it?
  - ✓ Further feedback from the direct selling organisations
  - ✓ Key benefits provided by the direct selling industry

Routes to market (RTM)

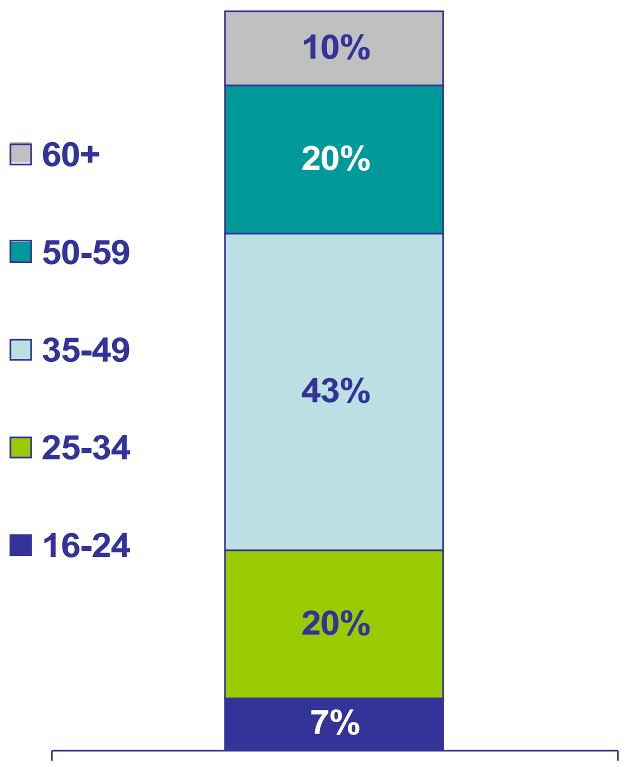
Route to market	Sample size	
	n=	%
Mainly **full time**, selling person to person **(a)**	20	0.7%
Mainly **part time**, selling person to person **(b)**	2147	77%
Mainly part time, selling in **party plans (c)**	633	23%

Demographic profile of direct sellers - by route to market

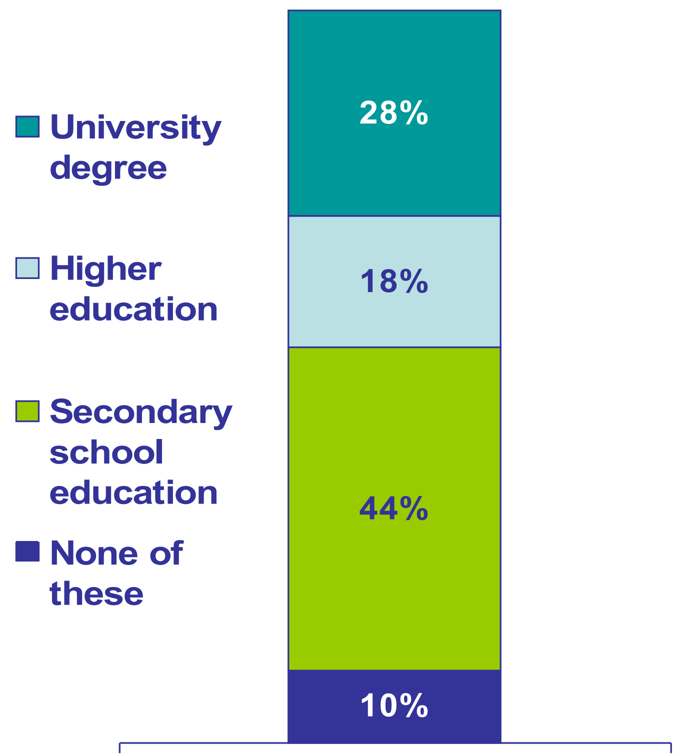
Gender distribution



Age distribution



Level of Education



Direct Sellers Survey (2007), Base: All respondents (n=2,800)

Comparison with PwC survey & evolution from 2000 to 2007

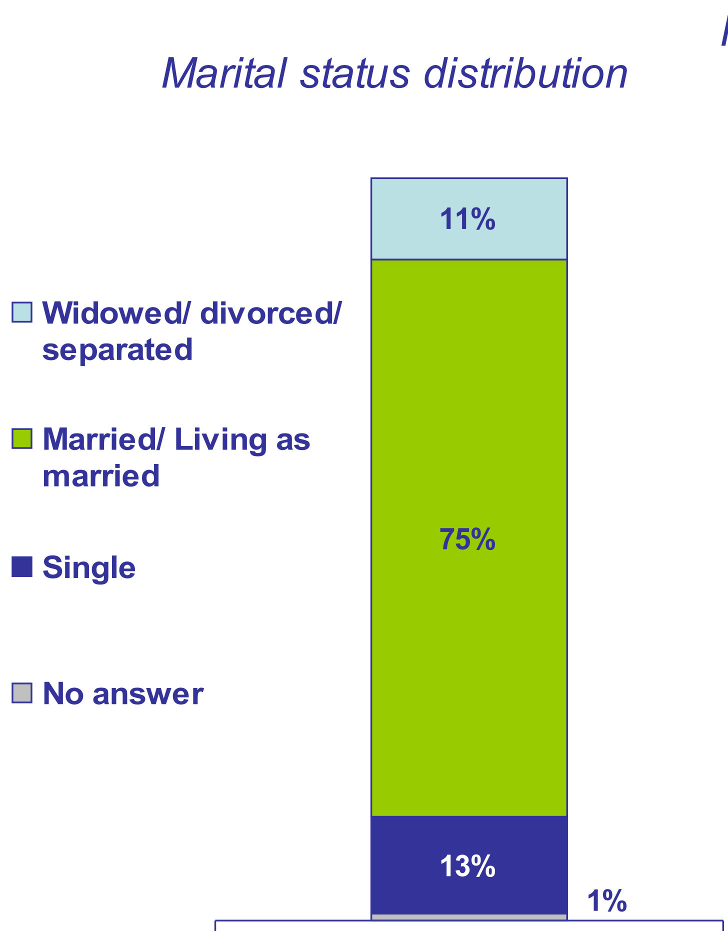
Level of education

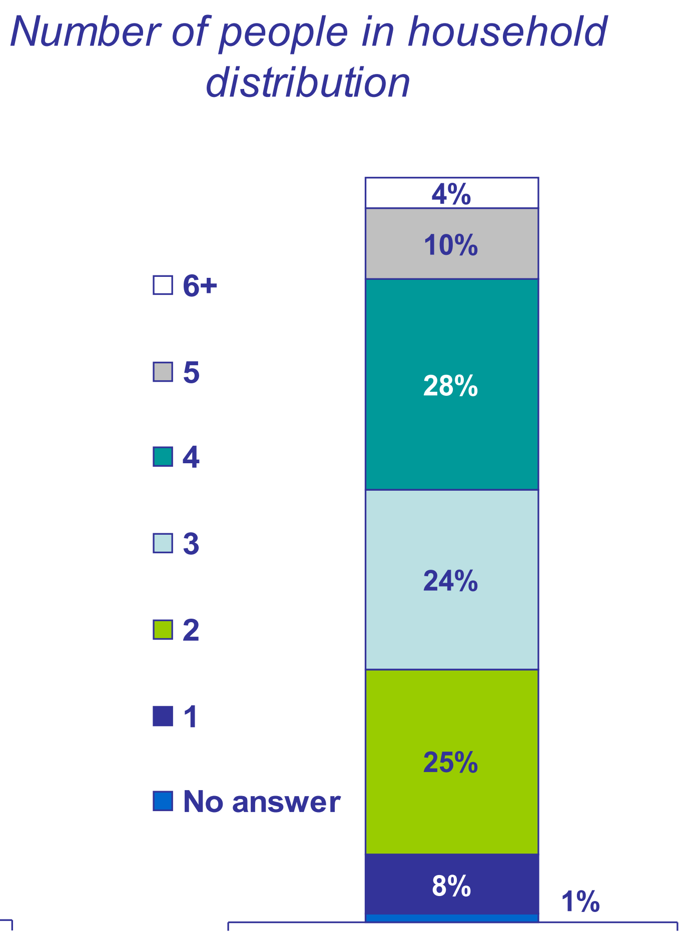
In 2007, 44 % of direct sellers have a higher or university education level compared to 26% in 2000

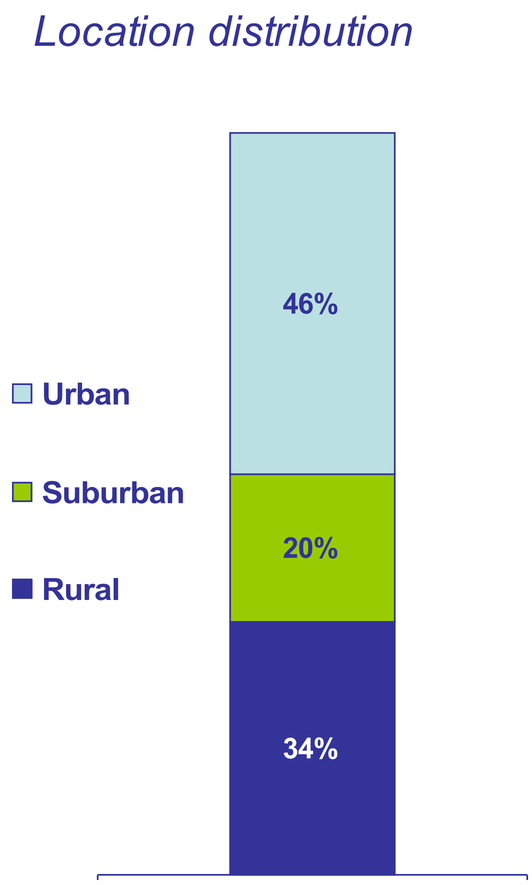
Education	PwC 2000	Ipsos 2007
University	13 %	28 %
Higher education	13 %	18 %

an increased number of people with higher education find in direct selling an alternative to traditional employed work they have either lost or can't find

Demographic profile of direct sellers - by route to market







Ipsos MORI

Demographic profile of direct sellers - by country

	Overall	Czech Republic	Finland	France	Germany	Italy	Poland	UK
Gender	**83% Female**	**91% Female**	**89% Female**	**76% Female**	**87% Female**	**78% Female**	**89% Female**	**76% Female**
Age (Mean)	**43**	**35**	**43**	**46**	**42**	**49**	**39**	**45**
Marital status	**75% Married**	**63% Married**	**75% Married**	**81% Married**	**81% Married**	**80% Married**	**69% Married**	**81% Married**
Members in Household	**2 – 25%** **3 – 24%** **4 – 28%**	**2 – 20%** **3 – 24%** **4 – 36%**	**2 – 29%** **3 – 20%** **4 – 23%**	**2 – 29%** **3 – 15%** **4 – 27%**	**2 – 25%** **3 – 24%** **4 – 29%**	**2 – 22%** **3 – 34%** **4 – 27%**	**2 – 27%** **3 – 28%** **4 – 27%**	**2 – 27%** **3 – 22%** **4 – 31%**
Location	Rural – 34% Urban – 46%	Rural – 27% Urban – 66%	Rural – 37% Urban – 46%	Rural – 62% Urban – 27%	Rural – 44% Urban – 39%	Rural – 20% Urban – 40%	Rural – 13% Urban – 78%	Rural – 40% Urban – 25%
Education	**University Degree 28%**	**University Degree 12%**	**University Degree 50%**	**University Degree 28%**	**University Degree 21%**	**University Degree 8%**	**University Degree 31%**	**University Degree 46%**

