

AUGUST 2015 • Vol. 1 • Issue 3

MONTHLY • Pages 52

₹ 200

RNI Reference No. 1267927; Title Code:DELENG 18939; Published on: Every month; Posted at Nehru Place Sorting Office, New Delhi on every 1st week of the month

THE AWARE CONSUMER

UNLOCKING CONSUMER POTENTIAL

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INSIDE INDUSTRY

Samir Behl,
Regional President,
Amway, clears
the air on direct
selling industry

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Vivek Katoch,
Director Corporate
Affairs, Oriflame
India, writes on
direct selling
beauty products

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THE DIRECT SELLING CONUNDRUM IN INDIA

Direct selling companies that deploy MLM compensation plans are not to be confused with Ponzi schemes or Pyramid schemes. Learn the subtle differences...

PLUS

LAW & YOU



MY MARKET



HORIZONS



OUT OF THE BOX

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VIEWPOINT



BEJON KUMAR MISRA | bejonmisra@consumerconexion.org

Stuck in a time warp; *Jago India Jago*

CONSUMERS We are a country of billion plus consumers. Rich, poor, big, small, thin, fat, adult and kids—we come in all shapes and sizes with our own tastes and choices. Earlier, the more privileged of us tripped abroad and flashed the latest labels from New York, Paris, London and then nearer home Bangkok and Singapore. The flood of ‘made in China’ fakes and first copies crowding our urban *chor bazaars* and flea markets have made the brands available to larger masses. Post liberalisation, the globe is at our doors, manufacturing, retailing, and direct selling.

Though India has well become a global village itself, the legal safety net provided to the Indian, consumer has failed to capture the international nuances under its purview. Laws remain archaic, mechanisms complicated and consumer as unaware and vulnerable as before—an anachronism. When we started the journey with an exclusive law to protect the rights of the consumers on December 24, 1986, only 5 per cent of the consumers knew about their rights and existence of Voluntary Consumer Organisations (VCOs). Of course, we have travelled a long distance since then. In November 2012, after 25 years of the institution of the Consumer protection Act (CoPRA) in India, a national survey conducted by CUTS International found only 20 per cent of consumers knew about the Act and 42 per cent had heard about consumer rights. However, 53 per cent of consumers were still unaware of the country’s redress system.

The Department of Consumer Affairs, Government of India, had identified the need for sustained consumer awareness initiative under the 10th Five Year Plan. The highly successful *Jago Grahak Jago* was the first large scale campaign undertaken by the Department in 2005, when I was the Chairman of the Consumer Coordination Council, a national coalition of more than 70 leading consumer organisations of the country. The innovative pan-India campaign provided consumers their first taste of power and liberation as they began demanding their rights. For the 11th Five Year Plan, for the first time, the scheme received an allocation of ₹409 crore, which was considered phenomenal. Under the 12th Plan though, the allocation is still at the same level—₹409.29 crore—which should have got increased substantially.

In such a low awareness market, a new method of distribution like direct selling has to compete with charlatan ponzi and pyramid schemes parading in its garb. Internationally viewed as an instrument of socio-economic development, direct selling must find its rightful place in India’s development agenda.

Time we put our legislators and consumers in the right perspective.

“When we started the journey with an exclusive law to protect the rights of the consumers on Dec 24, 1986, only 5% of the consumers knew about their rights and existence of VCOs. Of course, we have travelled a long distance since then...”

“

**Consumer
Rights Are Our
Fundamental
Rights, IT is our
Duty to ensure
we are not
shortchanged”**

Govt Committed to Consumer Affairs



“I am glad to observe that the industry too is becoming more sensitised towards customers.”

Keshav Desiraju

Secretary, Department of Consumer Affairs
Government of India

IN THE 21ST CENTURY marketplace, the consumer is faced with a bewildering variety of choices, not only with regard to varieties of products, but also the channels of distribution from where they can purchase their goods. When there are multiple choices, there is also bound to be confusion and one cannot rule out unscrupulous elements trying to dupe unwary consumers through dubious means of marketing and mischievous forms of advertisements. While development is on the fast track and technology has brought global companies, products and marketing technologies to India's doors, a lacuna has been created in consumer awareness and market growth. For instance, the emerging non store retail formats like direct selling and e-tailing are new to the Indian consumer, and their benefits are being denied to them for lack of prevailing knowledge about their various benefits.

In such a scenario, a research publication like *The Aware Consumer* is welcome. I congratulate the team behind the report, which is sure to become a strong and unbiased platform for the consumers, the industry and the multiple stakeholders in the marketplace. The publication will be a channel of communication and the government can look to it as an important resource to analyse and understand the feedback of the industry and more importantly, the consumer, on important policy decisions.

The government is already working to strengthen the various existing laws like the Consumer Protection Act 1986, Bureau of Indian Standards Act 1986 and make them customer-centric. There is also a proposed national consultation in progress to frame the National Consumer Policy by the end of this year. In my view, the recent decision to allow consumers to file cases in their place of domicile instead of in cities where the branch office or head office of entities like real estate players or service providers exists is a much required step. This will enable the aggrieved consumer access prompt redressal.

I am glad to observe that the industry too is becoming more sensitised towards customers. Companies must adopt ethical practices and initiate self-regulation to demonstrate their commitment towards consumers. A company that is ethical wins the trust of consumers and grows stronger.

Currently, there is a need for more customer centric policy orientation in the retail market where the unsuspecting consumer suffers the most. With no quick mechanism for redressal, the consumer is at the mercy of petty shopkeepers and retailers. There is an urgent need to revisit existing laws and widen their ambit to make them more global in their application. The government is committed to working with the industry to raise the bar in consumer affairs. We would like Indian consumers to be among the best serviced and most satisfied globally.

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PLACE OF PUBLICATION

E-45, Ground Floor, Greater Kailash Enclave-I
New Delhi-110048

The AWARE CONSUMER

is printed and published by
Bejon Kumar Misra
at F-9, Second Floor, Kailash Colony,
New Delhi-110048 and printed at
M/s. Spectrum Printing Press (P) Ltd.,
Shed No. 23, Computer Complex,
DSIDC Scheme I, Okhla Phase II,
New Delhi-110020

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Total number of pages - 52, Including Covers

RNI Reference No. 1267927

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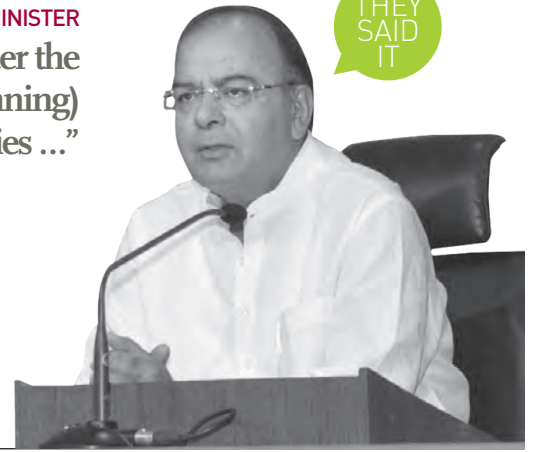
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ARUN JAITLEY, FINANCE MINISTER

“...it is proposed to bridge the regulatory gap under the Prize Chits and Money Circulation Scheme (Banning) Act, 1978...to facilitate effective regulation of companies ...”

THEY SAID IT



ROUNDUP



PHOTOS: THINKSTOCKPHOTOS.IN

Indian Consumer Companies Eat into MNC Market Share Dairy, biscuit categories game changers as indigenous cos enjoy monopoly

MARKET Indian FMCG companies, with their reach, diverse product portfolio and enhanced quality of products have hit the market share of global giants through innovative marketing and packaging strategies. Now, the homegrown FMCG companies are running almost neck to neck with giant MNCs in India. According to Nielsen findings, which are based on a study of the top 50 Indian consumer companies, the combined share of MNCs in the consumer goods space declined to 51 per cent in 2013 from 54 per cent three years ago. Food accounts for more than 53 per cent of the overall FMCG market and grew 12 per

cent last year, compared with an 8 per cent expansion in the non-food category. Within food, local companies grew 14 per cent in 2013 and foreign players recorded only 8 per cent growth. The game-changers have been two products—dairy and biscuits—where local players enjoy a virtual monopoly. Gujarat Co-operative Milk Marketing Federation, owner of Amul brand, witnessed sales of ₹18,150 crore in 2013-14—which is double that of revenues from Nestle's India unit and thrice of profit of foods division for HUL. Parle, Britannia and ITC Foods together control over 80 per cent of the ₹23,000 crore biscuit market.

DATA BRIEFING

80%

Parle, Britannia, ITC Foods' control of Indian biscuit market



Internet Access to Become Basic Right Dept of Telecom to finalise National Broadband Policy soon

ONLINE The Department of Telecom is soon expected to finalise a National Broadband Policy, which would treat high-speed internet access a basic right like education, food and health.

Under the new policy, the government is working on plans to make a new legislation granting 'Right to Broadband'. The move is expected to increase the broadband penetration as well as convergence of various technologies and platforms like cable TV, optical fibre, wireless connection through spectrum, VSAT and satellite. The department is set to work on the provisions for providing affordable broadband equipment and devices for end consumer use.

The National Telecom Policy 2012 had set a target of 175 million broadband connections by 2017, and 600 million by 2020 at minimum 2 Mbps download speed and making available higher speeds of at least 100 Mbps on demand.

By the end of March 2014, there were about 61 million broadband subscribers, which includes 14.86 million fixed line subscribers and 46 million wireless-connected subscribers like dongles, mobile phone and other devices.

Consumer Courts to Try Telecom Disputes

TELECOM The Department of Telecom (DoT) has said consumer courts have jurisdiction over disputes with operators. The move is set to provide a big relief to Indian telecom consumers.

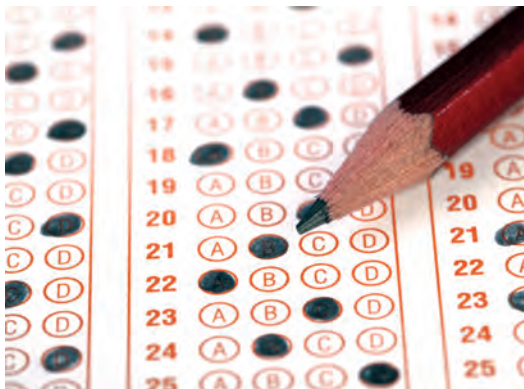
At present, consumers are required to go through a tiresome process to resolve disputes with telecom firms. The consumers register their complaints with the call centre, then approach the nodal officer and finally go up to appellate authority.

The DoT said that telecom often receives references from aggrieved consumers whose cases have been ousted on the ground that a 2009 Supreme Court verdict had barred seeking relief under Consumer Protection Act. It added that special remedy is provided under Indian Telegraph Act.

The DoT said it has examined the matter, which was a dispute involving the department as a service provider, before hiving off telecom service under separate company as BSNL, and added that it has sent its decision to Department of Consumer Affairs, Chief Secretaries of the states and Union Territories for taking up the matter with various consumer courts under their jurisdiction. With this decision enabling consumers to seek redressal in consumer courts, their telecom woes are set to be over.



QUICK BYTE ON CONSUMERS



Entrance Exams for Consumer Forums
Entry to District Consumer Redressal Forums will soon prove to be tough for aspirants. The Ministry of Consumer Affairs has proposed a written exam and personal interview to be conducted by state public service commissions to qualify as members.



Progressive rural of India's villages promise the next level of growth to FMCG companies in the country (left); Local women make the perfect brand ambassadors for big brands to sell their premium products in villages (right).



FMCG Cos Focus on Rural 'Creamy Layer' Revisit strategies to accelerate premium products

RURAL The Fast Moving Consumer Goods (FMCG) companies are revisiting their strategies to capture the next level of growth in rural India.

With some companies like Hindustan Unilever Limited, Dabur India and Godrej Consumer Products Limited making a rush to capture the untapped rural market, the focus is now on extracting growth by upgrading rural India consumers into the "creamy layer" to push premium products. The creamy layer of rural India consisting of 10,000-odd villages, out of the 6,00,000 total Indian villages, is set to contribute 50 per cent to the rural GDP, as per the Unilever Premium Index, a metric derived by HUL by using internal as well as external information, based on criteria like population, road connectivity, schools and health centres.

A typical household in these villages... has an average income of ₹10,000/month.

HUL has launched a massive premiumisation drive under its "Perfect Village" programme with its entire premium portfolio, to meet the aspirations of consumers and satiate their appetite for higher value products. Godrej says the company is focussed

on targeting creamy part of "progressive rural". Progressive rural comprise 10-12 per cent of the total rural villages Godrej is present in, but its contribution to total rural sales is around 60 per cent.

Dabur India has earmarked 10 states that account for 72 per cent of India's rural FMCG as priority markets. The demographic shift in rural India has taken place with a cluster of villages exhibiting exceptional growth ahead of other villages, due to better connectivity with towns and cities.

The young generation, comprising over 60

per cent of population below 30 years of age, is showing preference for branded products. The FMCG companies find growing demand for lifestyle products like skincare products, food supplements and packaged fruit juices. The premium products' push in rural areas demolishes the concept that rural households only consume mass products like soaps in low unit price packs.

However, even on the premium front, HUL has strategies to push SKUs (stock keeping units) like ₹25 Dove soap and ₹15 facewash, etc. A typical household in these villages comprising seven-eight members has an average income of around ₹10,000 per month.

Under "Perfect Village" programme, HUL ropes in six-eight local women brand ambassadors in each of the 10,000 villages to promote its premium products. India's leading FMCG company is hopeful the strategy would double penetration of certain categories in a few years, considering that the creamy layer of rural India is growing faster than middle India and urban India.

