

## **The Present State & Future of Direct Selling**

*Remarks by Dick DeVos*

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### **Industry overview**

I've just completed the first year of my 3-year term as WFDSA Chairman – an appropriate time to reflect a bit on where we have been and what lies ahead.

Direct selling has made enormous progress, especially since the WFDSA was established 25 years ago, in 1978.

Back then, direct selling witnessed – and contributed to – a major economic and social shift... from BIG business to smaller, entrepreneurial business. This shift didn't start in the 1970s, and it didn't happen overnight – but it really gained momentum during that decade.

However, direct selling back then...

- was still mostly door-to-door (in homes, not other places);
- had more of a national, not regional or global focus;
- saw inconsistent regulation (self- or government-imposed).

Today, the global industry has matured. It's now "person-to-person" sales, usually occurring away from a fixed location (regardless of whether compensation is paid on individual or group sales).

There are 46 million direct sellers worldwide (about 80% are part-time, short-term). We have more than \$85 billion in annual sales in more than 170 countries and territories.

We make extensive use of technology – internet, mobile telecommunications, computers, etc. We provide a diverse range of products/services – appliances, household utensils, nutrition products, beauty products, clothes, insurance, long-distance services, education services, etc.

And we remain a source for entrepreneurial innovation and creativity.

Under the leadership of my predecessors and many others, direct selling is now much better understood and more respected.

- We have more harmonized operating principles (refunds, cooling off, etc.).
- We have strong, effective Codes of Conduct backed by code administrators.
- We have more harmonized direct selling and anti-pyramid laws in place.

Direct selling is actually more "mainstream" than some might think.

- Our global salesforce is similar in size to the South Korean population (46 million).
- Almost 2% of all adults in Japan today are engaged in direct selling.
- Direct selling companies are global market share leaders in several product categories, including nutrition, cosmetics and water/air treatment systems.
- In Europe, direct sellers comprise nearly 13% of total retail workforce.

In the Asia/Pacific region, though, direct selling is at quite different stages of maturity.

While direct selling is just a smaller part of the total retail market, it does play a valuable – and, I would argue, a quite special – role in economies and societies everywhere, regardless of our stage of development.

Still, we know we must do more to earn the trust, respect and support of the public, government and others.

That's why today, I want to share my thoughts on how, by working even more closely together, we can do that – and how, in that process, we will help more people earn a decent living and develop essential skills to succeed in the global economy.

Today's seminar – a first for this region – is a tremendous step in that direction, so it's an honor for the WFDSA to be a part of this.

### **Direct selling's traditions**

The direct selling industry today is working to build on its best traditions, while making important changes and improvements for the future.

We've been building on several fine traditions, such as these:

1. We continue to provide a low-cost, low-risk personal business opportunity to millions of people around the world. Last year, nearly 2 million additional people chose to start their own business via direct selling. And many came from under-served segments of society, including women, minorities, the unemployed, etc.
2. Direct selling companies are bringing new products and competition and its many benefits to the consumer, who ultimately enjoys better service at lower costs from a more competitive marketplace.
3. Direct selling companies invest capital, pay (and help collect) taxes and transfer new technology.
4. Direct sellers themselves build business skills and confidence. They learn practical, basic things like how to make presentations, manage their money, train others and satisfy customers. Whether or not they stay in direct selling, they get low-cost, on-the-job skills development training that will serve them well the rest of their careers.
5. Moreover, direct sellers and the companies they represent support the service economy everywhere they operate. We use hotels, restaurants, transportation, travel-related services and various professional services (including insurance, legal counsel, communications and advertising support). Globally, this generates billions of dollars in incremental revenue and tax payments, while providing employment for thousands of people in each and every market.
6. Direct selling generates considerable numbers of direct and indirect jobs, in addition to sales people and direct staff to suppliers, distributors, manufacturers, etc.

## **Changing direct selling for the future**

While building on our best traditions, we have also been changing our industry for the future with many important initiatives.

1. The foundation for our work in this area is the WFDSA's World Codes of Conduct, which we developed and adopted in 1994, nearly 10 years ago.

The Codes are not “optional.” If a company wants to belong to a national DSA, it must ensure that its own codes meet or exceed our World Codes. Before assuming leadership roles in our organizations, CEOs of those companies must sign a pledge that their company will abide by our Codes. A company that abides by our codes is a company we're confident you will want in your market.

As technology and other trends shape our work, we periodically refine certain provisions of the codes to make sure we are providing stringent and effective guidelines for proper behavior.

These codes have “teeth” – they work – thanks to our efforts, especially in recent years, to ensure global and local code consistency and conformity.

The codes have an “extraterritoriality provision” which ensures that companies and direct sellers follow the same high standards of operations everywhere they do business. They also provide a mechanism for handling consumer complaints across borders.