Direct Sellers Survey (2007), Base: All respondents (n=2,800)

Ipsos MORI

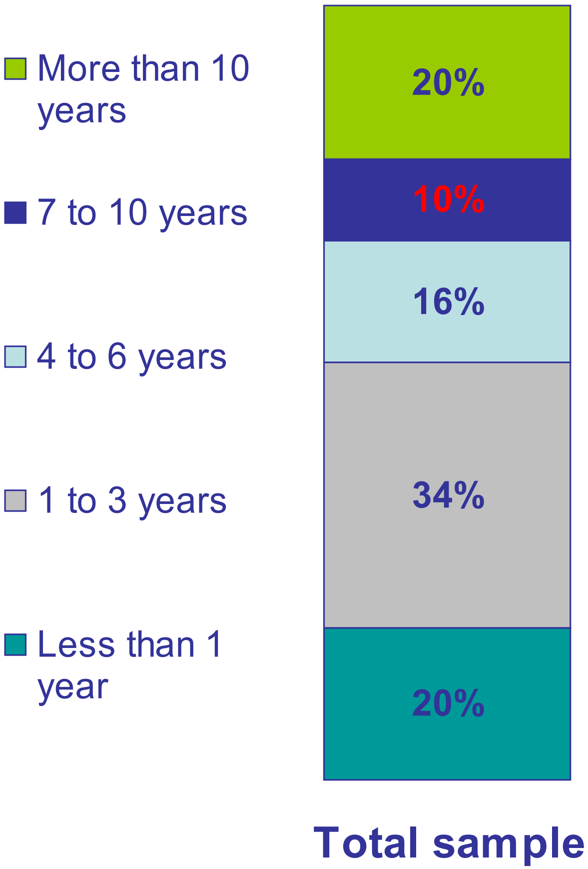
Information objectives answered by this presentation

- ✓ Who works as a direct seller?
- ✓ **When and why did they become a direct seller?**
- ✓ How hard do direct sellers work?
- ✓ How do direct sellers communicate with customers and HQ?
- ✓ What do direct sellers think about their work ?
- ✓ What's their income and how do they spend it?
- ✓ Further feedback from the direct selling organisations
- ✓ Key benefits provided by the direct selling industry

Ipsos MORI

On average, Direct Sellers claim to have been working as such for between 4.5 and 5 years.

Length of time working as a Direct Seller



Average length (years)

- Total sample = 4.75
- Mainly PT selling person to person (b) = 4.80
- Mainly PT selling in party plans (c) = 4.55
- Men = 5.67
- Italians = 7.01

Comparison with PwC survey & evolution from 2000 to 2007

- Serious increase of « new-comers » to DS
- However, these stem more from the age bracket 35-49

=> new « Direct Sellers » find new opportunities in DS as replacement/alternative to full time employment or unemployment

Time in direct selling	PwC 2000	Ipsos 2007
<12 months	11 %	20 %
1 – 3 years	21 %	34 %
4 – 6 years	21 %	16 %
7 – 10 years	20 %	11 %
>10 years	27 %	20 %

Ipsos MORI

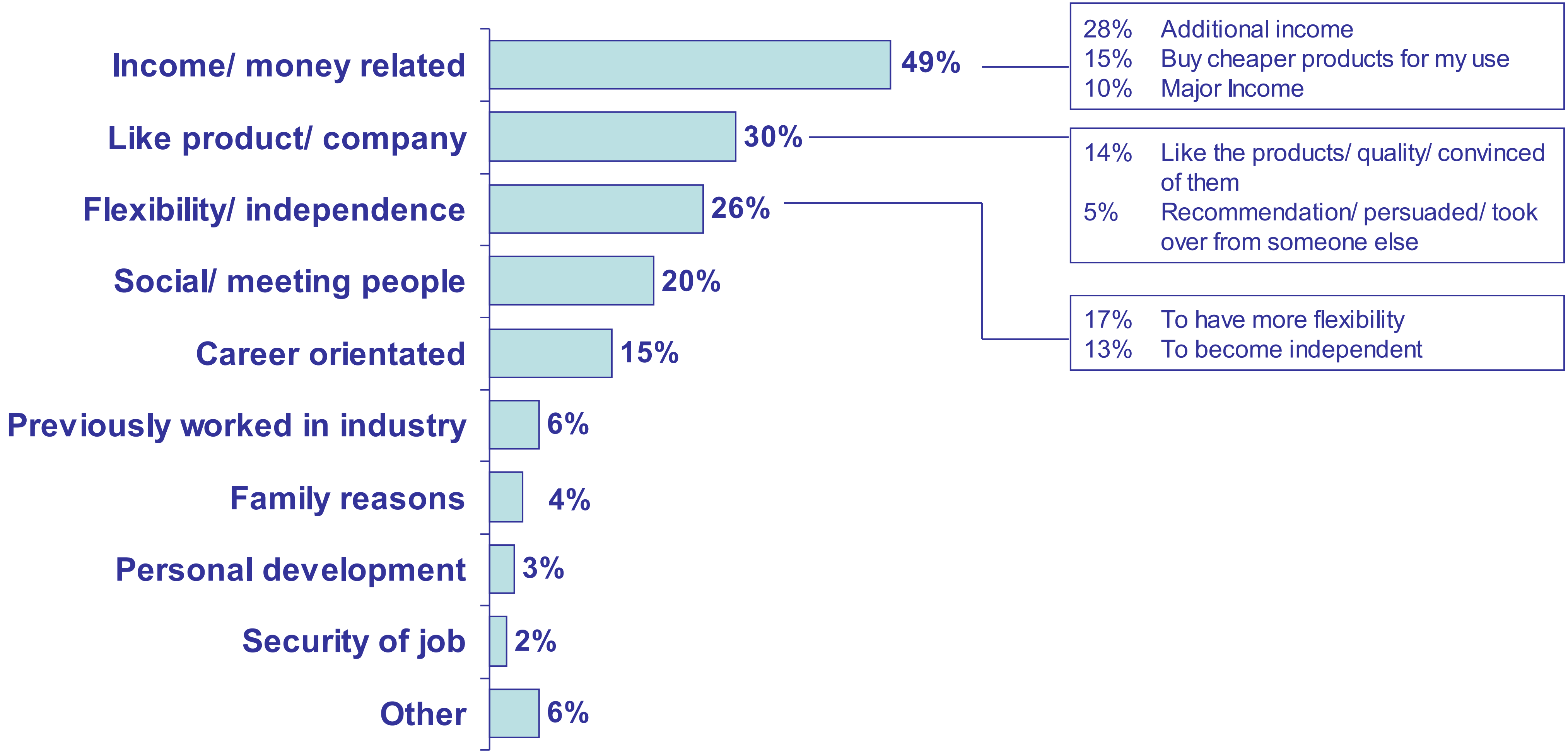
Comparison with PwC survey & evolution from 2000 to 2007

Activity prior to becoming a direct seller	PwC - 2000	Ipsos - 2007
Full time employment	35 %	45 %
Part-time employment	14 %	10 %
Self-employment	20 %	14 %
Unemployed	14 %	25 %

Ipsos MORI

There are various reasons for becoming a direct seller and for some direct sellers there is more than one reason

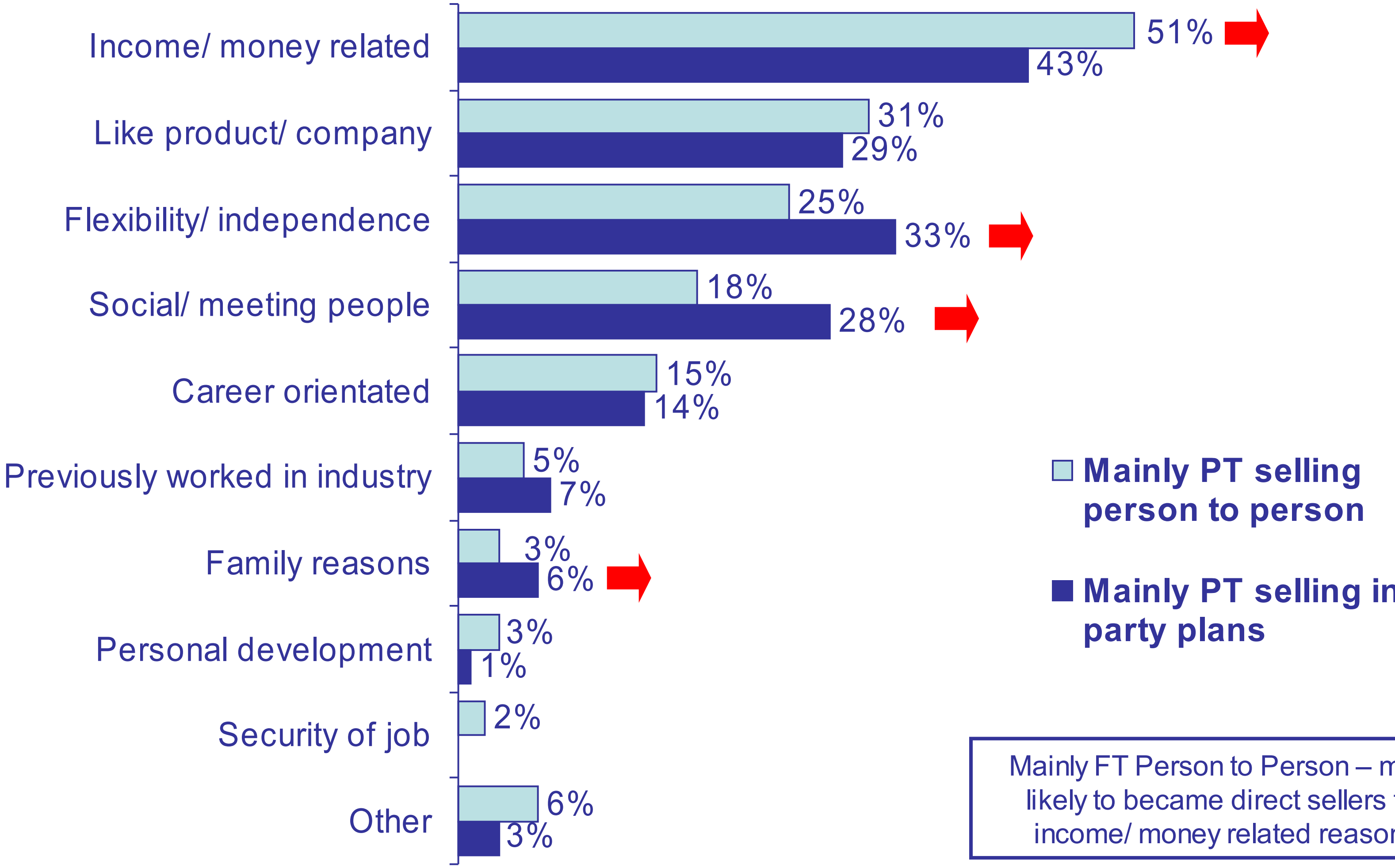
Reasons for becoming a Direct Seller – All mentions