CONSUMER SURVEY

Indians Most Willing to Share Personal Data: Report

FINDING Indians are the most willing to share personal data for better service online followed by Middle East countries and China, a study conducted by EMC Corp said. The study surveyed 15,000 consumers in 15 countries, including the US, France, Germany,

China, Japan, Brazil, India, the UAE, Saudi Arabia and Qatar. The countries of the Middle East (UAE, Saudi Arabia and Qatar) and China preferred easy and convenient access to the internet over privacy. Indian women are more guarded, with 59 per cent

unwilling to trade their privacy for convenience, as compared with 43 per cent of men. 77 per cent of Indians said they have confidence in organisations' skills in protecting their privacy, while 73 per cent believe the organisation to be ethical in using information shared.

Auto Sales Jump After New Govt Takes Charge Tax breaks on car purchase to continue till Dec 2014



INDUSTRY The ushering in of a new government at the Centre has brought optimism among Indian consumers and industries. Some of India's biggest auto makers have begun showing signs of revival and have recorded their highest growth in recent months. India's manufacturing activity improved slightly in June, according to the HSBC India Manufacturing Purchasing Managers' Index, prepared by Markit. The sales of Maruti Suzuki India Ltd jumped 33 per cent, Hyundai Motor recorded 9.5 per cent sales, while Honda Motor's sales surged 75 per cent.

Demand for new cars in India, which is the world's sixth largest automobile producing market, has fallen drastically in the last two years due to weak consumer sentiment and high inflation. A slowing market had forced auto makers as well as parts suppliers to cut their workforce and even shut factories temporarily. The government has decided to extend tax breaks on car purchases till December-end to push the industry. However, many experts are still not ready to count the visible growth as a sign of end of economic slowdown in India. According to them, weak monsoon and rising oil prices may hurt the domestic demand in coming months.



CONSUMER COURT

Filing Consumer Complaints May Get Easier

RIGHTS In a move that will mark a new empowering phase in India's consumer rights movement, the Consumer Affairs Department has moved a proposal that would allow consumers to file cases against builders, companies and other service providers in the consumer forum in the district of their domicile.

As a key amendment proposed in the Consumer Protection Act, this will have a far reaching effect in safeguarding consumers' rights. The district forums will also be required to admit complaints within 24 days under another proposal moved to this effect.

Under the current setup, a consumer is required to file a case in the district consumer dispute redressal forum where the defaulting entity has its main office or a branch office.

In the current scenario, for instance, if a resident of Delhi buys an apartment in Bengaluru and has a dispute with the builder, s/he has to file a complaint in Bengaluru if the builder does not have an office or a branch office in Delhi. Given the fact that purchases are being made online and in every nook and corner of the country by prospective buyers and investors, this has been a deterrent in filing of cases against erring service providers and builders.

Now with this new clause "to allow the complainant to file a complaint in district forum where he resides or works", more consumers will be coming forward to seek rightful redressal. This will also act as a deterrent against malpractices by service providers.



Direct Selling to Consumer India

For direct selling companies that deploy multi level marketing (MLM) compensation plans, a deep understanding of Consumer India and an environment of trust are the bedrocks for sustainable growth. While a legislative framework will help genuine firms establish credibility, an understanding of complexities of the Indian environment is essential to grow organically in an ethical manner.

By Sangita Thakur Varma





INETEEN YEARS ON, an industry that has the potential solution for several economic ills besetting an India in transition, is still struggling to get a valid passport to operate in a conducive, hassle free environment. The direct selling industry in the country is again

in the spotlight with the arrest of Amway India CEO by the Andhra Pradesh police. Just last year, he had been picked up by the Kerala police. While battle lines are drawn between pro and anti direct selling camps and the media is resonant with debate, there is a need to dig beneath the surface to understand the root cause of the problem.

A CASE OF CONFUSING IDENTITY

So what is all this brouhaha about? Is direct selling such a case for impounding its pioneers and proponents? The detractors' din is so loud today that it has almost drowned the definition of direct selling in a sea of confusion. In the simplest terms, direct selling is the person to person sale of a consumer product or service, which is not at a fixed retail location. The second important distinguishing factor is the composition of the sales force. In direct selling, the products are marketed by independent sales representatives or sellers who are not employees of the company. They are often referred to as consultants, distributors or business owners. These sellers earn a commission on sales of products and services instead of being on the payroll of the company that they represent.

At the outset, a clear understanding of the difference between direct selling and direct marketing also helps,

as the two are often taken as interchangeable terms. The primary difference between the two methods of distribution hinges on the mode of publicity employed by each to generate awareness in the market. While direct selling relies chiefly on word of mouth or consumer endorsement, direct marketing uses one or more advertising media to generate a specific response or a call to action (CTA) that can be measured. In fact, direct marketing is a type of advertising under which companies communicate directly with customers through formats like email, direct mail, online display ads, text messaging, and the popular telemarketing.

Direct selling is a unique trade and commerce activity that promotes self employment and is successfully operating in over 100 countries globally. In India, according to India Direct Selling Association (IDSA), the size of direct industry is ₹7,200 crore annually with an impressive distributor base of more than 5.7 million. The livelihood of this vast database of individuals is dependent on direct selling. As the right to livelihood is a fundamental one, regulatory clarity can help in fulfilling this fundamental right. The industry has contributed significantly in the area of women's empowerment. More than 50 per cent of the direct sellers are women. The part-time or full-time income they earn, and the business skills the industry provides them through extensive training, have helped to create a successful platoon of female entrepreneurs. Direct selling invests in women and their future, which, in the long run, will help in overall economic stability and the reduction of inequality.

The confusion arises when we talk of direct selling companies that deploy multilevel marketing (MLM) compensation plans. To be precise, this is nothing but a technique used by direct selling companies to systematise and compensate direct salespeople or business owners. According to the World Federation of Direct Selling Associations (WFDSA), the correct way of representing MLM is to call it a direct selling com-



NOT JUST PROFIT

Direct selling industry is a unique trade and commerce activity that promotes self employment, skill development and entrepreneurship.

It is because fraud pyramid or financial ponzi schemes parade in the garb of direct selling companies with MLM compensation plans that the lines between the two have been blurred.

compensation plan where salespeople receive payment in a variety of ways.

It is because fraud pyramid or financial ponzi schemes parade in the garb of direct selling companies with MLM compensation plans that the lines between the two have become blurred. Authorities and consumers must learn the differences between genuine direct selling companies and these fraud entities to reap the multiple benefits that direct selling companies offer to them for their personal growth and development.

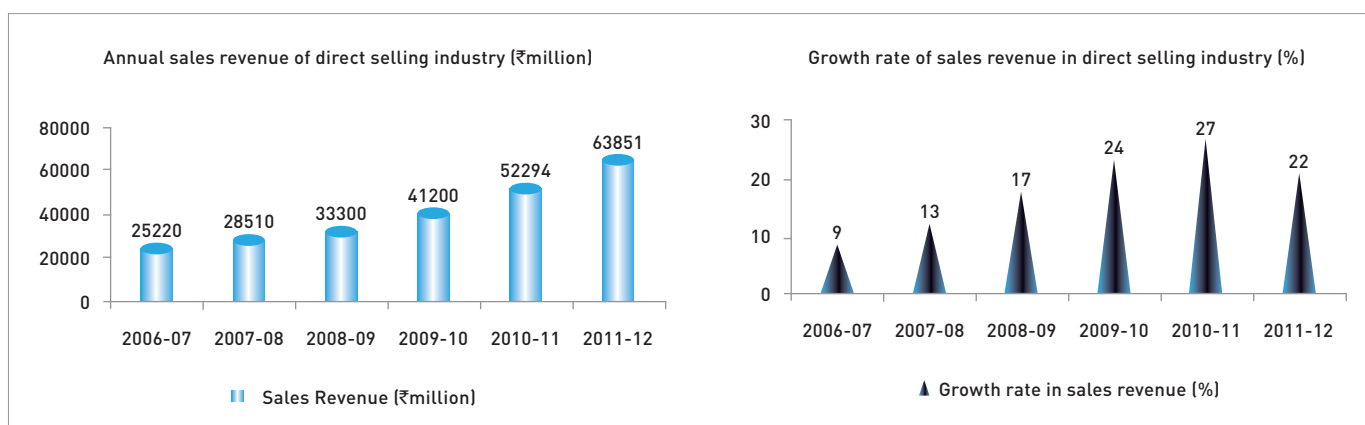
Primarily, direct selling companies are seller-based—they have human interface—the distributor or business owners—who earn a high reward for making a sale at retail point. The direct selling model offers two propositions—high quality products for consumption and a business opportunity to sell those products and earn a profit on them. The business owners have the opportunity to grow their own sales force that is the distributor networks, which are sustainable distribution channels. Much like an FMCG company's sales

force, there are profits to be earned on the total sales of the network, the benefits of which trickles down to each individual member of the network.

On the other hand, in a ponzi pyramid scheme, there are no profits to be earned on sale of goods as there are rarely products that are flying off the shelf. The compensation is for building a huge pyramid of salespeople. With nothing substantial to support this growing humongous group, the networks become unsustainable and the company folds up soon, leaving thousands of unsuspecting distributors and consumers deprived of their hard earned money and in many cases lifelong savings.

In the direct selling model, it is the friend, the relative or the co-worker, who becomes the customer through the personal endorsements of the seller. With the basic idea to be a customer first and then bring in more customers, this business channel which grows on the power of referrals and endorsements, is built on a foundation of integrity and trust. Since the emphasis

Trend in Sales Revenue Growth



Source: PHD Research Bureau

is not on recruitments, unlike pyramid schemes, the business owners here are not under any pressure to enrol more distributors. Hence, the sellers that they bring into the network are those who are genuinely interested in becoming entrepreneurs.

The growing network of direct sellers in India is a testimony to the many advantages—socio-economic and personal—that direct selling industry offers to a nation on the fast track to development.

UNDERSTANDING CONSUMER INDIA

Direct selling is a relatively recent arrival on the consumer consciousness of India. If we look beyond the mega metros to middle India—its tiered towns and rural peripheries—we find a consumer who is just evolving, rather confused, a little apprehensive and a lot unaware. This middle India has been romanticised and glorified as a potential consumption target by the multinational companies. The potential of the great Indian middle class, which is forecast to hit 250 million in 2015, according to McKinsey and Company, has been challenged, with some even calling it a myth. This June, India's internet user base was projected to touch 243 million (IAMAI), and it is forecast that by FY18 there will be 519 million mobile net users. While the

figures are enchanting for companies doing or looking to do business in India, the stark reality of this billion plus nation, also home to 287 million illiterate adults (UNESCO), which is the largest population of illiterate adults globally and constitutes 37 per cent of the world, should give one a pause.

To begin with, the majority of Indian consumers are unaware of the direct selling marketing model. How does it function? What is the distributor network? If there are no outlets how will I register my grievance against a product? How do I return a product/ask for refund, if the product is not satisfactory upon opening? Where will I catch the direct seller for my refund? Questions, questions...The consumer seeks answers that the industry must provide and also anticipate some questions before s/he articulates them.

There is much information that the consumer seeks and has no authoritative source to turn to. The consumer must also be made aware of the many products that s/he can avail through direct selling right at the doorstep—in Kashmir or Kanyakumari. A consumer needs to know that the person at the door is selling certified products and is not a fly-by-night operator but the representative of a genuine direct selling company. A consumer must know that the business opportunity being offered is not a pyramid or ponzi scheme. A consumer

must know that the XYZ company whose product she bought is to be held responsible for delays in delivery, substandard items, delivery related woes like damaged goods or any other grievances. Or is it the manufacturer who will pay for the damaged goods or items that do not conform to claimed specifications?

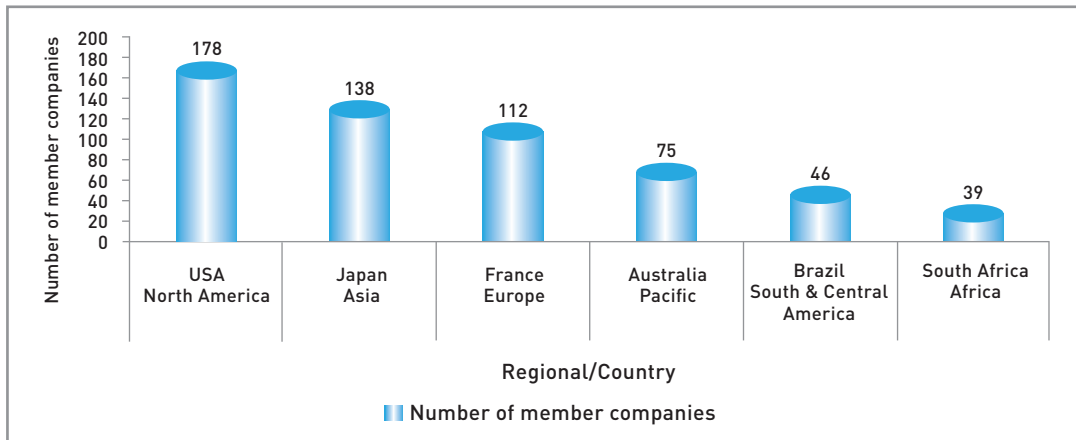
Consumer awareness thus becomes the key to unlocking the full potential of the industry. A labour-intensive industry with positive socio-economic impacts in terms of more women getting into the workforce, more unemployed/underemployed being skilled and made employable, direct selling is an effective economic tool that can have

PHOTO: THINKSTOCKPHOTOS.IN



Selling Success: Direct selling is a tool for women's empowerment in India, where two out of every three women are unemployed. It's potential is immense.

Direct Selling Associations Across Regions



Source: PHD Research Bureau

a ripple down effect, down to the grassroots. However, it is as much the consumer, as the industry that can help unlock the potential of self-employment, entrepreneurship and gainful engagement to the multitudes.