Moreover, in leading direct selling markets today, national DSAs have appointed qualified, independent, third-party experts to monitor and administer the codes and arbitrate disputes. These code administrators are chosen based on strong reputations for personal integrity and consumer protection. In Asia, Hong Kong, India, Malaysia and Taiwan all have administrators.

We also are doing much to promote the codes. For example, to bring them to life, we have produced and distributed an ethics toolkit in several languages. We promote the codes on our website, via videos and pamphlets, in speeches at seminars and conferences, and through all available media.

I won't detail for you all the provisions of our codes. But if you want more information, please let me know, or go to our website, [www.WFDSA.org](http://www.WFDSA.org).

However, I will say this in conclusion about our codes. We are 100% behind them. After almost a decade of experience, we know they are rock solid - they work. And we know by the declining number of consumer complaints against direct selling in many markets that they are fostering more ethical conduct.

2. The WFDSA and its member DSAs continue to work with governments, consumer groups and others by sharing “model” direct selling and anti-pyramid legislation. We have a compendium of laws from more than 30 countries available on the WFDSA website for member companies and DSAs to review. Right now, in fact, we're sharing our expertise in direct selling law with governments in several regions and countries.

3. Throughout the Pacific Rim, we work closely with APEC's Small and Medium Enterprise Ministerial to strengthen consumer protection in the areas of consumer rights, consumer regulation, e-commerce and business fraud. This effort, which we call CEPI or the Consumer Education and Protection Initiative, has already reached Thailand (1999), the Philippines and Malaysia (October 2000), Mexico (2002) and Russia (2003). We would be honored to hold an APEC CEPI event in China in the future.
4. We are doing more to quantify our positive social and economic impact on markets. A few years ago, we commissioned the respected consulting firm, Pricewaterhouse Coopers, to conduct such a study in six top direct selling markets in Europe. The results were compelling. My colleague, Mark Bain, will share more with you in the discussion on reputation later today.
5. In close partnership with the Korean DSA, we have conducted a pilot test of a consumer education campaign to communicate direct selling's benefits and promote responsible sales practices. Again, Mr. Bain will say more about this later today.
6. Finally, the WFDSA is devoting resources to make sure that national DSAs are strong and effective. We are working to train staff in DSAs on our World Codes, on basic operations, on effective programs and the like. Strong national DSAs can be good partners for governments and consumer groups, and we're committed to ensure that.

### **What lies ahead**

I hope you can see from that quick summary of just a few of our major initiatives past and present that we're serious about protecting consumers, promoting fair competition, contributing to society and maintaining market order.

We are proud of our progress – but we know, just as you do, that there's more to be done. So I want to concentrate the rest of my remarks today on the future, and how we can work together to make that bright for all.

1. Together, we need better legal definitions for direct selling. In spite of our codes and efforts, there will always be a few people out there who will seek to take unfair advantage of others. In some cases, what they are doing should really be called fraud. Unfortunately, they attempt to legitimize it by calling it "direct selling." And cloaking themselves in our legitimacy, they are exploiting the margins of our societies, taking advantage of those who most want to improve their lives – the very kind of people who are attracted to the direct selling business opportunity in the first place. For this reason, I am anxious to see us establish more commonly accepted definitions for direct selling... so in places like China, consumers will be better prepared to distinguish between legitimate direct sellers and those who are pretending to be legitimate.

In one sense, we're no different from any industry or, for that matter, any country. The great majority of the people in our business approach their work with integrity, honesty, ethics and sincerity. But the actions of a disreputable few continue to overshadow the reality behind our entire industry. These actions only counteract our collective efforts and perpetuate negative misperceptions.

The WFDSA is not content to tolerate even one misdeed or crime. While we know we can never eliminate all bad behavior in our industry, we are still committed to doing

everything in our power to minimize it. Especially for the benefit of all those who want to play by the rules.

2. Our companies must do an even better job of partnering with government, consumer organizations, academics and others. Together, we must do much, much more to educate all consumers on the difference between legitimate direct selling and illegal pyramids – no matter what they call themselves. So even when the frauds try to operate outside the law, consumers won't be deceived and exploited.
3. We need to build a larger foundation of academic knowledge about responsible direct selling, so regulators, consumer groups and others fully understand the industry and support it. Today's symposium is a step in that direction.
4. We need to do a much better job of educating media on how direct selling works and how it plays a positive role in economies and societies.
5. And most of all, we need to work together on these issues as partners, not adversaries. With a long-term view. Patience. Information. Objectivity. Transparency. And most of all, with the end beneficiary always in mind – the consumer. No matter what our role is, we all exist to serve him and her, and we must never lose sight of that.

### **Conclusion**

At the WFDSA, we're proud of what we've done to protect the consumer, compete fairly, build economies and promote social order.

But we know there's much more to do, and we realize there's only so much we can achieve on our own. We need your help.

With it, direct selling can continue to make a difference to your societies and economies – and, most of all, to individuals, whom we all know seek and deserve a better life.