Ipsos MORI

Income motivations are more prevalent amongst person to person sellers, whilst party planners are more attracted to the flexibility and sociability of the job

Reasons for becoming a Direct Seller - by Route to market



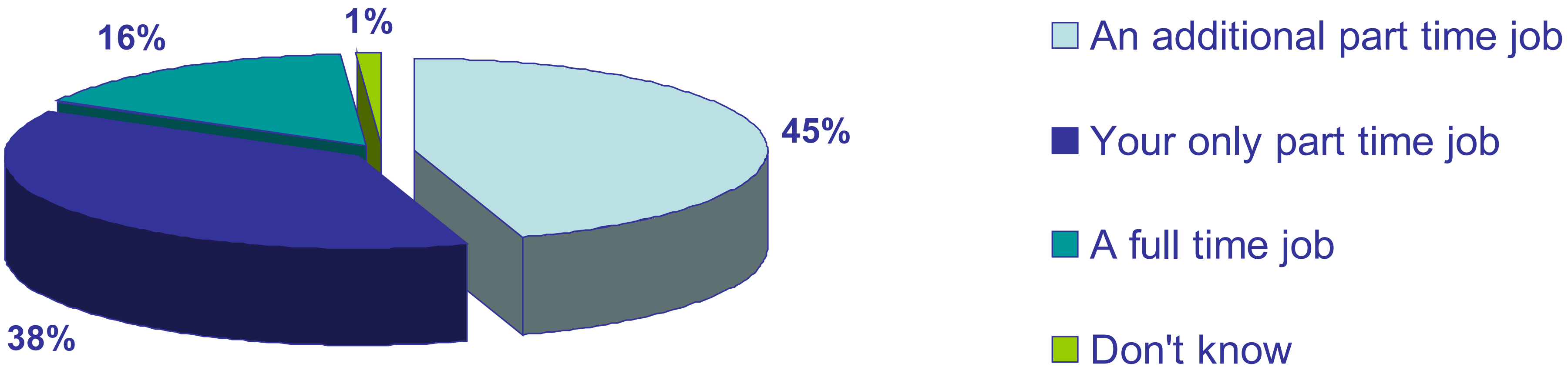
Mainly FT Person to Person – more likely to became direct sellers for income/ money related reasons

Information objectives answered by this presentation

- ✓ Who works as a direct seller?
- ✓ When and why did they become a direct seller?
- ✓ **How hard do direct sellers work?**
- ✓ How do direct sellers communicate with customers and HQ?
- ✓ What do direct sellers think about their work ?
- ✓ What's their income and how do they spend it?
- ✓ Further feedback from the direct selling organisations
- ✓ Key benefits provided by the direct selling industry

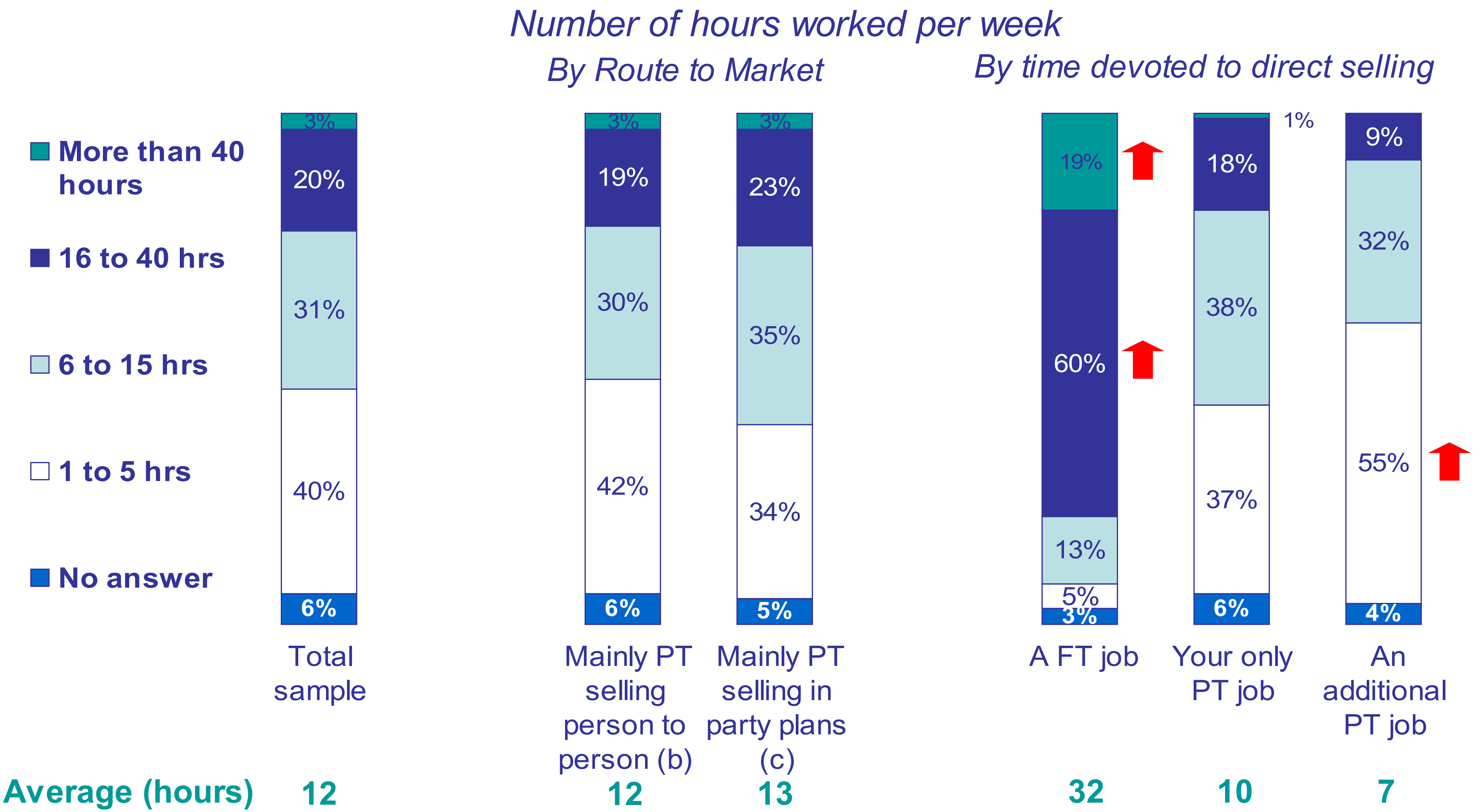
Direct sellers view their job in different ways

How do you view your work as a direct seller?



Direct Sellers Survey (2007), Base: All respondents (n=2,800)

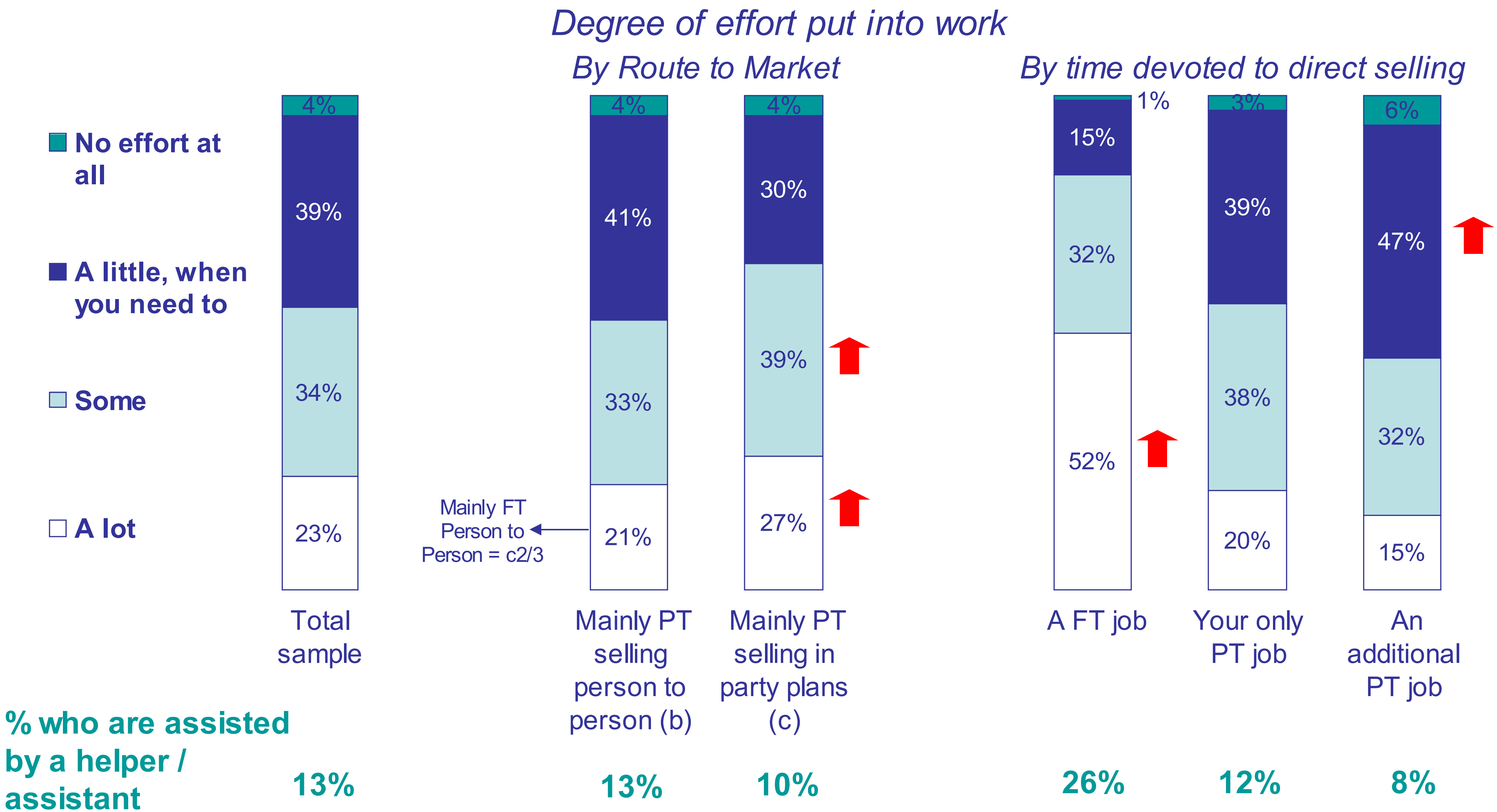
How you view your job naturally has a large bearing on the number of hours you work as a direct seller



Mainly FT Person to Person = **48** hours

Ipsos MORI

The effort that direct sellers feel they put into their job is directly related to how they view the job



Ipsos MORI

Information objectives answered by this presentation

- ✓ Who works as a direct seller?
- ✓ When and why did they become a direct seller?
- ✓ How hard do direct sellers work?