In the Indian context, the direct selling companies cannot just sell products. They also need to invest their resources in educating the consumers about the benefits of the product and the industry and build a desire in them that is strong enough to prompt purchase.

For the scams, this half awake Indian consumer is a rich target for half baked concepts, fake or spurious goods and get-rich-quick schemes. But for the ethical direct seller, Consumer India is neither a guinea pig nor a prospective milch cow, but a genuine customer with needs that must be answered.

CONSUMER INDIA IN DIRECT SELLING MARKET

The traditional fixed store format FMCG companies rely on advertising blitzkrieg, star endorsements and high decibel hype to sell their product. The direct selling industry, on the other hand, relies on the low key but more trustworthy personal endorsement. Here more mouths mean more endorsements and as the company network of foot soldiers or distributors expands, so does the company. The consumer-endorser-distributor is the link in the organic growth of direct selling industry. In the Indian scenario, this link is all the more important as consumers are a largely unaware and ignorant group. They not only need to be educated, but first we need to win their trust by building a bridge, and then the deal can be sealed for a long-lasting relationship.

Direct selling companies understand the Indian market they operate in well, and have been working

on winning the trust of the masses. Unfortunately, the relationship is a tenuous one in the absence of well-framed laws that provide them a distinct legal identity. The absence of proper legislative framework has facilitated fly-by-night operators impersonating as bonafide direct selling companies to dupe Indian consumers. Their acts of omission and commission and downright fraud have muddied the marketplace and the Indian consumer who is just learning to trust his friendly direct seller, is now in two minds. A separate policy framework for direct selling industry will clear the blurred lines between ethical industry players and impersonators and go a long way in winning the confidence of the consumers in the industry. For the industry it is double jeopardy at the moment in this imbroglio—an erosion of faith and an identity crisis.

FRAUDS & GENUINE

The raging debate and extreme opinions expressed are confusing the general public further. The test of a direct selling company is its sales force that earns income from the sale of genuine products and not from expanding its distribution network. The income that a business owner earns is from the sale of products that is the number of products moving off his shelves. There is also a provision for the distributors to return unsold stock to the company in case they wish to exit. There is no fee for entering the network nor for exiting it. It is a voluntary business model.

The Indian satisfied consumer that joins the network to become an enthusiastic product advocate (distributor) and progresses to becoming a zealous business advocate (recruiter) is not your average internet savvy, educated middle class Indian of the economic data. Rather s/he is often inexperienced unemployed youth



A separate policy framework for the direct selling industry will clear the blurred lines between ethical industry players and impersonators and go a long way in winning the confidence of the consumers...For the industry, it is double jeopardy at the moment—an erosion of faith and an identity crisis.

or a housewife customer with little knowledge of the market, regulations or the pitfalls. By ensuring that the recruitment of new distributors does not turn into a mindless sponsorship of chain business opportunities with high failure rates, genuine direct selling operators cultivate a cadre of star performers that become emblematic of its success.

Our neighbours Bangladesh and Vietnam regulated the direct selling industry early on learning from their mistakes and circumvented scamsters from operating under its garb. Strict legislations also exist in countries like United States, Canada, Russia, France, Japan, Italy, United Kingdom, Korea, Columbia, China, Taiwan, Germany, Thailand, Malaysia, Brazil, and Mexico. India has all these examples before it to study and frame legislation that will plug the loopholes being exploited by scams.

GROWTH OPPORTUNITIES

Direct selling offers enormous growth potential for India. The country's unemployment rate is set to rise to 3.8 per cent this year from 3.5 per cent in 2011. In June, the World Bank lowered India's projected GDP growth to 5.5 per cent from 6.2 per cent forecast in January. Rising inflation (the inflation rate in India was recorded at 8.28 per cent in May 2014), is forcing families to cut down on essential expenditure. While women form 48.5 per cent of the general population of India, they constitute a mere 24 per cent of the work population. Two out of every three women in India are unemployed. In such a scenario, direct selling business entrepreneurship model works to the advantage of a developing country. The multitude of business owners that it creates leads to empowerment at all levels of the economy beginning at the base of the pyramid.

A successful direct selling business model does more than just empower the distributor. It acts as a tool to

educate and empower the hapless consumer as well. An average middle India consumer is led by the slick high octane advertisements into buying a product that may be overpromising or misrepresenting facts. In direct selling model, there is less chance of over promising or misrepresentation as the seller is known to the buyer personally. The seller may also have experienced the promised benefits herself and that may be the reason for recommending the product to her near and dear ones. Her knowledge and advocacy of the product become the touchstone for other consumers to seek the same benefits. It is a satisfied customer who becomes an endorser and a business owner. From selling the company products s/he starts selling the company itself to his community, thus bringing them too the economic prosperity and empowerment s/he has experienced. A whole community is benefitted and this has a positive impact on the economy.

DE-RISKING GENUINE DIRECT SELLING COMPANIES

While regulators need to spin a swift safety net for the consumers and genuine companies, the direct selling companies must also comply with ethical practices like the IDSA code of ethics. Companies must have a mechanism to educate their distributors and to gauge the capability of a prospective business owner for the job. Direct selling requires minimum educational and almost no professional qualification, but an individual's personal attributes go a long way in making him/her a good entrepreneur. More emphasis on selling of products than bringing in new business will take care of unsold inventory and ensure that the company's majority revenue is generated from sale of products.

As the industry looks to hit ₹108.4 billion mark this fiscal, a Euromonitor report released this year forecasts steady growth for the industry. The channel will continue to be dominated by consumer health direct selling and beauty and personal care direct selling. Food and drink direct selling is expected to grow rapidly, contributing to the strong growth of the industry. In FY 2012-13, the sector registered a growth of 12.2 per cent in gross sales revenue to ₹7,164 crore, as per a report by PHD Chamber of Commerce and Industry. The Indian direct selling industry sales revenue will rise to ₹10,843 crore by 2014-15 from present levels, says the report.

India must rise to the occasion and ensure that the direct selling industry gets the legitimacy and respect that it deserves and open the way for genuine companies to work in a fearless environment. This is the only way to tap the immense growth potential of direct selling industry for the country. 

Indian Direct Selling Industry: 2011-12

Gross Sales Revenue (₹million)	6,38,51
Share in GDP (%)	0.07
Growth of Gross Sales Revenue (%)	22
Work force	4,853,232
Per capita revenue generation (₹)	13,156
Number of companies including IDSA members (approx.)	407
Companies with indian origin (%)	40
Companies with foreign origin (%)	50
Companies with joint ventures with indian companies (%)	10

Source: PHD Research Bureau

**“ An Aware
Consumer
Is A Smart
Consumer ”**



PHOTO: THINKSTOCKPHOTOS.IN

ADAPT & FLOURISH

What products lend themselves well to being directly sold? And how can direct sellers evolve to compete with the parallel retail channels? **BY CHARU BAHR!**

Some things must be seen to be believed. Just the same, some products need to be demonstrated or explained for would-be consumers to bite. Nothing increases the chances of selling “new” or “different” items more than getting upfront and personal with prospects in the right place and at the right time. In business parlance, this mode of reaching out to customers is called direct selling.

Best Fit Products

A take off from the age old concept of peddling, direct selling has evolved as a low risk and high return micro enterprise. Direct sellers the world over are self employed persons with limited investment

capacity. So, the products they sell must be relatively low cost. As there is a limit to the weight of products which an individual can cart around and demonstrate, the products must also be small sized and easy to handle—“products which are amenable to being carried around for a show and tell kind of display work best,” explains Brian Almeida, partner, Strategic Caravan, a marketing consultancy. “It is feasible for a person to carry around 10 different kinds of perfumes, not 10 food



“Products which are amenable to being carried around for a show and tell kind of display work best.”

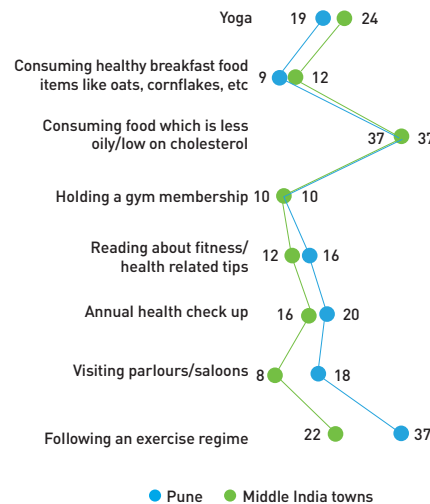
Brian Almeida
Partner
Strategic Caravan

processors, nor products with many variants—such as garments of different sizes wherein the investment in inventory rises considerably.”

As there must also exist sufficient incentive for the selling agents to achieve appreciable value of sales, products of regular consumption, fast moving consumer

Health & Wellness the New Mantra in Middle India Households; Direct Selling Companies Deliver them to their Doors

High convergence between Middle India and Pune on various health attributes shows the rising importance of health & well being in Middle India towns



Source: Nielsen

Middle India or the tiered towns of India are fast catching up with the trend of healthy eating and living, thanks to the growing presence of non store format distribution channels with their vast offerings of dietary products. From packaged low calorie salads to multigrain munchies, protein shakes and health drinks, all are prominently being consumed in homes in the interiors of India. Physical fitness is the *mantra* and yoga clinics, dance studios, gyms and spas are sprouting in the narrow bylanes where *richshaws* and bullocks fight for space.

A 2012 Nielsen study titled *Emerging Consumer Demand – Rise of the Small Town Indian* (see graph on left), brought out the changing profile of the small town Indian—savvy, aware, demanding and with the purchasing power to buy the best available in the market.

Technologically connected to the globe, the *desi* is aware of the best global products sitting at home. The direct selling companies deliver them to their doors.

goods like toothpaste, soap, shampoo, etc., go well with the concept.

Since being pioneered by cosmetics major Avon in the 1880s, direct selling has had great appeal for women who lack formal qualification or who hail from cultural backgrounds that preclude them from stepping out to work. Direct selling happens best in homes when customers are relaxed and have the time to hear impassioned sellers describe their offerings. So such women see in direct selling a means to earn an income and recognition. Their circle of friends and acquaintances becomes their first target audience. Sixty per cent of the approximately six million distributors in India too are women. This predominance also impacts the kind of products that are most sold directly.

“Given that the majority of agents are women who sell within their networks, there’s greater scope for products in which women have the greater say or involve-

ment in choosing,” says Almeida. Some higher priced niche items falling in this category can be well sold directly such as high end AMC cookware or premium cosmetics like Aviance, Amway and Avon.

Leading Categories

Defining the attributes of products which make a good fit for direct selling explains the predominant categories of products which are being directly sold in India—health and hygiene products, cosmetics and household items.

A recent PHD Chamber’s *Annual Survey Report* for the direct selling industry in India pegs the share of health and wellness products at 34 per cent of the organised market in terms of revenues. A fast growing segment, it has won over the number one spot from cosmetics in recent years. Key growth drivers for direct sales of health products are greater consciousness about health and quality of life

my market

\\ WHAT SELLS THROUGH DIRECT SELLING & HOW!

among urban consumers, increasingly stressful lifestyles and growing pollution. According to Chavi Hemanth, secretary general, Indian Direct Selling Association, an autonomous, self regulatory body for the direct selling industry in India, “Innovative products from research oriented direct selling companies; products successfully marrying traditional ayurvedic

currently enjoy 30 per cent share. Home care and improvement products occupy 12 per cent, followed closely by consumer and household goods with 10 per cent and food stuff and beverages with 8 per cent share.

Together, these categories notched sales of ₹7,164 crore in FY13, marking 12 per cent growth over the previous year and interestingly, bucking the overall sluggish

economic trend. Tier II cities were the major drivers of growth, followed by Tier III cities and then metros and Tier I cities. Direct sellers are more active in metros like Delhi, Chennai, Kolkata and Mumbai, and in Tier II cities such as Bengaluru, Hyderabad, Pune, Allahabad, Ludhiana and Patna.

The PHD Chambers of Commerce and Industries predicts direct sales worth ₹10,843 crore in the current fiscal and an average annual growth rate of 20 per cent in the coming years. It expects the industry to expand to ₹34,000 crore by 2019-20. Across the world, direct selling has increased in importance as countries have moved up the per capita income ladder. Developed markets like the USA, Japan, Germany, UK, France, Australia and Singapore, and emerging markets such as Brazil, Korea, Russia, Malaysia, Argentina and South Africa testify this fact. India is expected to follow suit.

Broadening Horizons

To keep up the good run, direct selling companies in India must reinvent themselves to compete with parallel retail channels such as brick-and-mortar stores and e-commerce portals. In particular, e-commerce is seeing phenomenal growth in India thanks to its convenience and reach.

“Companies must create an online pres-



Beauty Sells Directly Beauty and health products lend themselves to direct selling—women love the personal touch. Beauty is an experiential product and women look for friendly counsel. Middle India customers are comfortable in a personalised environment.

cures with western cures are finding new takers in the market.”

Leading players have been quick to tap this emerging opportunity and in turn fuel their prospects. Amway India has launched nutrition products such as Amway Nutrilite Milk, Amway Nutrilite Daily and Amway Nutrilite Siberian Ginseng. Forlife offers Forlife Cardio, Forlife Glucoach and Forlife Transfer Factor. Swedish cosmetics major Oriflame has come out with its protein shakes, vitamins, food supplements, anti-oxidants for smooth skin, etc. Herbalife has nutritional shake mix, multivitamin mineral and herbal tablets and personalised protein powder in its product offering.

Cosmetics and personal care products



“Innovative products from research oriented direct selling companies; products successfully marrying traditional ayurvedic cures with western cures are finding new takers.”

Chavi Hemanth
Secretary General
Indian Direct Selling Association

ence if they have not already done so, to compete with e-retailers and to serve consumers outside of metros and improve their distribution” suggests Almeida. “They must also leverage the power of technology to reach out to young tech savvy consumers.”

The growth in young consumers and social networking as a method of sharing information presents big opportunities to direct sellers. Traditionally a word of mouth business, direct selling can now rely on social media tools such as Facebook and Youtube to spread the word and demonstrate how to use their products.

Websites are also cost-effective communication mediums. Direct selling consultant and chief strategist of Strategy India, Daniel R Pranjali believes that direct selling companies must use their strength in relationship-building to develop relationships with new technologies: “A good web presence adds to the credibility of the company and its products, assisting enrolment of distributors. If the distributors can find accurate and detailed company and product literature, apart from the start up kit, on the internet, they need not learn every aspect of the product, company, compensation plan, etc. all at once. The brand is thus promoted consistently and not misrepresented, whether due to ignorance or on purpose.”

Success Mantra

Change is already in the air. A fifth of respondents of a PHD Research Bureau survey cited the internet, TV and radio and newspaper and pamphlet advertising as their source of information about direct selling and/or products they bought via this route.

Mass media marketing has proven very successful for direct selling company Amway’s Nutrilite brand. Amway is aiming at replicating that success with advertising campaigns featuring its super premium beauty brand Artistry and premium beauty brand Attitude.

“Eureka Forbes is investing heavily in building online relationships with customers. Shashank Sinha, general manager, Marketing, Eureka Forbes Limited, says, “We spend up to 20 per cent of our media



“Close proximity to customers drives sales and healthy after-sales relationships. As importantly, these interactions give us deeper insights into customers’ needs and help us to further align products with these evolving needs.”

Shashank Sinha
General Manager
Marketing, Eureka Forbes Limited

budget on digital. Consumers are increasingly researching products online and buying offline. So it makes sense to make first contact with consumers online when they are in their research phase, then seamlessly move the ‘discussion’ offline by connecting the prospect with the sales person in real time. Prospects who learn about our product online can opt to see personalised

presentations in the convenience of their homes or offices within an hour of submitting their interest.”

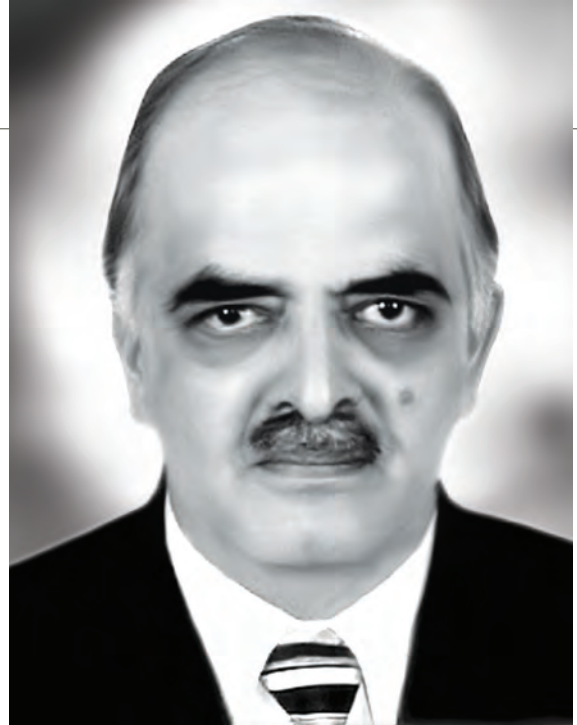
A few direct selling companies are borrowing a leaf from competing brands that distribute through traditional networks, which boost awareness by roping in star endorsers. Herbalife predominantly relies on the print medium to communicate with its target customers. In keeping with its focus on nutrition, the brand has signed on as ambassadors, sports persons Virat Kohli, Saina Nehwal, Dipika Pallikal and Mary Kom.

Some brands are also creating experience centres to compete with brick and mortar competitors. Amway is investing in brand assessment-cum-experience centres for basic health and beauty assessments for customers. For the convenience of its consultants and customers, Hindustan Unilever Network operates centres in various locations with high consultant base. The division services the other parts of the country through online and phone shopping.

Tweaking the conventional door-to-door direct selling business model has helped home product company Eureka Forbes to extend its reach. “We decentralised the sales operation, giving our regional offices more autonomy and making them accountable. They were encouraged to look for growth opportunities in nearby cities, making scouting trips, rent office space and hire and train young sales people in these cities. We have grown to over 8,000 salespeople working in over 550 towns,” shares Sinha.

Eureka Forbes is also investing heavily in research and development, involving salespeople into the innovation process by drawing on their close interactions with customers. “Close proximity to customers drives sales and healthy after-sales relationships. As importantly, these interactions give us deeper insights into customer’s needs and help us to further align products with these evolving customer requirements,” adds Sinha.

After getting the product mix right, demonstrating the features that make them a “best fit” helps start the selling and relationship-building cycle over again. 



Ignorance in the Land of Enlightenment?

Kautilya had perfected it eons ago, what stops us?

NOTHING VINDICATES BELIEF better than reality. Two thousand four hundred years ago, Kautilya compiled the *Arthashastra* which endured the test of time and it has since withstood the test of credibility. Kautilya realised that the role of the state was to ensure that commercial activities do not violate laws or are harmful for the consumer and if the state did not establish and enforce codes of conduct, it would, in fact, raise transaction costs. The lack of trust and guarantee of quality would diminish commerce and increase search and verification costs for agents undertaking commercial transactions.

The consumer is provided safeguards by Kautilya. It is interesting to note that Kautilya tried to establish guidelines for professional service providers also, including weavers, washer men, boatmen, shipping agents and even prostitutes.

Modern states are still grappling with the complexity of setting such 'service' oriented guidelines and Kautilya's attempts to do so shows the sheer sagacity and foresight of his vision at such an early point in history.

He also established explicit guidelines for the practice of the medical profession, incorporating ideas that seem ahead of his time.

Kautilya is perceptive and flexible enough to realise that the state official might not be able to gauge the market. He envisaged a role for the state to ensure that excessive price fluctuation detrimental to commercial activities did not occur. Kautilya showed a highly refined understanding of the law of demand and supply and the pernicious effects of gluts in the market. The *Arthashastra* reveals mind-boggling issues relevant even to the present day. Alas! We are totally ignorant about all of these.

The Constitution of India provides for protection of rights of an individual and also enjoins the state to adhere to the Directive Principles. The source of consumer rights lies in the Fundamental Rights and is enshrined in our Constitution.

Many think that the UN Guidelines of 1985 was the trendsetter for the consumer movement but really it is not so. In India, a proper shape came through The Consumer Protection



SOMASEKHAR V K is the founder, Managing Trustee of Grahak Shakti—a non-profit, non-political voluntary consumer organisation. He is also the chief promoter & patron of Coordinated Action of Consumer & Voluntary Organisation of Karnataka (a network of NGOs). He is an accredited journalist of Karnataka and also the editor and publisher of the monthly magazine *Grahak Chintan*. Grahak Shakti plays a pivotal role in various advisory and consultative bodies.

Act of 1986 which brought about more clarity and also strengthened the redressal mechanism of getting relief as well as compensation. No doubt we can be proud of one of the best legislations which is meant to be cheap and also deliver quick justice. From the initial stages, a lot of care was taken to ensure that it didn't get the contours of a court and the procedures followed there. It does elaborate, add and provide the wherewithal for protection of the basic rights of a consumer.

In spite of several attempts to whittle down or tamper its edifice; thanks to alert consumer activism in this country, it has been resisted. But several issues still remain and after vast experience of over 25 years of its inception, there is lot of scope for change and also improvement.

The Consumer Protection Act (COPRA) was amended three times in the year 1991, 1993, and 2002 & presently Consumer Protection Amendment Bill, 2011 is pending before Parliament. In 2005, in a survey conducted by ORG Centre for Social Research by the CAG in 25 states and Union Territories covering



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The consumer is provided safeguards by Kautilya... *Arthashastra* reveals mind-boggling issues relevant even to the present day. Alas! We are totally ignorant about all of these.”

48,732 consumers, 6,237 complainants, 249 manufacturers and service providers, 39 NGOs, and 34 laboratories, it was found that 34 per cent of respondents were aware of consumer rights whilst as high as 82 per cent were unaware of COPRA. Out of the 6,657 complainants before consumer courts interviewed in the survey, 48 per cent stated that their knowledge of redressal agencies was through electronic media, 61 per cent stated it was through print media and for 68 per cent it was through friends and relatives and 4.9 per cent claimed NGOs as their source of awareness.

These statistics show the importance of promoting consumer education so that they can protect their rights by making use of the redressal machinery functioning under the Act. Unfortunately, there is also a wrong perception that consumer rights and movement is all about redressal and judicial process and the domain and prerogative of the legal profession.


Yet there are great strides in the consumer movement mostly by dedicated, passionate activists who in their own way with limited resources have contributed immensely. If this is properly harnessed, the potential is immense. In the changing times and economic liberalisation which we saw from 90s; large behemoth organisations of the government were unbundled to make it viable. Together

with this came the regulatory mechanisms giving scope and opportunity of fair play to all stakeholders that include ‘consumer’. This brought about the need for voluntary consumer organisations to equip themselves with more technical issues as well as acquire better knowledge, capacity building and expertise on the subject.

In Karnataka for instance, the electricity regulatory authority in its initial stage itself encouraged the formation of an Electricity Consumer Network of Karnataka (ECON). It was a path-breaking exercise to provide consumer organisations the training, skills and also knowledge in this specialised sector. Paradoxically, ECON, was killed by the very same person who was meant to protect and promote it! Later, one of the distribution companies, viz., BESCOM, again initiated a totally innovative concept of Bescom Consumer Participatory Council (BCPC) and gave scope for constant interaction with the company. Unfortunately, the change in

authority has retarded the progress and slowed down the process. But all hope isn’t lost.

Similarly, with a lot of private companies stepping in various fields, the Council for Fair Business Practices (CFBP), the brainchild of leading industrialists like J R D Tata, S P Godrej, Ramakrishna Bajaj, Arvind Mafatlal, Harish Mahindra and S L Kirloskar, who recognised the imperative need for business and industry to regulate itself, came up. It is one of the few organisations of businessmen and professionals who function for the benefit of the consumers.

The Department of Consumer Affairs, Ministry of Food & Agriculture, Government of India, has recognised the CFBP. Unfortunately, in the maze of issues before the consumer organisations as well as the government, this initiative will be forgotten unless an attempt is made to revisit and rekindle the spirit of commitment from those who initiated it. 

(Views expressed are of the author alone)



PHOTO: THINKSTOCKPHOTOS.IN

Smaller Towns, the Next Destination

For FMCG companies, it is India's tiered cities where lies the next phase of growth. BY SANJAY KOJHA

The Fast Moving Consumer Goods (FMCG) sector, which is the fourth largest of Indian economy, is treading a robust double-digit growth path for the last one decade, thanks to the vast untapped markets of Tier II, III and IV cities which are fast emerging as growth engines. According to a report by research firm Nielsen, demand for consumer products from 400 small towns with a population of up to 10 lakh is expected to touch US\$ 20 billion by 2018 and US\$ 80 billion by 2026. However, smaller towns with population of less than one lakh are witnessing even higher pace of growth and are fast becoming the real growth drivers of the FMCG sector. According to the report, these towns recorded a growth of 19 per cent in terms of value against 15 per cent in rural India and 12 per cent in the metro cities.

“Indian consumers with per capita income of US\$ 2,000 or more have the propensity to spend above their basic needs. These are the Indians who purchase home and skin care products. However, India has a per capita income of roughly US\$ 1,600, but a higher bracket belongs to urban people. So, market wise, 60-70 per cent consumption in value terms is still in the urban area. But in last few years, smaller towns with its rural periphery have shown significant growth in skin and home care products,” says Ajay Kumar, an economist with expertise on textile and consumerism.

Growth Factors

As Tier I markets like Delhi, Mumbai, Bangalore, Chennai, Hyderabad, etc., have reached saturation, FMCG companies are now looking at other urban and semi-urban markets for future growth. A number of Tier II and III cities like Jaipur, Nagpur, Bhopal, Chandigarh, Coimbatore, Patna, Ludhiana, Mangalore, Indore, Ranchi, Kochi, are attracting large investments from FMCG companies as they possess relative cost advantages—in terms of land prices and labour force.

“Tier II, III and IV cities have begun to play a significant role in the expansion of the



“Tier II, III and IV cities have begun to play a significant role...offer a huge market which is still untapped largely due to constraints related to supply chain.”

Dripto Mukhopadhyay
Vice President-Projects
Indicus Analytics

5 TIPS OF TRADE

- 01** Oats, salted snacks, skin creams, conditioners, liquid fabric conditioners, liquid soaps, etc., to drive FMCG growth in semi urban and rural markets
- 02** The demand for consumer products from tiered cities will reach US\$ 20 billion by 2018 and US\$ 80 billion by 2026 (Nielsen)
- 03** Indian consumers with incomes over US\$ 2,000 have a proclivity to spend above their basic needs
- 04** The expenditure on FMCG products in rural India has grown by 3.3 times from 2004-05 to 2013-14
- 05** FMCG companies are evolving new strategies to tap the potential of India's vast tiered markets. From adopting non fixed store formats like direct selling to deploying foot soldiers and packaging strategies

consumer industry in India, especially in the face of fierce competition in large cities. The smaller cities offer a huge market which is still untapped largely due to constraints relating to supply chain. The expenditure on FMCG products in rural India has surged by 3.3 times from 2004-05 to 2013-14,” says Dripto Mukhopadhyay, vice president, projects, Indicus Analytics.