✓ **How do direct sellers communicate with customers and HQ?**

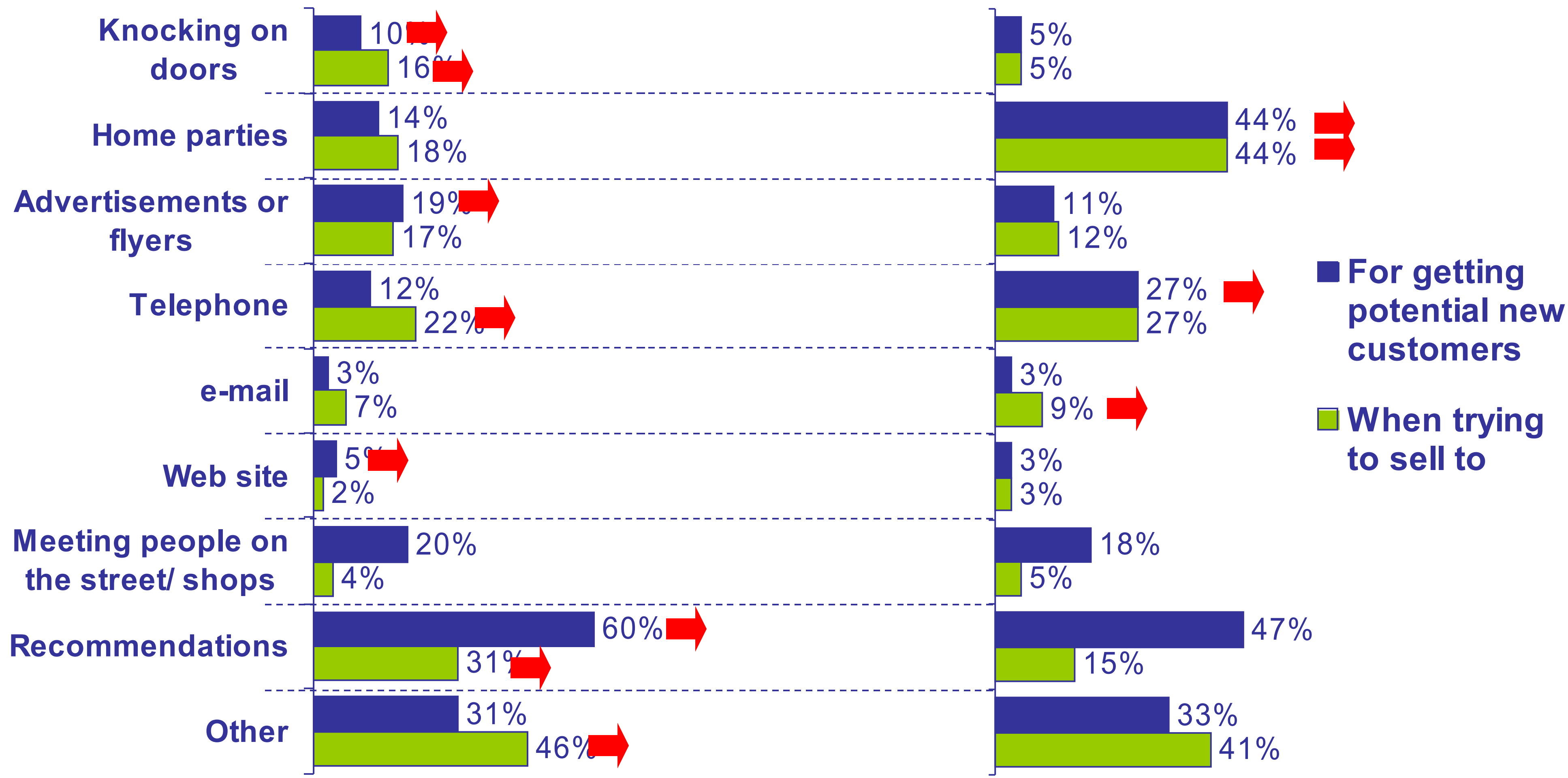
- ✓ What do direct sellers think about their work ?
- ✓ What's their income and how do they spend it?
- ✓ Further feedback from the direct selling organisations
- ✓ Key benefits provided by the direct selling industry

Ipsos MORI

The method of communication is largely dependent on the route to market. Direct sellers tend to communicate to potential and existing customers in the same way.

Main method used to communicate with customers

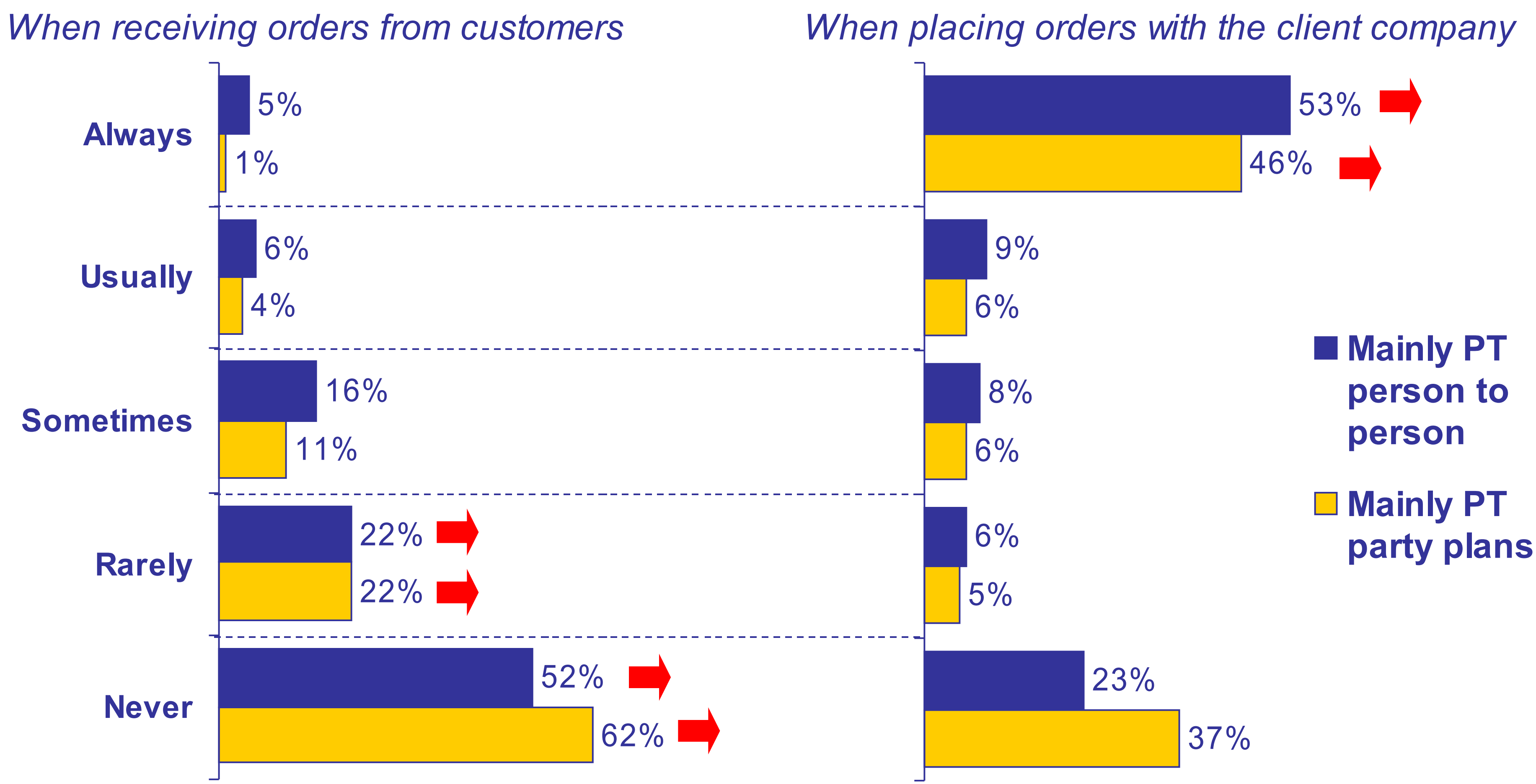
Mainly PT person to person | *Mainly part time party plans*



Ipsos MORI

Whilst direct sellers rarely receive orders via email many are placing the orders online with the client company. This is true for all routes to market.

Use of internet and email



Italians use email/ the internet the least: 85% never receive, 74% never place orders this way

Direct Sellers Survey (2007), Base: All respondents (n=2,800)

Ipsos MORI

Information objectives answered by this presentation

- ✓ Who works as a direct seller?
- ✓ When and why did they become a direct seller?
- ✓ How hard do direct sellers work?
- ✓ How do direct sellers communicate with customers and HQ?

✓ **What do direct sellers think about their work ?**

- ✓ What's their income and how do they spend it?
- ✓ Further feedback from the direct selling organisations
- ✓ Key benefits provided by the direct selling industry

Ipsos MORI

Comparison with PwC survey & evolution from 2000 to 2007

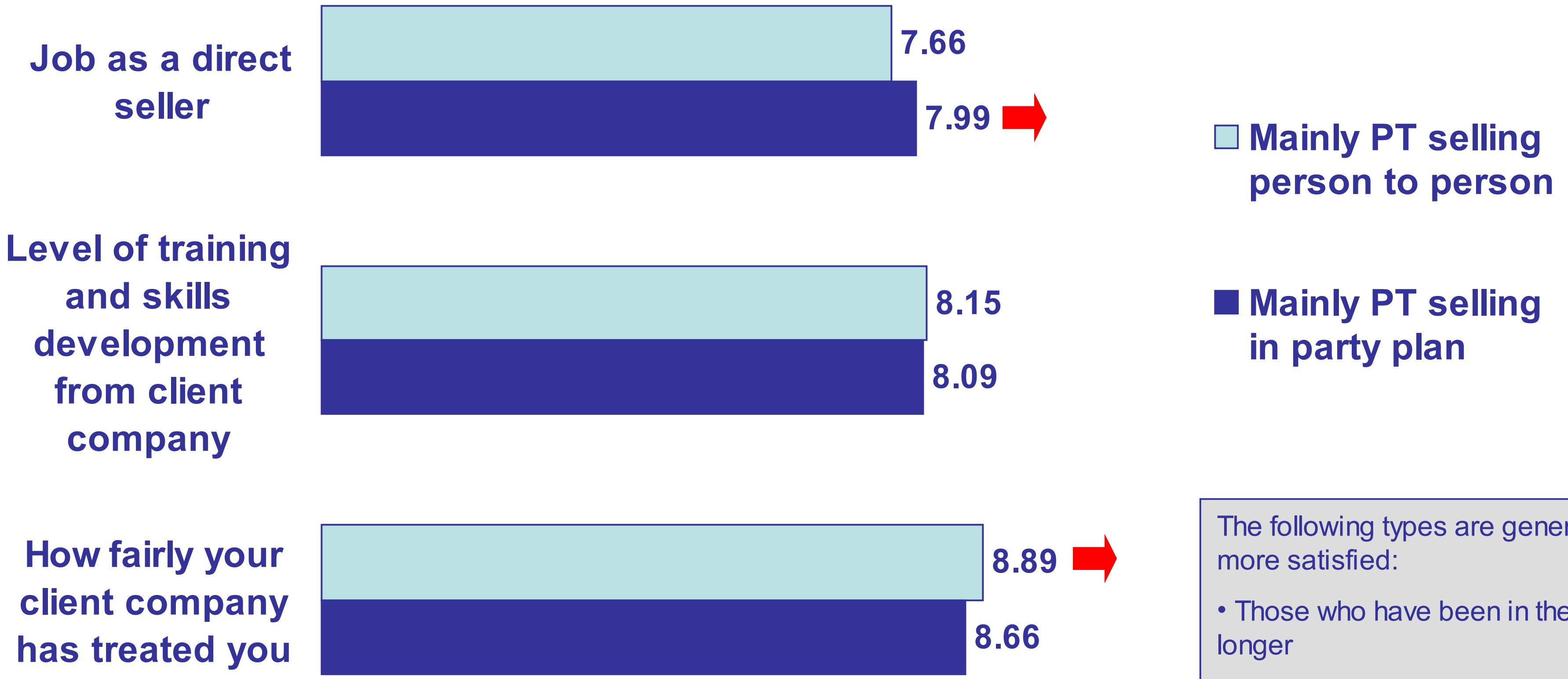
Level of satisfaction	PwC - 2000	Ipsos - 2007
Job as direct sellers	60 %	80 %
Level of training & skills development from DSO	78 %	81 %