The government's stepped up infrastructure upgradation measures in rural areas and the setting up of Special Economic Zones (SEZs) and National Investment Manufacturing Zones (NIMZs) have fuelled the growth further in these cities. Besides the increase in the disposable incomes of villagers, the implementation of several government schemes have catalysed the FMCG sector's growth. Another factor pushing FMCG growth is the penetration of mass communication that has created awareness and oriented consumer preference especially in Tier II and III cities.

Strategies for Tier Markets

FMCG companies have begun overhauling their distribution networks, reaching out to

untapped areas and revising their product and price mix. As the needs and habits of the potential consumers of small towns are different from Tier I consumers, FMCG companies are developing new strategies and formulas to tap them. “The FMCG companies are in no mood to stay silent and are making fierce entry into the vast market of small Indian cities. From strengthening staff to distribution network to providing discounts, these companies do not want to leave any stone unturned in their bid to catch the eyes of the fast-emerging middle class consumers,” Dripto explains.

“FMCG companies are repackaging the products aimed at lower income group consumers especially in Tier III and IV and rural areas,” adds Ajay.

“Tier III and IV cities are still dominated by *kirana* shops and coming up of large *kirana* models has provided a big push to FMCG products. Single-brand *kirana* stores are being encouraged by companies in smaller towns, for instance, Amul operates its own stores in several small cities. In such models, the consumer benefits price-wise,” says Ajay.

As of now, e-commerce is mostly concentrated to Tier I & II cities, and experts opine that it will expand to Tier III and IV cities in the coming years, given the internet penetration into these cities. “FMCG brands are launching their own portals. They are providing door-to-door service in Tier III and IV cities and are reallocating their marketing budget to cover the courier expenses. Now the consumers get the products delivered at their homes at the market price,” Ajay elaborates.

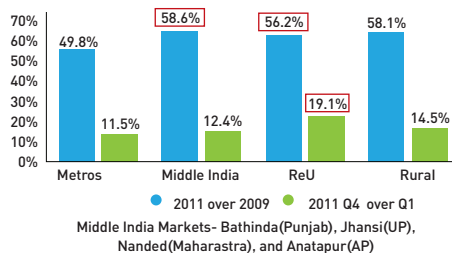


“FMCG brands are launching their own portals...providing door to door service in Tier III & IV cities and are reallocating their marketing budget...”

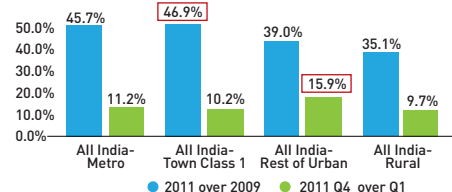
Ajay Kumar
Economist
Expert on Textile and Consumerism

Direct Selling—Key to Unlocking the Potential of India’s Milling Multitudes

All India FMCG: Value Growth



Sales Per Point of Distribution (Consumer Pull) Growth



Source: Nielsen


Direct selling industry has already whetted the real power of India’s smaller cities riding on an expanding distributorship chain that spreads to the interiors. According to a survey conducted by India Direct Selling Association (IDSA) last year, distributors linked with the direct selling industry in India are set to increase by upto 15 per cent over next two years. The industry is expected to add 7.5 lakh distributors in 2014-15 which in 2013 stood at around 50 lakh. It is this expanding reach of direct selling to the nooks and crannies that will drive the market size of direct selling industry from ₹6,385 crore in 2011-12 to over

₹10,843 crore by 2014-15 and ₹34,000 crore by 2019-20.

The increasing army of direct sellers helped the industry defy the economic slowdown under which traditional, fixed store format FMCG companies reeled. The direct engagement strategy with consumers that affords flexibility in market penetration and lowers costs helped them keep the demand pattern stable as major FMCG companies suffered setbacks.

The magic of personal touch has undeniably underpinned the industry’s expanding consumer base to Tier II, III & IV cities to serve a diversified profile. This has led to the emergence of a differentiated consumption pattern with increasing demand trending from the tiered cities. The reason is that small town folks have a higher acceptability of direct selling methodology as they prefer personalised touch and a homely environment to shop in. In large store formats, they feel intimidated for fear of ridicule by suave salespersons. In the comfort of their home with a friendly and often known distributor to answer their queries, they feel free to try new products. The direct selling industry has surely unlocked the potential of the friendly salesperson and has gained wide acceptance among consumers, distributors and entrepreneurs.

Strengthening Distribution

The country’s largest consumer goods maker, HUL, has an army of sales and field staff called *shaktimaans* to sell its products in nearly 1.5 lakh villages, while Dabur has employed 200 “feet on street” in villages and small towns. Others like ITC, Nestle, GlaxoSmithKline and Emami have plans of doubling their direct employee strength in small towns and villages. Godrej wants to cover close to 17,000 villages via its Dharti project. To enhance their reach in rural areas, Hindustan Unilever (HUL) and ITC, too, have robust rural schemes such as Project Shakti and e-choupals, respectively. 

**“KNOW YOUR
Market Well
TO GET FULL
Benefits.”**

THE BUYERS' LENS



The best buys guide from top-of-the-line non store format retail houses. Look up these latest treasures and ensure that your friendly direct sellers bring them to you on their next visit.



ARTISTRY IDEAL RADIANCE

Check out the Artistry Ideal Radiance™ collection from Amway, a brightening system that harnesses an exclusive 3D technology, and addresses irritation, the appearance of hyper-pigmentation and provides environmental protection via three layers of skin's surface. Get unparalleled radiance with the Artistry collection! Both nurturing yet protective, the Artistry™ Ideal Radiance™ collection includes:

- *Illuminating Essence: Silky and fast absorbing, this luxurious milky essence delivers unprecedented brightening power, giving skin an instant radiant glow. In 24 hours, the appearance of dark spots and discoloration is significantly reduced leaving skin looking clearer, more even-toned and luminous*
- *Spot Corrector: Helps target dark spots and discolorations. Helps diminish the appearance of most stubborn age spots. Leaves skin looking even-toned and radiant*



PERFECT PARTNER

Launched in January 2014, Life Perfect Partner Super provides protection for life and simplifies financial planning & savings needs.



WELL GUASA OIL

A Modicare product, it is combination of 7 essential oils promising a fit and stress-free life.

**NUTRILITE
PROTEIN**

Amway's Nutrilite Protein is a high-quality protein sourced from soy protein isolates and provides balanced blend of all 9 essential amino acids with added benefits of naturally occurring soy isoflavones, calcium & iron. It provides 8g of protein in each 10g serving and comes with PDCAAS of 1.0. It has neutral taste, so you can add it to different foods and beverages without changing their taste. Fulfills your family's needs!



**IDEAL
FLAWLESS
CC COLOR
CORRECTOR
CREAM**



A sunscreen that does not feel like a sunscreen! Promising 50+coverage and sun protection to the user, it is lightweight and good for super sensitive skin. Use it as a primer for your makeup and get that instant even tone and makes—a perfect camouflage for dark spots and acne scars. You will feel confident to wear it alone. If you are looking for maximum SPF coverage without the white powdery finish to your skin, the CC cream is the perfect answer. And without an astronomical price tag too!

HERBALIFE - FORMULA 1



This nutritional shake mix makes a great tasting drink packed with vitamins, minerals & natural herbs.

JAFRA GOLD



Eau de parfum with sensual blend of fruit, decadent floral notes, hints of amber, wood, and spices!

Inside Industry

INTERVIEW



PHOTOS: SUBHOJIT PAUL

“It would be ideal for the Government of India to pass separate legislation on direct selling”

Samir Behl, Regional President, Europe, South Africa & India, Amway, clears the air on direct selling companies and Amway’s plans to remain rooted in India despite roadblocks, in conversation with *Sangita Thakur Varma*.

Q What are the key issues that are impacting the growth of direct selling industry in the country?

The lack of definitional and operational clarity regarding the business of direct selling is the number one issue impacting growth of the industry in India. As of now, there is no specific legislation which regulates the activities of the direct selling industry. In the absence of such a legislation, some authorities have, on a mistaken understanding of the direct selling model, taken the view that direct selling companies are covered under the provision of the Prize Chits and Money Circulation Schemes (Banning) Act, 1978. The Act, in its current form, is unable to distinguish genuine direct selling companies from fraudulent activities such as pyramid or ponzi schemes. I strongly believe that the government should amend the PCMCS Act which will create a conducive legal environment for the industry and protect individuals.

Q For the benefit of the readers, can you explain the critical differences between a legitimate multi-level marketing firm and

an illegal pyramid scheme?

There are lots of differences between a legitimate multi-level marketing firm like Amway and fraudulent activities such as pyramids or ponzi schemes, let me highlight the key differentiators.

First and foremost is that the distributors, in a legitimate company like Amway, earn only when a product is sold. Let me stress that no commission is paid on recruiting or introducing an individual to the business. Legitimate multi-level marketing firms offer genuine goods and services that meet standards of quality, hygiene and safety in accordance with law. These products or services offer intrinsic utility to the final consumers, have a clear and legal source, origin, function and usage and are labeled in accordance with the law. If necessary, they are registered with appropriate government agencies.

The success of legitimate multi-level marketing in India has been unfortunately accompanied by the rise of fraudulent activities such as pyramids or ponzi schemes who seek to couch themselves by offering an illusionary product at a very high price. These schemes

claim to be “just like Amway”, but nothing could be further from the truth. Pyramid schemes charge unusually high entry fee or registration fee from participants. A fraudulent scheme usually makes money from the recruitment of individuals—rather than from the sale of goods and services. These are illegal because those at the top make money from those who buy in below, making recruitment the primary or only goal. There is often a substantial buy-in fee that is redistributed to existing participants in the scheme, and no genuine goods or services to sell.

Such schemes seek to disguise their main activity, i.e., recruitment of new participants and redistribution of registration fees—by purporting to sell products and services in addition to their main activity. In such schemes products and services are often non-refundable, non-consumable, and not re-saleable except to other members of the scheme. These fraudulent activities such as pyramids or ponzi schemes have unfortunately damaged the direct selling industry’s image in India.

We truly appreciate the effort of *The Aware*

Inside Industry

INTERVIEW

Consumer publication in trying to educate the consumers by creating awareness about these fraudulent schemes. For the sake of the readers, I would also like to highlight that a legitimate multi-level marketing firm (like Amway) complies with high standard of industry code of ethics and always offers protection to the consumers.

All of Amway's products are backed by a 100 per cent money back guarantee, allowing ABOs to 'try' the business, or their customers to try the product, with no risk at all. To extend this commitment to the consumer and protection to the distributor, Amway India does not charge any entry fee and distributors are free to exit anytime. All unsold inventories are re-purchased by the company. Amway Business Owners earn money in two ways. The first is by selling high-quality Amway products directly to customers. The second is through a tiered-compensation structure that provides for division of the sales commission on the sale of each product between members of a sales team—that is, among more than one Amway business owner who may play a role in generating sales and supporting sales people on the team. This is typically the Amway business owner who generates the sale, together with other Amway business owners who train and support the selling Amway business owner. Thus, the compensation system recognises the value of sales and sales-management services.



Q How is Amway different from a typical FMCG company?

We are an FMCG company like many others operating in the country. We offer huge portfolio of products like other big FMCG firms. The only difference between Amway and other FMCG companies is in the distribution model. We have a unique distribution model—the direct selling one. In a typical FMCG company, the product will go through a long chain of distribution network—Manufacturing plant -> Com-

pany Warehouse -> Regional Warehouse -> Regional Stockist -> Super Stockist -> Stockist -> Distributor -> Retailer. In our case, it is very simple. From manufacturing plant to company warehouse to the distributor, we spend almost the same percentage of expenses as a typical FMCG company.

As I mentioned, our uniqueness is in our distribution model. And the reason we have distribution model is to give opportunity to entrepreneurs to flourish. We call them Amway business owners as they are basically independent business owners. They run their own business. According to studies done by us, there is a strong entrepreneurial spirit within India. And we are trying to further promote the spirit of entrepreneurship. If one wants to be an entrepreneur, he can join Amway. The beauty is that there is virtually no investment required. Any business that you start with would require some investment, some fixed assets and a working capital. In our case no investment is needed. We are not just offering world class products that consumers can benefit from, we are at the same time offering an opportunity to entrepreneurs who have the desire for it.

Q Where do you think the industry is headed from here? What about Amway?

The Indian direct selling industry, despite the current regulatory hurdles, has wit-

Summary of Highlights

Characteristics of a legitimate direct selling company like Amway	Characteristics of financial fraud
Commission is based on sale of product	Commission is based on recruitment of people
Offers world class products	Offers no products at all, or products are illusory
Buy-back guarantee of products to ensure protection	No protections—once money is "invested", it is gone
Offers genuine business opportunity. Very low (or no), cost of entry	Usually high cost of entry
Returns are dependent on the time invested and hard work of the direct seller, who engages in real commercial activity	Returns are made out of "investments" including membership and enrollment fees of new joinees—there is no real commercial activity



“A law on direct selling at the Centre would greatly help the state governments in developing definitional and operational clarity about the business... bring uniformity across...”

Samir Behl

nessed double digit growth in the last five years. I expect this trend to continue through 2020. According to estimates by Indian Direct Selling Association (IDSA) and the PHD Chamber of Commerce, the industry can potentially deliver revenue in excess of ₹34,000 crore by 2020.

I believe that the Indian direct selling opportunity is bigger than this. Given the industry's unique distribution model, it has the potential to become one of the largest channels for the distribution of goods, even to the remotest parts of the country. From bulbs to beauty, finance to manure, everything is being sold through direct selling. This industry offers viable solution to the vast majority of the population who want to touch the product before buying it.