- **DS express impressive increased satisfaction from 2000 to 2007**
- **DS acknowledge real increase of their skills developed through DSO-provided training**
- **Close to 90% of DS are satisfied with the way they are treated by the DSO**

Direct sellers are generally very satisfied with the job and the way in which the client company deals with them

How satisfied they are with elements of their job

Mean score out of 10, where 10 means very satisfied and 1 means very dissatisfied



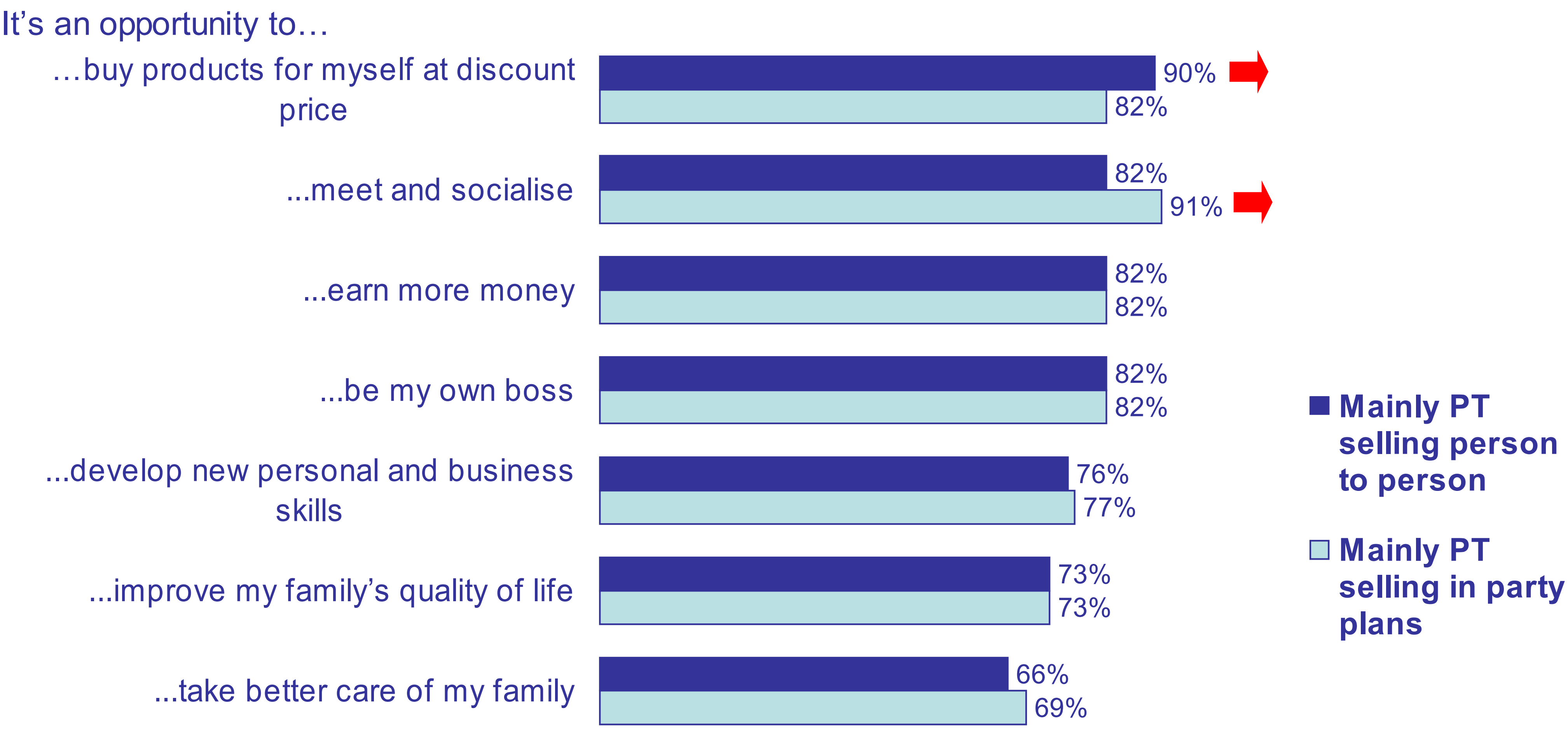
The following types are generally more satisfied:

- Those who have been in the job longer
- Those who view the job are FT
- Those who work for just one organisation

Direct Sellers Survey (2007), Base: All respondents (n=2,800)

How direct sellers perceive the many benefits from their job as a direct seller

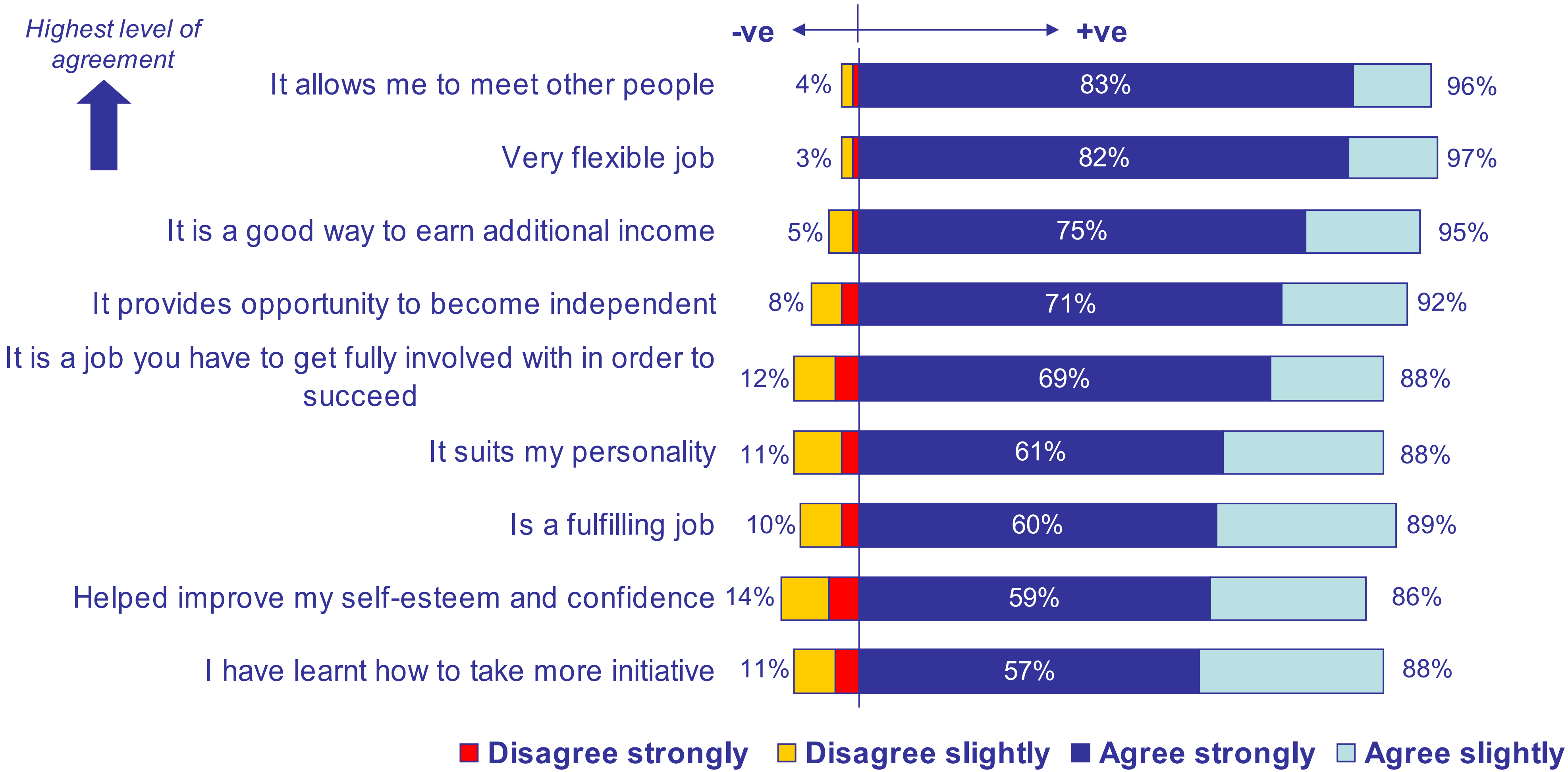
Benefits gained from job as a direct seller



Direct Sellers Survey (2007), Base: All respondents (n=2,800)

Direct sellers are very positive about many aspects of their work as a direct seller

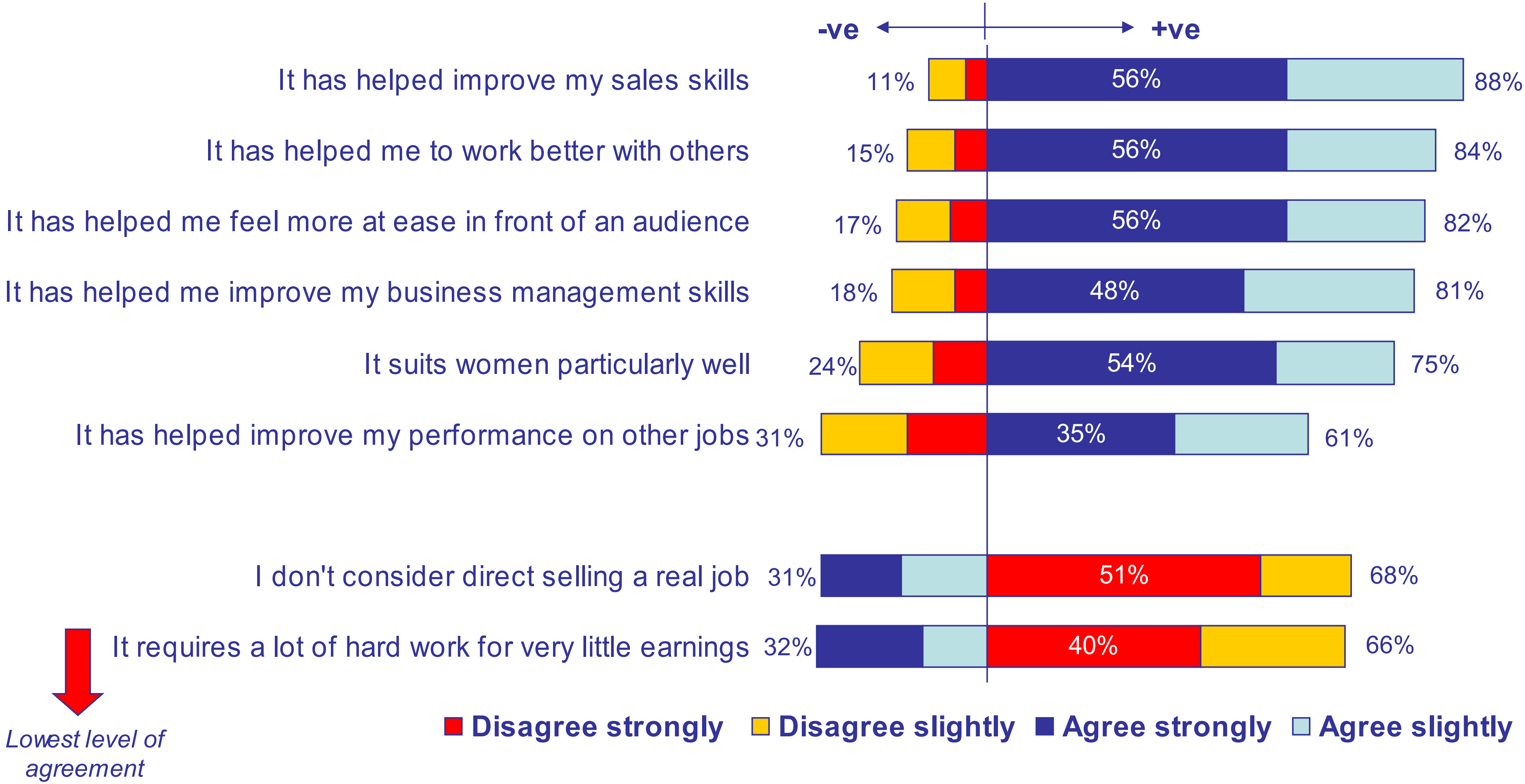
Level of agreement to statements about working as a direct seller (1 of 2)