But for India to reap this opportunity, we need the government to create a regulatory framework for the industry. Amway India has always believed in the India opportunity. Despite the current challenges, we are scaling up our investments in the country by setting up our own manufacturing facility in Tamil Nadu with an investment to the tune of ₹500 crore. We are already manufacturing more than 90 per cent of the 140 products in India through quality Indian manufacturers from the SME industry. The new facility will reinforce our manufacturing capacity in India and together with our

local independent Indian manufacturers we plan to make India our manufacturing hub, not just for the domestic market, but also for other markets.

Q What is your expectation from the government?

On an immediate note, there is a need to amend the PCMCs. This Act was passed in 1978 and the direct selling industry did not even enter India until the early 1990s. This Act was not intended to regulate direct selling. Unfortunately, the misapplication of this Act has given investigating officers the powers to seize, seal and arrest, when they receive a complaint, which has proven disastrous for the direct selling industry. In line with global best practices, we believe the amendment to this Act should clearly define “pyramid schemes” and distinguish them from legitimate direct selling companies. For the mid-to-long term, it would be ideal for the Government of India to pass separate legislation on direct selling. Several countries like Japan, South Korea, Indonesia, Malaysia, Singapore, Vietnam, and even Bangladesh have enacted a law for direct selling which has helped them in multiple ways. At the outset, the law helps in regulating the direct selling industry. In addition, the law provides consumers protection from fly-by-night operators.

Q How is the India regulatory challenge as compared to other countries?

The India regulatory environment offers a unique challenge. Under the PCMCs Act, consumer complaints and disputes are treated as criminal complaints leading to arrests of key officials, offices getting confiscated, etc. This is very unfortunate and sends a negative message to global investors about the business operating environment.

Globally, Amway successfully functions in markets with very stringent direct selling and consumer protection regulations like the USA, UK, Malaysia, Singapore, Vietnam to mention a few, maintaining the highest levels of probity, integrity, corporate governance and consumer protection standards. We have faced regulatory challenges very successfully before as well. Despite the challenges we currently face, we remain firmly committed to doing business in India. We will not abandon the hundreds of employees and thousands of distributors who are working to build businesses for themselves and their families.

As a global leader in direct selling that operates legally and ethically in more than 100 countries and territories, we look forward to partnering with the government to find legislative solutions in India that clearly distinguish legitimate direct selling businesses from frauds and protect Indian citizens. 🇮🇳

OUT OF THE BOX

B VAIDYANATHAN | Chief Mentor

The Varied Billion & the Politics of Consumerism

Consumer India is vast, voracious, largely unaware and being taken for a ride.



THE INDIAN CONSUMER stands out in more ways than one. Liberalisation and the increasing middle income population have vastly changed the consumer profile. Increasing urbanisation, education levels, tech savvy youth, the culture of twin income with nuclear family, etc., have all changed consumer preferences and needs since the 90s.

The vastness of the Indian consumers as a group has few parallels. With 127 crore of them—one-sixth of the world population—spread over all types of terrain with social diversity and varied needs, obviously, thereby contributing to clearing of market shelves filled with almost anything and everything available at cheap rates with attractive packaging. This is the sad state of affairs prevailing in this country.

While healthy levels of consumption are most welcome, it should not be at the cost of quality. Herein is the issue of consumer awareness. Though an average consumer would want value for his hard earned money,

he is being taken for a ride by all and sundry, whether it is manufacturer of goods or provider of services. This is happening in every aspect of life; from groceries to cosmetics; from furniture to furnishings; from medicine to medical education; from general insurance to life insurance; from private agencies to government services—there is hardly any area of commerce which is untouched by the ‘least bothered’ approach towards the paying consumer.

Consumer awareness is a relative term. Majority have developed or have been moulded into a psyche to accept the status quo unless it is intolerably bad or the financial stakes are reasonably high for that particular consumer to ignore and proceed. The reasons are not too far to seek. This is mainly because there is no incentive/reward for fighting to restore what is legally due to you. Let us examine what has happened to the consumers and the consumer movement.

In a way, the consumer movement got formally inaugurated by the prom-



Author


B Vaidyanathan is the Chief Mentor, Consumer Protection Council, Rourkela and can be reached through vaidya@advantageconsumer.com.

ulgation of the Consumer Protection Act, in 1986. The three-tier quasi-judicial machinery, viz., district forum, state commission and national commission, as well as the state level and central level consultative bodies envisaged in the Act gave the much needed thrust and strength to the consumers to raise their voice against ‘defective’ goods and ‘deficient’ services.

Once consumer awareness levels increased due to the voluntary consumer organisations, which started growing everywhere, reaching out to the weary consumer, the idea of safeguarding the *aam admi* consumer was probably found to be less rewarding to the political class and the entire idea was practically abandoned. After all, the political masters never wanted a constituent group to become strong enough to grow and raise their dissent. If this hypothesis is not correct, then how can anyone justify why such a progressive Act was made a showpiece by amending the Consumer Protection Rules, in 2005, which in any case, can be done with the



PHOTO: THINKSTOCKPHOTOS.IN

 Even a gullible consumer will start raising his voice and seek justice if assured that he will be heard... Thus, a consumer who lacks confidence will become aware and fight for fair play and justice.”

approval of the concerned minister, without having to be approved by the Parliament, so as to make the consultative Central Consumer Protection Council a mere showpiece.

Let us see how such a broad-based consultative body was made into an ornamental piece. Before the amendment to the Rules, the Central Consumer Protection Council had over 150 members, comprising about 30 representatives of consumer groups from almost all the states. Thus the Central Council was able to know and discuss the problems relating to consumer issues from across the country. Since the state ministers and the secretaries were also present, the forum gave a good opportunity for highlighting and resolving issues of the states as well as those pertaining to the Centre. For example, though Rourkela, in western Orissa is commercially very important, it does not enjoy the status of a district headquarters. So, when the district forum was constituted for Sundergarh district, it was located at the district

court complex, Sundergarh, a place 100 km away from Rourkela. More than 95 per cent of the consumer dispute cases in the Sundergarh District Forum originated from Rourkela. This anomaly and huge national loss was highlighted in one of the central council meetings, by me. Bhagabat Behera, the state minister as well as the secretary, appreciated the rationale in the argument and subsequently, with the approval of the then Chief Minister Biju Patnaik, started a second forum for Sundergarh district, at Rourkela, in 1994.

But now, with the amended provisions of the Consumer Protection Rules, the Central Consumer Protection Council can have only a maximum of 35 members, with a maximum of five representatives from consumer groups. Thus, each state will get an opportunity once in 21 years or so, by rotation, as the term of the Council is three years. Is this not the best way to finish the consumer movement and thereby retard consumer awareness?

Consumer awareness cannot exist in vacuum. It has to be inculcated, patronised, assured and rewarded. When all these things are lacking, consumer awareness yields only diminishing returns and rather more headache to those who promote and practice it. Functioning of the quasi-judicial machinery established under the Consumer Protection Act, are far from enthusing. Hence, it is not surprising that consumers by and large avoid approaching them as inordinate delays are common in spite of a fee being charged for filing a case, which was not originally envisaged in the Act.

A consumer issue affecting crores of housewives across the country was taken up by Consumer Protection Council, Rourkela. The case involves under-weighing of LPG refills (cooking gas). Consumer Protection Council, Rourkela accidentally stumbled upon this fact, through random sample surveys conducted in July 2000. Indian Oil Corporation (IOC) as well as the Ministry of Consumer

out of the box

\\ B VAIDYANATHAN

Affairs, Government of India, including the Director (Legal Metrology) were informed and requested to act. On account of this, IOC offered to conduct a joint survey. Since the outcome was worse than even our own independent findings, they excused themselves mid-way through the survey and did not even sign the papers. The company was not willing to accept the fault nor were they willing to discuss a solution.

Hence, a case was filed in July 2001, before the National Consumer Disputes Redressal Commission (NCDRC), as the loss inflicted on the consumers by IOC was estimated to be ₹750 crore per year. While the case was being heard by the NCDRC, the Consumer Protection Act was amended from March 15, 2003.

Several important provisions which were relevant to this case, especially for awarding punitive damages, payment of penalty when the defective good or deficient service affects large number of consumers, providing adequate cost to the litigant, etc., were introduced and the Council in January 2004 itself sought the invocation of those provisions in this case.

The NCDRC, based on the findings of professors of IIT, Kharagpur and the committee set up by the Ministry of Consumer Affairs, GoI, concluded in October 2005 that in the then prevailing LPG bottling system, consumers could get less than the stipulated weight of 14.2 kg and hence as an interim measure directed IOC to adopt pre-delivery weight checking of the LPG refill at the consumer's premises and also to publicise through advertisements as was being done, in a prominent manner, by Hindustan Petroleum Corporation. IOC did not comply with the 2005 directives and NCDRC took on record such behaviour, in 2006 as well as in 2007, at the instance of the Complainant Council. But the final order of the NCDRC passed in July 2007, though directed M/s IOC to automate all the LPG bottling plants, within four years,



PHOTO: THINKSTOCKPHOTOS.IN

as was prayed by the Council in 2001, glossed over all the non-compliance recorded earlier and also the prayers of the Council for making the awards as per the amended Act.

The Council's Appeal for Review was turned down after about 10 dates and three years, not essentially on strong grounds. As many would lament, one of the reasons for proliferation of crimes in India is the dearth of fear among the culprits as adequate penalty is not awarded against them. When the shortcomings of the semi-automated carousel machines and the LPG bottling plants could be identified within a short duration (30 minutes) of inspection by a rank outsider like me, how could the engineers of IOC, from some of the best institutions of the country, failed to understand the problem is beyond comprehension. It must definitely be not because of chance, but because they did not want to deliver the correct quantity.

In the interest of consumer justice and as a step towards elimination of unfair trade practices, the Council preferred an Appeal before the Supreme Court. Thankfully, because of our initiatives, all the 184 LPG bot-

The vastness of the Indian consumers as a group has few parallels. With 127 crore of them—one-sixth of the world population—spread over all types of terrain with social diversity and varied needs, they contribute to clearing of market shelves filled with almost anything and everything available at cheap rates.

ting plants of the three Oil Marketing Companies (IOC, BP, HP) have been automated, at a cost of about ₹300 crore. Mission accomplished but the voluntary organisation which single-handedly pursued the matter has become too weak (financially) to sustain itself in the future.

Awareness of individual consumers though essential for protection of consumer interests, cannot go far beyond safeguarding one's interests against defective goods and deficient services rendered by companies which have structured systems and procedures for safeguarding their brand image, reputation and consumer interests. It is here that structured consumer protection initiatives involving the government, consumer groups, corporate sector and the individual consumers find their place.

In the above referred example, we have seen how the voluntary consumer group was left in the lurch, even making it financially ruined to take such initiatives in the future. This is the last thing that one expects from the government. If voluntary consumer groups are not empowered, meaningful consumer protection will remain a mirage. 🙄

(Views expressed are of the author alone)

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Be A Participant **Not A**
Spectator In
Consumer Efforts

They Are For
Our Benefit”



PHOTO: THINKSTOCKPHOTOS.IN



Fact

"Direct selling applies to any new category of product or one possessing unique features which differentiate it from its nearest competitors."

Anshu Bagai
Managing Director
AMC Cookware India

THAT PERSONAL TOUCH

No matter whether you are targetting the bottom of the consumer pyramid or the top, direct selling is the answer if customers need to be told why they should buy from you. **BY CHARU BAHRI**

Doing business in rural India presents unique challenges. Tradition prevails in India's vast hinterlands, lifestyles for the most part still untouched by the winds of change blowing through urban India. So, a big hurdle for companies desirous of making inroads into rural markets is creating a need for their products among people who are not aware of their existence or utility, and who lack access to a steady supply chain. Such was the challenge fast moving consumer goods giant Hindustan Unilever Limited (HUL) faced when it sought to enhance its rural reach in the nineties.

Win-win Model

In response, HUL turned to direct selling—a business model which entails face meetings between sellers and prospective buyers, during which the sellers educate probable consumers about the products on offer. Just that HUL approached unlikely candidates to work as selling agents on its behalf. It engaged women members of self-help groups in villages having a population of 1,000 people or more, as direct-to-home distributors of select HUL personal hygiene products packaged in micro sizes, at price points to match smaller rural pockets. The women were taught to first educate their target audience, rural women like them, about personal hygiene and the utility of their wares. Creating awareness was the key to their success.

Seeing this set up more as a social initiative and not so much a business, HUL named it Project Shakti. Nevertheless, Project Shakti is a win-win proposition. It has created livelihood opportunities for Shakti Entrepreneurs or Shakti *ammās*, HUL's new rural marketers, and helped them better their own and their neighbour's standard of living. On an average, the initiative has almost doubled the household income of Shakti Entrepreneurs. Direct selling consultant and chief

strategist of Strategy India, Daniel Pranjali, believes that direct selling agents such as Shakti *ammās* and those of other companies selling health related products are actually doing India a service. "The way they explain health issues to villagers is nothing short of adult education," he says. Project Shakti also makes sound business sense. It has helped HUL to penetrate new geographies with immense potential, yet falling beyond the radar of conventional distribution networks, at a time when competition has been hotting up in the personal care product space.

Today, Project Shakti is driven by a network of over 65,000 Shakti Entrepreneurs, 17,000 of whom were added last year alone. Since 2010, the work of Shakti *ammās* is being complemented by *shaktimaans*, who are typically their husbands or brothers. *Shaktimaans* sell products on bicycles to nearby villages, covering a larger area than Shakti *ammās* can on foot. *Shaktimaans* currently number over 50,000. Together, these direct selling agents distribute HUL products in 1,65,000 villages and reach over four million rural households. Through Project Shakti, HUL has pushed sales of brands like

Lux, Lifebuoy, Wheel and Rin in resilient new markets.

It's Different

Face to face direct selling is well suited to situations where potential buyers are not familiar with the product on offer, and hence need to be educated on its relevance to their lifestyle and use. In fact, it doesn't matter if the target audience is rural or urban—"direct selling applies to any new category of product or one possessing unique features which differentiate it from its nearest competitors," says Anshu Bagai, managing director of AMC Cookware India, the Indian subsidiary of the German Swiss premium stainless steel cookware.

If Project Shakti targets the bottom of the consumer pyramid, Hindustan Unilever Network, HUL's "official" direct selling arm, offers premium beauty brand Aviance, exclusive Ayurveda-based health and personal care brand Ayush, and home and personal care product brand Lever. Another exclusively direct selling company AMC Cookware also targets upper middle class customers, more importantly, those who are conscious about health and willing to spend on improving their lifestyles. AMC Cookware is high end, but Bagai clarifies, "It isn't just about cookware. It is about a new cooking concept which underscores a healthier lifestyle. AMC Cookware facilitates zero oil and waterless cooking, which helps retain the nutrients of ingredients and cook lighter and more nourishing meals."

Conveying this message to potential buyers is best done through one-to-many demonstrations, which direct selling agents call "parties." Prospects are invited to attend

a party in the house of the agent or an acquaintance (the host), and see for themselves the advantages of the product—cooking in AMC pans, using HULN's Aviance products, etc.

According to Bagai, "It is practically impossible to sell a new concept in a typical retail environment. Store assistants

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Out of 10 individuals in India have heard about direct selling or bought products through this channel.
Source: PHD Research Bureau

have neither the time nor energy to explain the nuances of new products to would-be consumers. Selling across a counter is best suited to products which consumers are familiar with and have more or less made up their mind about before they walk in.”

Therein lies another genius of direct selling. Adding a personal touch to the display of products and sharing anecdotes of how the product has helped so-and-so, increases the chances of making a sale—more so when the influencers are trusted acquaintances who claim what they have experienced themselves.

It's true. Many direct selling agents are people who have tried the products and are sold on them. “Their confidence in the product (and their need to earn) motivates them to become product advocates, an intermediate stage, and then become selling representatives, agents or consultants, as they are variously called,” observes Pranjali.

The Good Word

Word of mouth marketing, a fundamental of direct selling makes the “selling” function that much more ethical. Products sold directly mostly come with word of mouth assurance from a trusted source—unlike products sold in stores. Indeed—who would put their reputation at stake by deliberately selling substandard products to first-time users from one's own circle of colleagues or relatives?

“You end up with a relationship-based enterprise unlike any other,” says Pranjali about the business model. And, it is well suited to India because consumers here put greater importance on product and service recommendations from their trusted circle, than customers in developed countries.

A cross cultural study by loyalty intelligence firm COLLOQUY shows that word of mouth counsel ranks higher in India than in USA, Australia and Canada. Indian study respondents rated word of mouth recommendations for grocery retailers, financial services and clothing above 7 on a 10-point scale. In contrast, respondents in the developed markets rated such advice between 5 and 6. Word of mouth counsel for dining services, travel and automotive



“The human interface is essential for customers to make informed decisions and choose the right long term savings and protection oriented life insurance solutions.”

Ashish Vohra

Senior Director & Chief Distribution Officer
Max Life Insurance Co Ltd

fuel was rated high as well in India.

Indian consumers face a veritable deluge of impersonal mass marketing messages from brands determined to outstrip each other. They find it hard to decide which brand to believe. In comparison, word of mouth is authentic because it usually comes from satisfied product users. Incidentally, a survey by PHD Research Bureau found that 8 out of 10 individuals in India have heard about the concept of direct selling or bought products via this method, through word of mouth marketing. As many as 32 per cent of the respondents cited “friends” as their source of information about direct selling and directly sold products. Relatives (17%), colleagues (13%) and neighbours (6%) scored high as well. And, 12% had heard about the concept and the products straight from the horse's mouth, the direct seller.


Relationships for Life

What makes the seller-buyer relationship stronger is the time and energy that the direct selling company invests in the seller consultants—with the aim of enhancing their expertise in the subject. So whereas Shakti *ammās* are made aware of health and hygiene issues and trained

to communicate them, HULN regularly trains Aviance consultants on the nuances of beauty and wellness.

Training becomes more intensive when there is scope for the direct sellers to offer personalised services and customised products. For instance, Aviance consultants develop tailored make-up regimens for buyers based on their individual needs—their skin type, daily routine, etc.

Max Life Insurance trains its agent advisors to fully understand and analyse customers' life stage needs and risk profile before recommending life insurance solutions matching their situation. Ashish Vohra, senior director & chief distribution officer, Max Life Insurance Co Ltd calls its agency distribution model “consultative selling”. “The human interface is essential for customers to make informed decisions and choose the right long-term savings and protection-oriented life insurance solutions,” he says.

If the aim is not a one time sales transaction, but as Vohra says to facilitate an exchange of information that enlightens customers and empowers agents to satisfy their evolving needs, personalised interactions set the perfect tone. That personal touch helps forge relationships for life. 

VOICES



Where can consumers have their say about policies and legislation, about their needs and requirements, about products and services, about genuine and fraud companies? We provide you the platform to share with our readers your experiences. Write to us: bejonmisra@consumerconexion.org

What should be the key area of focus for the new government in consumer protection in India?



Neeraj Choubey
Businessman, Buxar, Bihar

The government should work on providing edible items at cheap price so that the poor and the lower middle class consumers get their daily food. The government proposal to do away with the middlemen and provide farm produce directly to consumers is a step forward in the right direction. However, there is also a need to act against black-marketers and hoarders to tame inflation.



Anand Pandey
Senior Manager, TCS, Bangalore

Consumers are cheated only because they are not aware of their rights. So, it becomes obligatory on the part of the new government to make people aware of their rights; and to meet the end, there is a need to provide information to the consumer through mass media. Speedy resolution of litigations could deter frauds and motivate to get justice.



Ritesh Singh
Associate Editor, Rau's IAS Study Circle, Delhi

Consumer advisory councils must be made more representative and their active involvement in promoting consumers' interests must be ensured. The government should strengthen consumer forums by providing adequate infrastructure and appointing competent persons. Consumer welfare needs must be urgently looked into on all parameters. Industry must develop a voluntary code of conduct and develop best practices.



R Giridhar
Group Editor, 9.9 Media, IT, electronics, telecom, and manufacturing expert

To enhance consumer protection, the government should improve the enforcement of existing product standards, improve mandatory disclosures, impose exemplary penalties on wilful and repeat defaulters to ensure compliance, and ensure quick resolution of consumer disputes. Customer agreements and contracts should be standardised to ensure that legal loopholes are not used by sellers and service providers to frustrate legitimate customer claims.



Garima Tiwari
Communication for Development Specialist

We are living in the rapidly growing technology age where researching, and comparing products to shopping is happening online. In this vibrant and overexposed age of information, consumer protection is of paramount importance. The new government at the Centre must facilitate online registration of complaints and ensure speedy disposal of cases. It is observed that the trial takes over a year or two to get justice. An integrated approach of manpower, e-facilities and rapid trials may provide better consumer protection in this information age. Information dissemination through fast-penetrating mobile phones can do wonders in creating awareness among consumers in India's hinterland.

Consumer forums are delivering at faster rates...”

Consumerism in India roots back to the revolutionary steps taken by the housewives of Mumbai who raised their voice against the quality of goods sold in the market in 1949, and constitution of a consumer protection council for the cause. In the meantime, such move was noted at international level when on March 15, 1962, President John F Kennedy presented a speech to the United States Congress in which he extolled four basic consumer rights, later called the Consumer Bill of Rights, giving legal sanction to the rights of consumers protecting them against traders and manufacturers. Following this, in 1962, the United Nations Organisation declared March 15 as World Consumer Day and in 1985 issued certain guidelines to be followed by all the nations.

Influenced by the developments in the consumer rights field abroad, in India, in 1979, Mannu Bhai Shah established the Consumer Education and Research Centre. Though there were many consumer acts already in operation, none of them granted direct relief to the consumers. They were all penal in nature wherein the state took action against the defaulters who in due course either paid the penalty and continued with the same practices, or managed to escape some or the other way. Consumers did not have any direct power over them.

This motivated the Parliament to pass the Consumer Protection Act 1986, the only law that compensates consumers for their material loss and also the mental agony they undergo. In one of the international consumer protection seminars held in India in 1977, participant nations unanimously called the Consumer Protection Act 1986 as one of the most progressive and wonderful pieces of legislations.

No one had envisaged that the consumer forums constituted under the Act would work so effectively and run like parallel judicial systems

to the civil courts. In no time, the Supreme Court, through its landmark judgments, brought big business houses under the jurisdiction of these forums for redressal of consumer grievances. Consumer rights were further strengthened with elaborate amendments made to the Act in 1991, 1993 and 2002 and by incorporating the new provisions brought through SC judgments from time to time. By the first and second amendment itself, medical services, fixed deposits made with industrial financial units, construction companies, government and private insurance companies, and electricity companies were considered service providers for the purpose of the term defined as service in the Act. Railways, airlines, hotels and restaurants, carrier and courier companies, educational institutes—none was spared from the ambit of consumer forums for dispute redressal. The credit goes to the Common Cause Association that filed a writ petition before the apex court to implement the Act and constitute the forums.

Strength and Scope of the Act and Forums

The consumer forums, over the years, have been equipped with salient features such as:

- 1 Nominal court fee and inexpensive procedure
- 2 Presence of advocate not compulsory and the matter can be represented through the consumer or his/her representative
- 3 Summary procedure as stipulated under Section 13 of the Act provided and civil procedure code or criminal procedure not to be fol-



DR PREM LATA

DR PREM LATA is a judicial, legal and consumer rights expert. An active legal luminary, apart from her other involvements, she is currently also Member, Consumer Forum (since 2001, under State Consumer Dispute Redressal Commission of Delhi). She is also behind the online consumer awareness and redressal initiative, www.consumerawakening.com. She is an author and a poet with a vast body of published work besides being an activist and a social worker.

“These forums can invoke the provisions of Section 27 of the Act for execution of their order and send the defaulter to jail. Consumer thus became the king after winning this case.”

lowed strictly. Principal of natural justice to be kept top of the priority giving ample discretionary powers to the forums for redressal

- 4 The consumer forum is considered as an additional remedy available to the consumers despite other legal agencies in force for redressal of grievances. The consumer has the freedom of selecting a remedy from among the available choices
- 5 The consumer is compensated for the actual loss along with the mental harassment undergone in the process. Cost of litigation is also awarded to the consumer
- 6 The orders so issued by these forums are judicial orders and non-compliance of the same is treated as an offence. The forums have first class magistrate’s power to get the orders implemented through Code of Criminal Procedure (CrPc) provisions. Money can be recovered through recovery procedure in the manner government revenue is recovered—the accused person’s property can be attached, he can be sent to jail for a maximum of three years and can be fined up to ₹10,000 and can be declared absconder
- 7 In order to avoid misuse of the process of law, Section 26 is incorporated to punish consumers also for filing frivolous complaints

Challenges & Constraints faced by Forums

The obvious result was a lot of hue and cry raised by big business houses over the authority of the forums. Ever since the Act came into force, on the one hand the apex court gave broader description of its scope through various pronouncements, but on the other hand, it also faced numerous problems and several attacks on the authority of these forums. Even the Act itself was challenged before the court of law and its legal validity was questioned when a big businessman was ordered to be sent to jail for non-compliance. Questions were raised as to whether the Lok Sabha is empowered to pass such an Act by which consumer forums run like parallel courts against the civil courts with much more discretionary powers. The matter was finally resolved by the apex court in the case of Vishwabharti House Building Co-operative Societies Versus Karnataka State & others in 2002, with the Supreme Court holding that the Consumer Protection Act is a valid law passed

by the Lok Sabha as per the Constitution and is competent to pass such a welfare Act. Further, the forums constituted under this Act are competent to perform the work assigned to them in all respects. These forums can also invoke the provisions of Section 27 of the Act for execution of their order and send the defaulter to jail. Consumer thus became the king after winning this case.

Reasons for Delay in Disposal of Cases

During the last five–six years, the Ministry of Consumer Affairs has done a lot to make consumers aware of their rights. However, there exists a misconception in the minds of consumers that once they have filed a case, they will get relief on the first appearance itself. When it does not happen so, the consumer forums are blamed. The fact is that consumer forums are overburdened with cases not only due to rising consumer awareness but also due to the attitude of litigating parties. Clerks of advocates manage the affair and at times, not fully cognizant of the case, they ask for multiple adjournments. Appearance by proxy counsels who do not have any knowledge of the case nor carry appropriate files with them is another problem. Though fine is imposed on them yet matter is delayed. Adjournments in execution matters are requested with a plea that appeal is being filed, but neither do they file appeal nor do they produce stay order and in between, they try to bargain with the consumers to drop some of the claimed amount.