Ipsos MORI

Only around a third regard their earnings from direct selling as very little, with a similar number not regarding direct selling as a real job

Level of agreement to statements about working as a direct seller (2 of 2)



Direct Sellers Survey (2007), Base: All respondents (n=2,800)

Ipsos MORI

Comparison with PwC survey & evolution from 2000 to 2007

- **A growing number (85%) of DS (from which 2/3 agree strongly) consider that direct selling offers growing opportunities to improve business & sales management skills at low cost while generating earnings.**

- **This shows the impact of DS on increased vocational training at low cost.**

	PwC 2000	Ipsos 2007
Improvement of sales & business management skills	77 %	+/-85%

Ipsos MORI

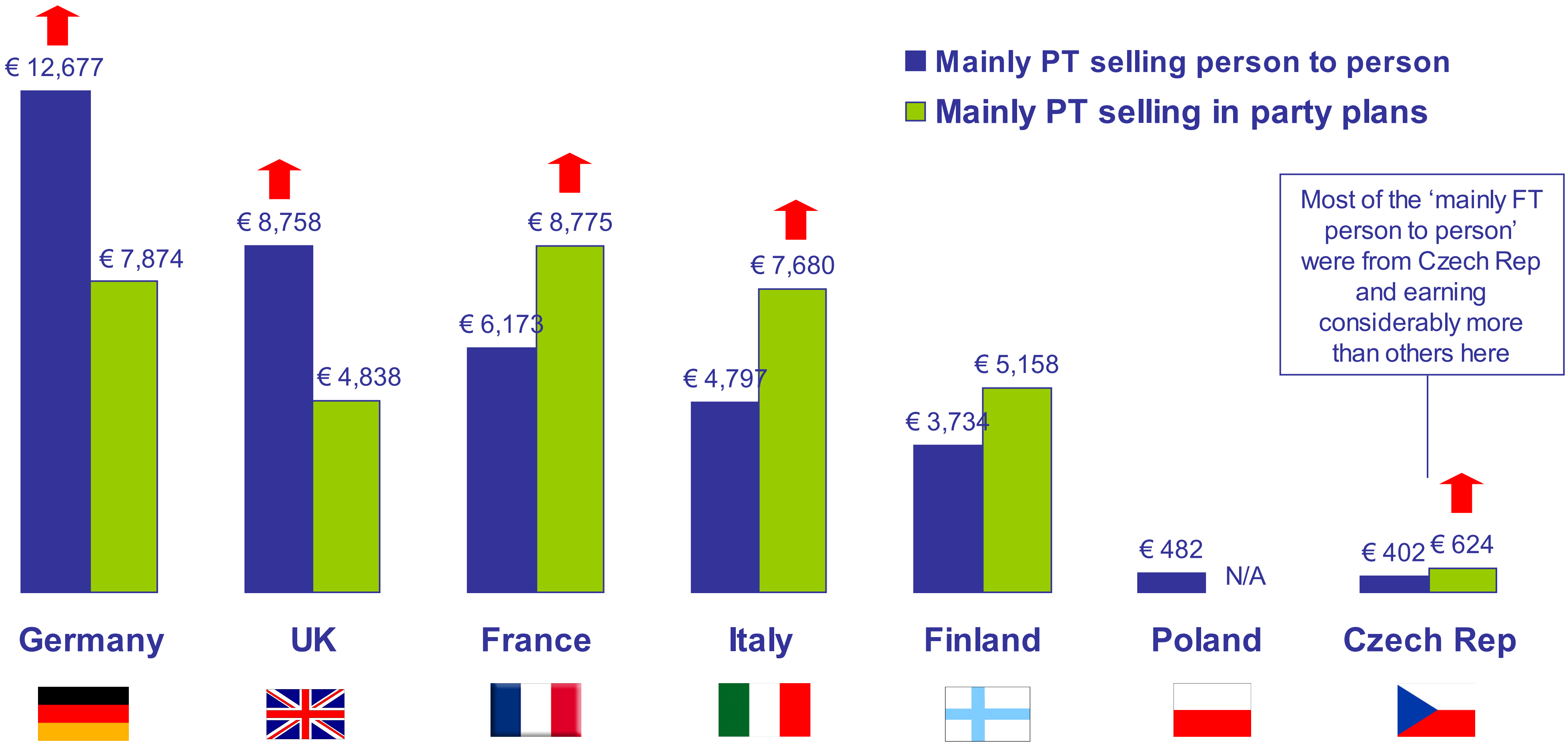
Information objectives answered by this presentation

- ✓ Who works as a direct seller?
- ✓ When and why did they become a direct seller?
- ✓ How hard do direct sellers work?
- ✓ How do direct sellers communicate with customers and HQ?
- ✓ What do direct sellers think about their work ?
- ✓ **What's their income and how do they spend it?**
- ✓ Further feedback from the direct selling organisations
- ✓ Key benefits provided by the direct selling industry

Ipsos MORI

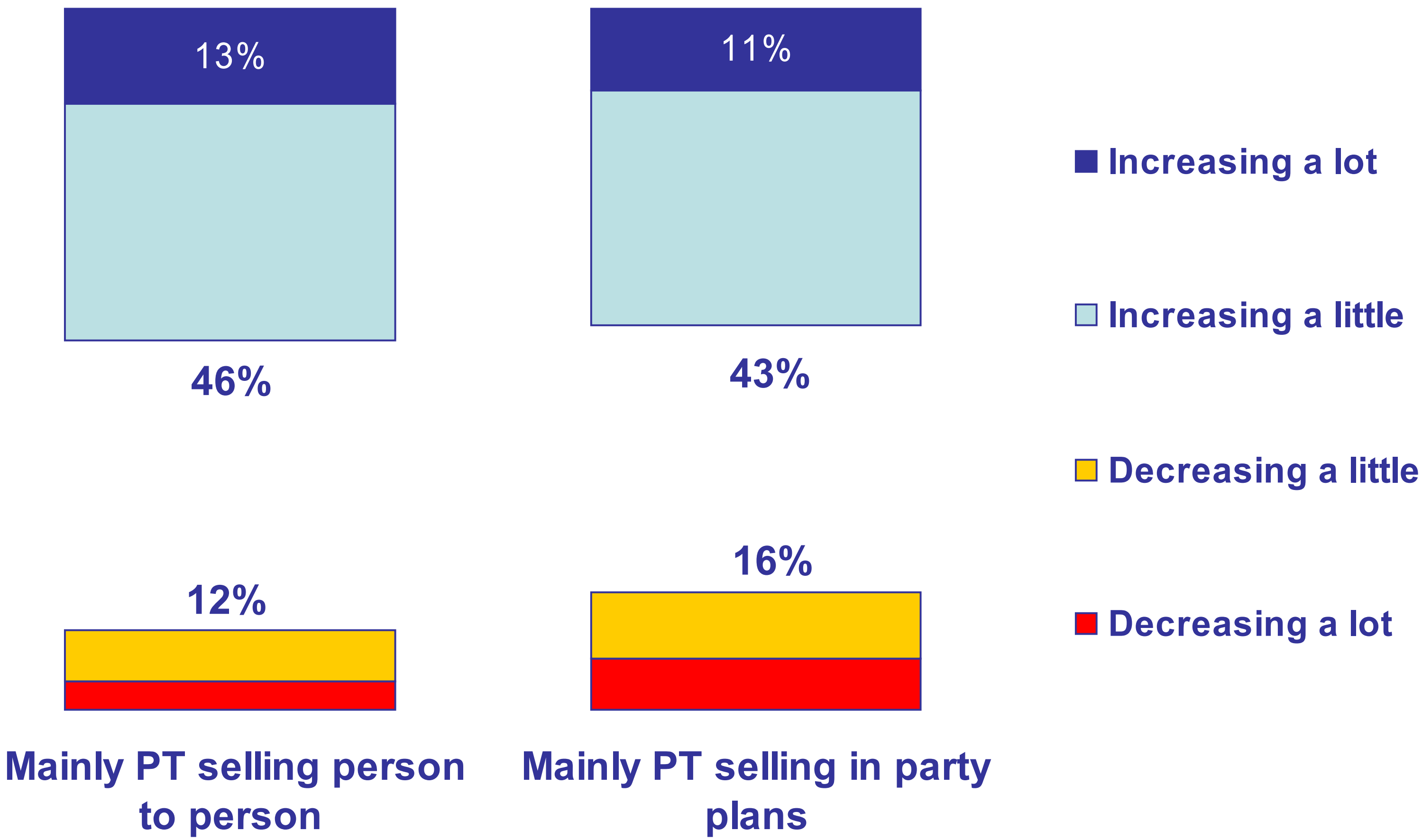
Income differs considerably by market. The pattern between route to market is also very different by market.

Average annual income in 2006 from direct selling (before tax/ NI/ pension etc)



Perception to how income is changing is fairly consistent amongst the different routes to market with just under half of all direct sellers believing it will increase.

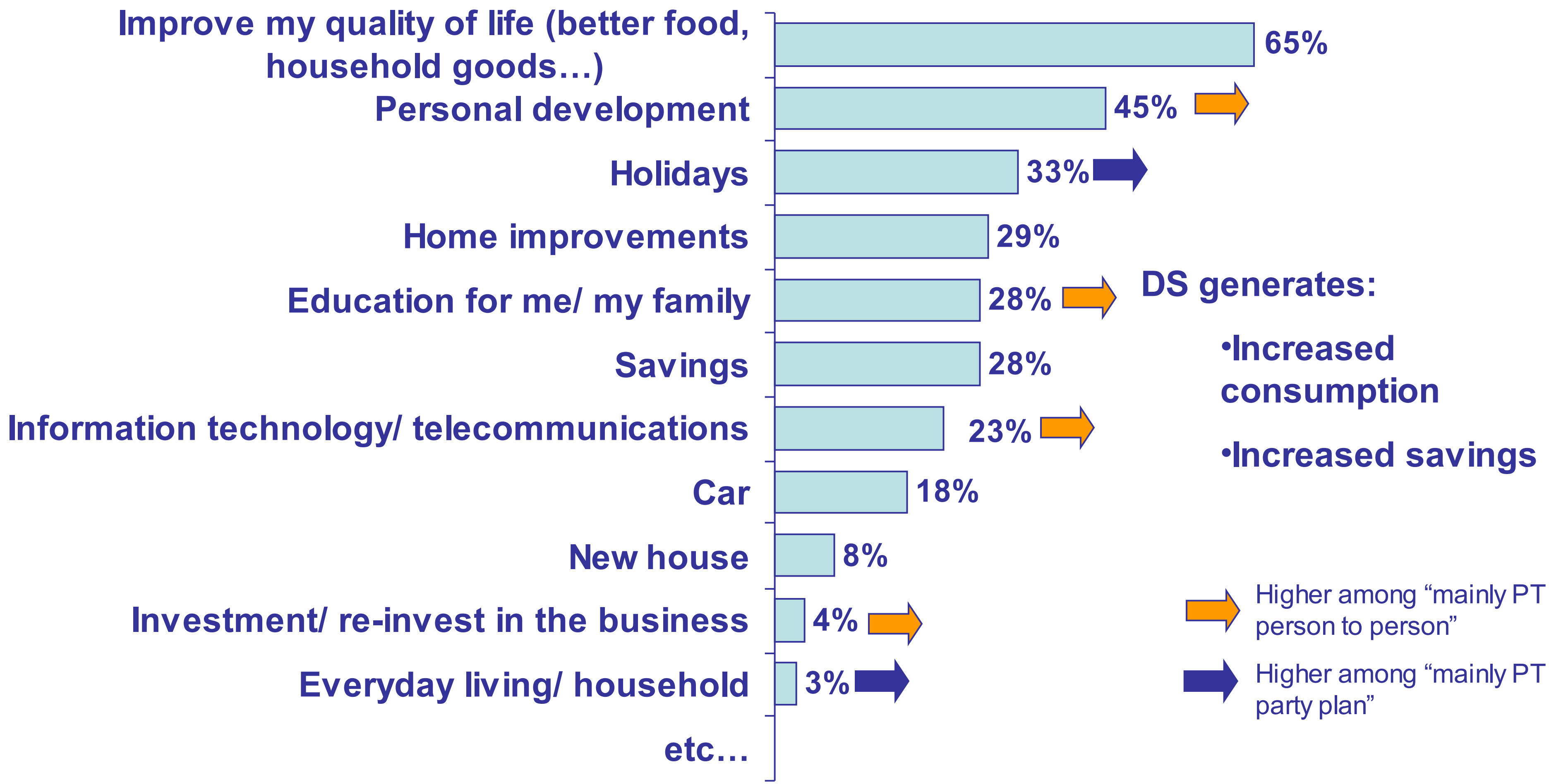
Perception of how income from direct selling is changing over time



Ipsos MORI

The income from direct selling is used in various ways to bring an improvement in the quality of life - consumer goods, home, durables, development, holidays etc

Ways in which they use the money they earn from work as a direct seller



Direct Sellers Survey (2007), Base: All respondents (n=2,800)

Ipsos MORI

Information objectives answered by this presentation

- ✓ Who works as a direct seller?
- ✓ When and why did they become a direct seller?
- ✓ How hard do direct sellers work?
- ✓ How do direct sellers communicate with customers and HQ?
- ✓ What do direct sellers think about their work ?
- ✓ What's their income and how do they spend it?

✓ **Further feedback from the direct selling organisations**

- ✓ Key benefits provided by the direct selling industry

Ipsos MORI

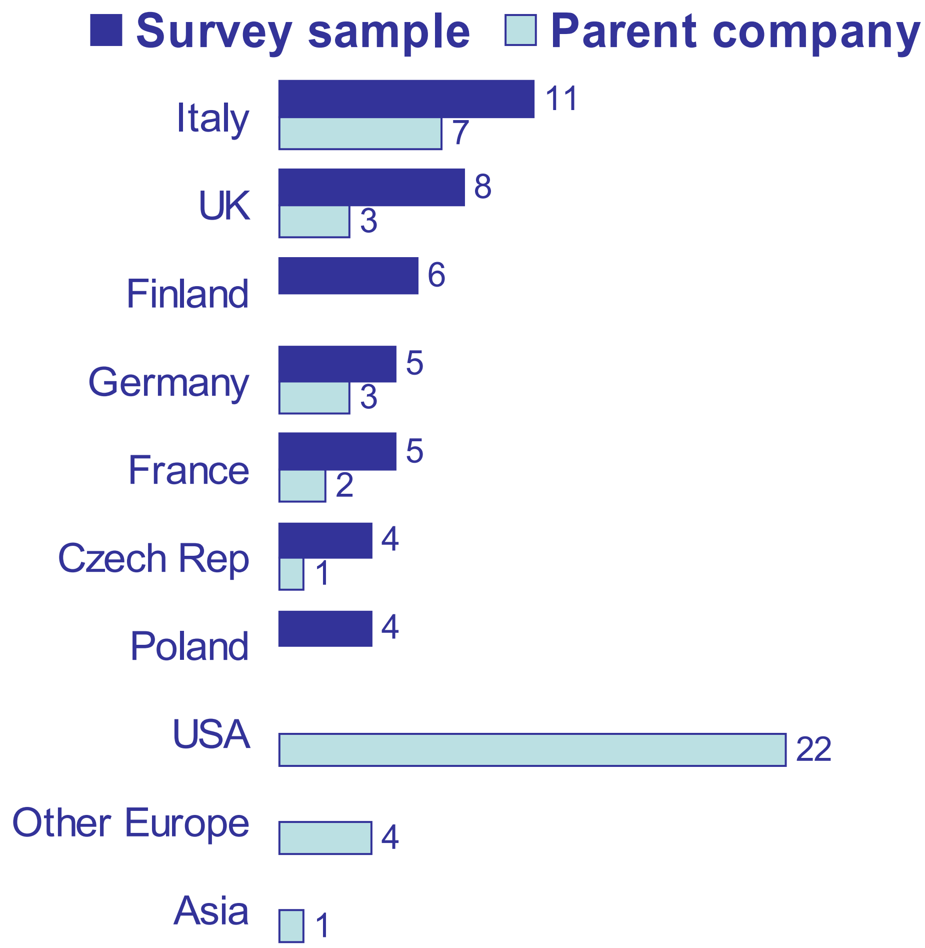
Direct Selling Organisations – Sample profile

Sample size

- 43 companies responded to the survey (out of 73 contacts)

Sample profile

- Compensation plan:
  - Single level = 10 (23%)
  - Multi level = 33 (77%)
- Ownership:
  - Subsidiary = 28 (65%)
  - Parent = 15 (35%)



Direct Selling Organisations – Sales Activity

Company's sales turnover (at normal retail prices by product category)

	Number of companies involved in each category (n=38)	% of companies involved in each category	Average sales turnover ('000 Euro's exc VAT)	Total sales turnover ('000 Euro's exc VAT)	% of Total sales turnover
Personal	28	74%	31,071	869,998	58%
Health	18	47%	20,597	370,753	25%
Household	21	55%	8,423	176,885	12%
Home improvement	3	8%	10,102	30,307	2%
Services	5	13%	5,862	29,308	2%
Food	7	18%	1,264	8,845	1%
Family	6	16%	1,068	6,409	0%

Direct Selling Organisations Survey(2007), Q3, n= 38

Direct Selling Organisations - Sales Activity

How do you see your business developing over the next 2 years?

Sales to increase

39 (91%)

Average expected increase = 12%

Maintain present level / Don't know

3 (7%)

Sales to decrease

1 (2%)

Average expected decrease = 3%

Net expected increase = 11%

What % of retail sales turnover was for personal consumption? (n=27)

- Average response = 16%
- Ranging from "up to 10%" (16 organisations), to 41%+ (3 organisations)

Direct Selling Organisations - Sales Activity

Reasons for expecting sales to increase

Market growth / increased disposable income	14
Product range (new/improved)	11
Branding (external communications)	9
Sale force (increase/reorganise)	7
Training	3
Recruitment	3
Expanding sales area	3
Sales force remuneration/incentives	3

"Due to the increase in level of consumption and salaries, as well as of confidence in the direct marketing sector, which is confirmed by surveys conducted by DSA." France

"The trend of recent years, the addition of new sales personnel and continued growth, even if slow, of customers making purchases, who ask for high-quality, luxury products." Italy

"Increase in consumer awareness; development of the sector; development of DMO among distributors; activities directed toward strengthening of company image; widening of the product base." Poland

"We will be taking on many more sales consultants and the product is selling well and is extremely popular." UK

Reasons for expecting sales to decrease

"Higher resistance of the market, more competition in the market. It is much more difficult to find potential customers." Czech Rep

Ipsos MORI

Direct Selling Organisations - Employment

	Number in direct employment			Subcontractors
	Mean (average)	**Median**	**Comments**	
Sales force	**17,376**	**4,400**	• Ranges from 42 to 225,000 sales persons • On average 81% are self employed/ independent • For 30/39 organisations, 98%-100% of their sales force are self employed/ independent	
Admin & support	**52**	**20**	• Ranges from 3 to 350	• 15 organisations could cite the number employed by subcontractors • Mean (average) = 15 • Ranging from 1 to 100
R&D, production & logistics	**94**	**1**	Out of 43 organisations: • 17 have no one • 12 have 1-4 people • 8 have 5-19 • 6 have 20 or more (one with 3,100)	• 10 organisations could cite the number employed by subcontractors • Mean (average) = 42 • Ranging from 1 to 200

Direct Selling Organisations - Employment

Thinking back to 5 years ago, how has the number of people you employ changed?