Quick Disposal of Cases by Forums

Despite these constraints, consumer courts are still delivering at faster rates than any other courts in the country. It has gone unnoticed that at the initiative taken by the consumer forums, manufacturers and traders are to send their nodal officers on the first date after they receive notice. A number of cases are disposed of with the help of these nodal officers when the opposite party agrees to redress the grievance. On the basis of mutual consent, the case gets ‘disposed of as settled within the parties’ or ‘withdrawn as settled’. This often happens when both the parties are keen to get the grievance redressed. There has been a positive move by manufacturers, who have given instructions to their counsel, to settle the matter as soon as they receive the notice. Often, items are replaced without going into merits of the claim. Cases against corporate bodies generally drag longer, as no one in the organisation takes the lead to settle the dispute even if it falls within their ambit. The corporates have a battery of advocates on their panel to fight out the case and they show no interest in resolving a dispute in consumer courts. In some cases, consumers are also misguided that they can be compensated monetarily and refuse to get their goods replaced in the initial stage. 🚫

Beauty is not mere Business

It is an experiential platform where direct selling ensures that the aware consumers get the desired products and the unaware unravel their needs. **BY VIVEK KATOCH**

The whole trend of shopping for our favorite products has undergone a sea change as the consumer wants to enjoy a very personalised and wholesome experience which goes beyond the realms of conventional shopping for a product based on the knowledge available in the market. A renowned marketing theory that took the world by storm is that the consumer today is well aware of her/his preferences and does not decide a product purely on the basis of its merit alone. A more holistic concept of marketing dictates that the consumer makes a purchase keeping in mind the wholesome experience of the transaction. While at a restaurant, the presentation of a dish is as important as its taste, similarly, while buying a lipstick, the expertise and suggestions of the person at the counter are as valuable as the shades available. In such a scenario, the misconception was that non-retail selling models were at a loss as through catalogues, users could only visualise the product without actually using it.

On the contrary, with the direct selling industry, we have an unparalleled opportunity to reach out to the target consumer and to expose them to a world of endless possibilities as it provides the consumer a very personalised touch. After all, it is a different kind of experience—testing and

buying a product at your convenience in your own space.

When it comes to the direct selling industry, Oriflame succeeds not only due to its wide range of nature inspired and quality products, but also, due to relationship that the consultants share on one to one basis with the customers—a symbiotic relationship of trust and respect. The consultants become guiding figures to their consumers, a knowledge bank on beauty and skincare secrets, whose advice a customer can trust.

When it comes to the beauty industry especially, women believe in sharing tips and tricks that have worked wonders for them. This enhances the overall experience of buying a product. The consumers not

only get exposed to the products that bear Oriflame's stamp of excellence, but can also avail the expertise of these guides. These consultants guide the consumer not only on beauty and skincare regime but their expertise spans issues across the spectrum issues that women may face.

At Oriflame, we have explored a business model that is based on a deep understanding of the feminine skills of empathy and



Offering Endless Possibilities Direct selling industry offers unparalleled opportunities to reach out to the target consumers with personalised touch. It offers a different kind of experience where the customer is at ease, testing a product, discussing its possibilities, comparing its merits and finally making a decision based on solid product knowledge.



social networking. We empower millions of women by bringing them closer to financial independence. In time, entrepreneuring consultants establish their own teams, motivating women to come together as a support system while pursuing their individual goals. This system enables women with familial responsibilities to create an additional source of earning to support themselves and their families. More importantly, with various training modules in place, these members are given an extensive training on social skills to make them confident and assertive members of society.

The heart and soul of the brand Oriflame is to make your dreams turn into a reality and give you unparalleled success. At the heart of the flourishing beauty industry is the need for educating the consumer. An enlightened consumer is likely to place more significance on the reliability of products. Many a times, a section of the consumers are unaware of their requirements until given correct guidance. For instance, in rural markets there was a rampant trend



PHOTO: SUBHOJIT PAUL

“...to touch lives and change them, a two-fold approach is required where technology meets consumer insight.”

Vivek Katoch
Director
Corporate Affairs
Oriflame India

of using a cleansing agent for skin and hair. Only after many rounds of communication campaigns did the people realise the efficiency of investing in a shampoo. The requirement then is to inform the masses not just of the existence and utility of products but instill in them a desire for those products that compels them to buy it.

Another aspect contributing to Oriflame’s success is an understanding of consumers’ insight. I believe to touch lives and change them a two-fold approach is required where technology meets consumer insight. The direct selling model is a close network where our consultants are in regular touch with the end customer and also the core team. Basis the consumer insight gained on ground, we present an amalgamation of technology and usability that the consumers benefit from.

For a brand operating in the beauty segment, I believe our strength also stems from our investment in the research and development initiatives. Not a brand that would rest on its past laurels, Oriflame endlessly strives towards improving the product quality. Take the latest re-launch of the Oriflame Optimals white range, for instance, which was a best-selling range in itself. The range was re-launched with the addition of Lingon berry extracts, incorporating the patented technology. Another example here would be the launch of Eco beauty range which stands out when

it comes to organic products. This range—a manifestation of Oriflame’s respect for nature—is 95 per cent organic.

Creating breakthrough products is one mantra to success, communicating the product’s benefits to the consumer is another. Unless the audience is aware of the benefits, even a great product might lack lustre. A very significant aspect of product promotion, when it comes to the direct selling industry, is catalogues. For Oriflame, catalogues are the most effective platform to reach out to the consumer. They inform the consumers not only of singular bestsellers but about all products across categories that the consumer may require at any point of time.

In spite of the stiff competition in the Indian beauty and skincare market that these companies operate in, I firmly believe direct selling players have an edge over the other models in terms of providing quality products and also flexibility that extends scope for growth and innovation. With fairly newer product segments like BB creams, serums, et al, the industry is set for robust growth in the Indian market. 📈



Vivek Katoch is currently Director
Corporate Affairs, Oriflame India.



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CONSUMERISM IS THE KING

A relook at consumerism in the changing market dynamics. **BY S KRISHNAN**

There is need for a second look at the term 'consumerism' which has come to have a negative connotation and an implied criticism of consumer behaviour. When we talk of consumerism, it is hard to know where to begin. The concept of consumerism didn't really come into existence until the 20th century. According to the

Webster's dictionary, consumerism is "the promotion of consumer interest; the theory that an increasing consumption of goods is economically desirable and a preoccupation with and an inclination towards the buying of consumer goods".

Consumerism is used to describe the effects of equating personal happiness with

purchasing power for material possessions and is also associated with the criticism of excessive consumption. It is often called mindless or impulsive purchasing.

The culture of conspicuous consumption and lavish spending on goods and services that are mainly acquired for purposes of displaying income or wealth are associated with consumerism. In the minds of consumers, such displays serve as a means of attaining or maintaining social status. It is also related to the concept of keeping up with the Joneses. There is also another connected term circulating these days, called 'invidious consumption', which is a necessary corollary of consumerism. This applies to consumption of goods and services, for the deliberate purpose of creating envy in others.

In the Indian context, with the implementation of the Consumer Protection Act in 1986 and the spread of consumer move-

ment launched by the various consumer organisations in all parts of the country, we can say that consumer awareness and the concept of consumer protection has come of age in our country. However, it is also felt that at the same time there has been a rise in consumerism which is a matter of concern and debate. While the consumer movement is concerned with consumer awareness and protection of consumers across the spectrum of society, consumerism is applicable more to the affluent classes who have surplus purchasing power, as also the middle income groups.

There is no specific movement promoting consumerism. The economic liberalisation, a booming economy, rising incomes of the middle class and the upper middle class, need for labour saving devices and a promise of easier and happy life, highly competitive production and marketing, are all ingredients which automatically promote consumerism. Add to that the advertising explosion from multiple media that have made yesterday's luxuries today's necessities. Then there are the credit cards and the bank loans, which allow us to buy now and pay later. Consumers can also buy sitting at home through the internet or through teleshopping.

Economists argue that buying boosts economy, creates jobs and makes people work hard to earn more and buy more! So one can well ask what is wrong with consumerism. Why does it need redefining? Unfortunately, some economists feel that like a drug, it comes with serious side effects. The opponents of consumerism contend that it is centred on greed, both on the part of the consumers and the manufacturers of goods and providers of services. They hold the view that consumerism has turned us into buying machines creating a constant need that we are never fully satisfied. According to them, the consumption of luxuries and unnecessary consumer products leads to over consumption and often to depletion of natural resources. They argue that by focussing on economic aspects in life, it ignores everything else, including all the non-monetary costs that go into providing a consumerist a particular lifestyle. In the quest to acquire more possessions, they hold the view that we ignore the fact that

such greed is killing the planet, hijacking sanity and leaving the world empty and lifeless. According to them, the so called market forces and free markets are exploiting consumers. They are of the view that, while there is more affluence and conspicuous wealth, the numbers, do not bring out the inequalities resulting in the growing gap between the rich and the poor.

A survey conducted in some of the developed and affluent countries has shown that happiness has not risen in such nations, despite massive increase in wealth, as also unprecedented growth of consumer capitalism. There is also an emerging view that assessment of the health of the economy by the Gross Domestic Product (GDP) is no longer valid as it does not value anything that contributes to the economy or well being unless it involves exchange of money. On the other hand, more importance is being given to factors that lead to environmental destruction and the growing gap between the rich and the poor, due to the impact of consumerism. A new index called Genuine Progress Index (GPI) has been developed by some economists to discount the effect of such negative factors, some of

“A retail revolution is sweeping the country. Organised retail has grown from ₹5,000 crore in 1999 to more than ₹50,000 crore, making it the fastest growing industry today. The shopper is exposed to a new kind of shopping experience, which is redefining the concept of consumerism.”

which are also attributable to consumerism.

India is changing fast in several respects, which though apparently unconnected have a tremendous bearing on the consumer pattern and culture in the country. Take for example the dramatic change in the demographic profile of India. India has become the youngest nation in the world, in terms of the age of its population. Studies show that there are over 500 million Indians below 21 years of age, leading to a median age of the country to an astonishing 24 years! By contrast the median age in the USA is said to be 36, 30 in China, 37, in Russia and 38 in UK. Even in the year 2025, India's median age would be just 31, while in the rest of major countries, it would have moved to 39 to 44 years! Such a young population, with a significantly enhanced access to education, as compared to their parents, better exposure to the globe as also, a visibly increased level of self confidence on account of emerging successes of India's IT and other sectors, behaves very differently than past generations. The young India is redefining not only consumerism, but also, redefining value perceptions, while at the same time upgrading its aspirations and spending levels, on product categories

A good example of consumerism, namely spending money on services which do not really serve any great useful purpose, is that of the mobile phone industry. The estimated value of cellphone ringtone downloads have grown from about ₹400 crore in 2004 to over ₹1000 crore! The marketing hype surrounding celebration of occasions like Valentine's Day, Friendship Day, Mother's Day, etc, which till about 5 to 10 years ago, was quite unknown in India, is now an industry worth more than ₹1500 crore. Consumers are not only commanding where they buy from, but are also how and what they buy. It is the producers and the manufacturers, as also the providers of services, who have to constantly remain alert, if they want to stay in business. So let us forget redefining consumerism. It is business, which is redefining its strategies to remain relevant to consumers' rapidly changing wants and desires. The consumer has indeed started dictating the terms in the marketplace becoming the King! 🍌

(Views expressed are of the author alone)

“The basic idea is to be a customer first and then bring in more customers.”

Phanikumar Upadhyayula

Author



Many a mickle... It's an idea whose time has come. The positive impact of direct selling companies that deploy MLM compensation is being felt in India.



AT A time when billboards, hoardings and thought-provoking commercials scream about the superiority of various products, referral selling may seem like a weird idea for conventional marketing strategists, but the truth is other way round. Crores of rupees are being spent on advertisements and advertorials of various products by their marketing agents in their efforts to retain the monopoly or market presence. Still, the consumer shows indifference as the competitors often cross the line and try to project their products as the ultimate, and the consumer then chooses to take the verbal opinion of fellowmen. It is here that direct selling companies that deploys multi level marketing (DS-MLM) compensation is assuming a huge significance.

In a country like India, where insurance business has demonstrated the potential of direct selling; the power of DS-MLM or referral sales is beyond doubt. Not only the fact that DS-MLM offers larger areas for selling; it also provides employment opportunities to lakhs of people, thus helping them improve their social status. Given the dismal employment scenario around the globe, DS-MLM is fast emerging

as a powerful tool that plays a vital role in employment generation with a positive bearing on the socio-economic health of a nation. Successful multi-level marketing is based on referrals and ensures constant expansion of customer base. It also leads to long term customer relations. Well-knitted marketing networks are being created to promote various consumer durables in cross selling. And it proves much effective than other existing forms of marketing.

In DS-MLM, the salesmen generally rely on referrals and manage to generate referrals from each customer, which has a multiplication effect in the client database. Most importantly, in the process, companies can cut down huge expenses on massive ad campaigns and thus the benefits of the revenue thus saved can be given to members as incentives.


The concept of DS-MLM is based on the simple fact that instead of one person working for 100 days, 100 people can work for just one day to generate the same effect. It is here that the 'chain' concept becomes relevant. If you can make a single customer happy through network marketing, he will

ABOUT THE AUTHOR

Phanikumar is a marketing strategist who is the brain behind the success of many IT and non IT companies. An MBA from ITM Warangal, Phani worked in Fortune 500 companies like ENBD, RasGas, Havas medimedia in Singapore, UK, Malaysia & US for many years before taking up the marketing assignment of a Cambridge based lifestyle portal. Currently based in Hyderabad, Phanikumar has implemented CMS for Legacy Systems and portals for a major bank in the middle.

be more than glad in bringing in more customers, which will also get him incentives of some sorts.

Look at the major DS-MLM companies like Amway, Modicare, Tupperware, Avon and Herbalife. They have well-prepared and web-based information systems. Using this, each member can check the membership details, accrued income and also explain others about business plans and demonstrate products. An DS-MLM member gets tax saving benefits and discounts and often attractive gifts.

It is proved beyond doubt that DS-MLM has become a successful and potential business model for marketing products and services. As the term rightly indicates, DS-MLM has a multi-level marketing model where every member or distributor is at a level above or below. The sales generated by one member provide commission to members a level above. With the changing times, several business houses have taken to DS-MLM model, which heavily depends on word of mouth. It requires only small investment and members can work independently either full time or part time. 

(As told to Payam Sudhakaran)

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