Increased 22 (51%)	Average increase = 17%
Stable 7 (16%)	
Decreased 14 (33%)	Average decrease = 15%

Net increase = 14%

What was the % turnover of your sales force in 2006? (n=28)

- Average (median) = 47%
- Median = 40%
- Ranging from 4% to 100%

Direct Selling Organisations - Employment

Reasons for increase in employees

"Our company is developing, we have registered an increase in sales and a growth in activity; we thus have increasingly larger personnel requirements.." France

"The business has grown.." UK

"Thanks to good promotion and loyalty amongst sales personnel, satisfied with after sales and the company's attention to new and old customers, to the sellers themselves and the attention to marketed products..." Italy

Reasons for decrease in employees

"Rationalisation of resources, global functions being introduced to explore and maximise synergy" Germany

"Restructuring at group level" Italy

"Specialised computer systems introduced." Poland

Direct Selling Organisations – Production and Logistics

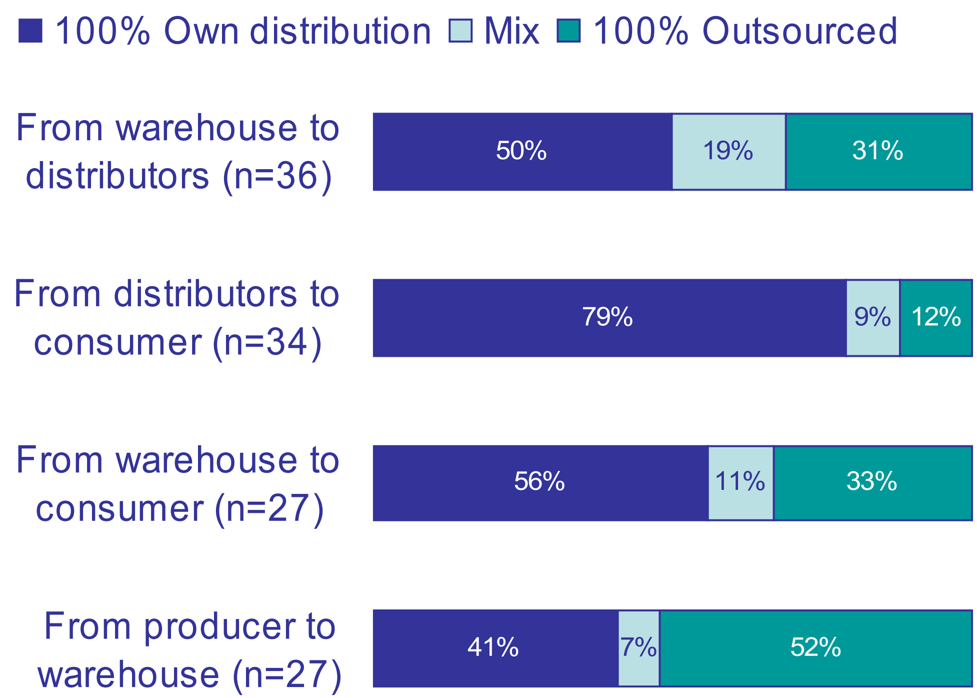
Own production

- 5 organisations cited a production facility in their country
- Accounting for 3,840 employees between them
  - Ranging from 10 to 3,100

Subcontracted production

- 7 organisations cited subcontracted production facilities in their country
  - Across 15 locations
- Number of employees generally unknown
- Valued at c3 million Euros per location (n=10)

Distribution of products



Ipsos MORI

Direct Selling Organisations – Flow of goods

Average value per organisation = 12,271 ('000 Euro's)

Source of imports (n=18)					
Value of product imported from: (At cost price)	European Union (EU)	Other Europe (non EU)	Asia - Pacific	North America	Others
Own company facilities	65%	-	-	2%	-
Subcontracted production facilities	10%	1%	7%	-	-
Other brands' facilities	3%	1%	10%	-	-

Average value per organisation = 67,065 ('000 Euro's)

Destination of exports (n=11)					
	European Union (EU)	Other Europe (non EU)	Asia - Pacific	North America	Others
Value of exports to: (At exportation price)	56%	35%	7%	-	2%

Ipsos MORI

Direct Selling Organisations – Multipliers

(n=17)	Invested in infrastructure			Forecast		
Investment amount	2004	2005	2006	2007	2008	2008
('000 Euro's - average per organisation)	554	491	302	526	256	408
	1,346			1,190		

Value of product / services purchased by your company - at purchasing price (n=22)			
('000 Euro's - average per organisation)	**2005**	**2006**	**difference**
Travel	219	231	12
Telecommunications	148	126	-22
Postal & courier services	505	534	29
Vehicle leasing	49	52	3
Printing & publishing	329	303	-26
Packaging	120	120	0
Total	1,369	1,365	-4

Direct Selling Organisations – Taxation

Taxation (n=20)	
('000 Euro's - average per organisation)	Amount paid in 2006
Corporate taxes	829
Social security	911
Income taxes	679
Import duties	-
Indirect tax (VAT)	2,792
Local taxes	552
Total	5,763

Direct Selling Organisations Survey(2007), Q21

Ipsos MORI

Direct Selling Organisations – Social data

Customer profile by age (n=29)

- Less than 50 years old = 61%
- More than 50 years old = 39

Customer profile by location (n=26)

- Urban = 50%
- Rural = 50%

No. customer complaints (n=33)

- Average (mean) = 12,245
- Median = 25
  - None = 2 orgs
  - 1-50 = 19 orgs
  - 51+ = 12 orgs
  - Max = 387,000

Amount spent on training (n=30)

- Average (€EUR) = 292,000
- Median (€EUR)= 125,000

Social programs

- 26 organizations cited at least one program over last 5 years
- Total of 87 programs mentioned
- Funds per organization (n=22):
  - Average (€EUR) = 1,383,000
  - Median (€EUR) = 42,000

Ipsos MORI

Information objectives answered by this presentation

- ✓ Who works as a direct seller?
- ✓ When and why did they become a direct seller?
- ✓ How hard do direct sellers work?
- ✓ How do direct sellers communicate with customers and HQ?
- ✓ What do direct sellers think about their work ?
- ✓ What's their income and how do they spend it?
- ✓ Further feedback from the direct selling organisations

✓ **Key benefits provided by the direct selling industry**

Ipsos MORI

Key benefits provided by the direct selling industry

- People are attracted to direct selling for positive reasons
- Almost half did not consider other options - job of choice
- A quarter of direct sellers were previously out of work
- Direct selling provides many benefits other than simply financial
  - Flexibility - hours worked ranges from <5 to >40
  - Independence
  - Skills, management and personal development
  - Sociability
- Direct sellers are very satisfied with their activity and the organisation they work for
  - It’s an involved job
  - Two thirds consider it a “real job”
  - It’s a job that suits those who choose it
- Direct sellers see their income as increasing over time

Ipsos MORI

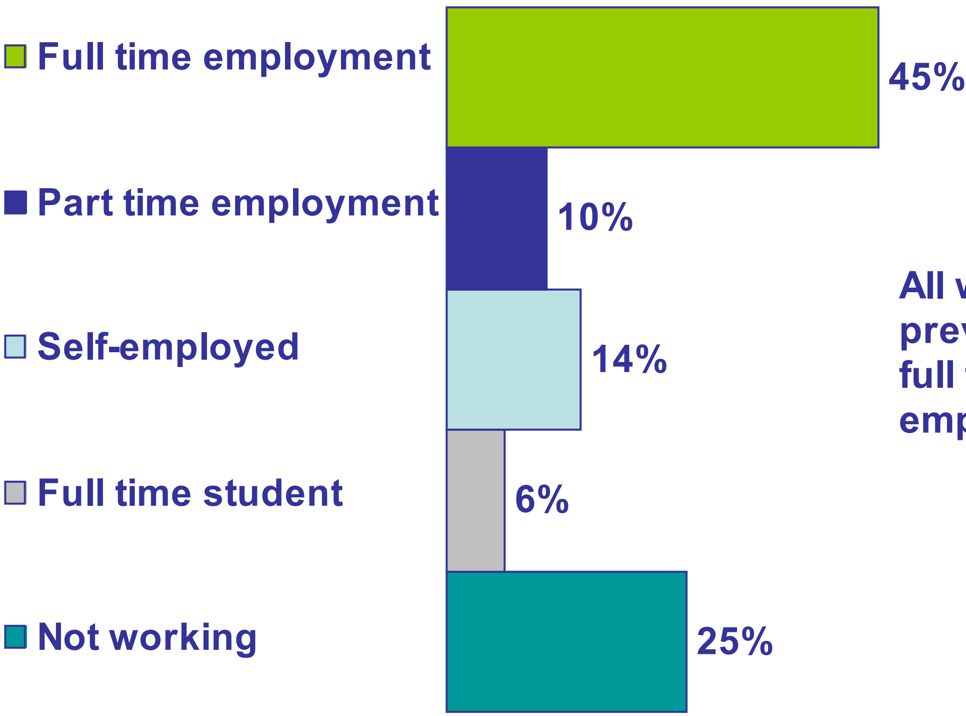
Key benefits provided by the direct selling industry

- It's a growing industry
  - Almost all organisations predict an increase in sales over the next two years
- Organisations employ a large number of people
  - Median of >4,000
- On balance the industry has seen an increase in sales force over the past 5 years
- Organisations are committed to training and have a history of social programmes
- It's an important channel for aiding those in rural locations gain access to products and socialize

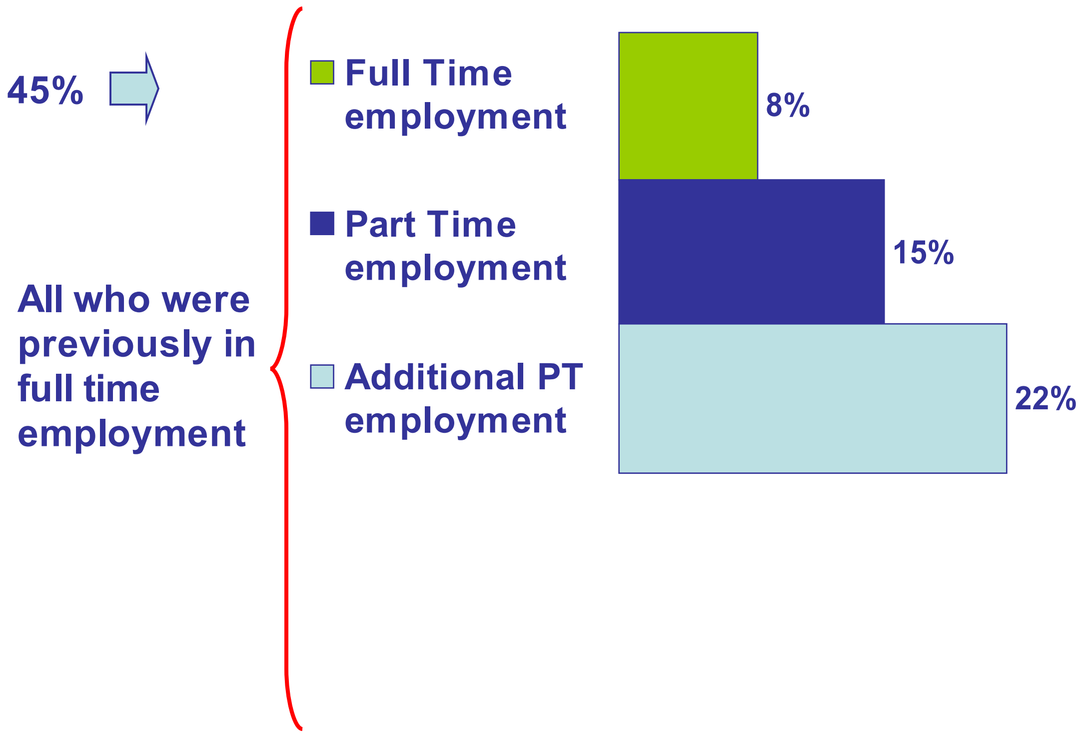
Ipsos MORI

Around 8 in 10 of those Direct Sellers who were previously in full time employment now see working as a Direct Seller as part time occupation

Activity prior to becoming a Direct Seller



View of work as a direct seller amongst people who previously were in full time employment



Base size: all respondents = 2,800

Base size: all previous full time respondents = 1264