REPORT

Social and economic impact study of direct selling in Argentina

PREPARED FOR

DATE

May 2018

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INTRODUCTION

Direct selling has had a presence in the country for 50 years. Since its foundation in 1973, the Argentine Direct Selling Association (CAVEDI, by its Spanish acronym) has brought the country's largest companies together to promote and organize the sector's initiatives.

In 2017, CAVEDI decided to perform the first study on social and economic impact of direct selling in our country involving both entrepreneurs and companies alike. This study was endorsed by the World Federation of Direct Selling Associations (WFDSA) with the purpose of spreading how direct selling contributes to the economy and the population of such countries where the business is present. Studies on social and economic impact of the sector have been carried out throughout twenty-six countries worldwide, seven of which are located in our continent: Bolivia, Brazil, Colombia, Ecuador, Mexico, Peru and the United States. It is within this context that CAVEDI undertakes its first study. The results are detailed below.

While there is no agreed methodology for the execution of such study, the same topics covered throughout most countries were included in the Argentine case so as to follow consistent research guidelines. Additionally, topics of interest and of local relevance were included for a better understanding of the sector. Working alongside WFDSA is advisable in the future in order to agree on research methodology and recruitment with the purpose of creating impact indicators that are comparable throughout countries.

General and project-specific objectives are detailed below, as well as the methodology and results of two investigations which were carried out simultaneously: one of them aimed at independent entrepreneurs and the other one aimed at large companies. For each study a research strategy and a specific questionnaire were designed. The current report includes the results of both studies, plus data obtained from other reports executed by CAVEDI in order to analyze the situation of the sector.

It is worth mentioning that without the commitment of the companies contained in CAVEDI and the entrepreneurs alike, such research would not have been possible. Challenges are yet to be overcome. However, the response was unquestionably positive thus revealing the entrepreneurs' interest in sharing their personal experience for a proper enhancement and growth of direct selling

OBJECTIVES

The overall objective of the research was to communicate the impact of direct selling on economy and society through the opinion and information of independent entrepreneurs and the companies included in CAVEDI.

On the **entrepreneurs' side**, the main goal was to understand the contribution of direct selling in people's economy and at the entrepreneurial household; additionally, assessment on how direct selling coexists with other economic activities was pursued, as well as what kind of time and resources are used in order to carry out such activity. This research aimed at finding out entrepreneurs' level of satisfaction with direct selling and what the impact was on both personal and/or family aspects as a result of the activity.

On the **companies' side**, the main goal was to understand what the current situation is as well as the sector's future perspectives, and what the main challenges are. Additionally, the study aimed at discovering and describing the actions carried out by the organizations towards society and entrepreneurs.

Data and literature available at the World Federation of Direct Selling Associations Data Base (on its website) and CAVEDI were also taken under consideration for the report's design and for the analysis of the sector's situation.

RESEARCH CONTENTS

Topics covered in other countries were taken into account for each investigation plus some additional topics of interest of our specific market. Both questionnaires were agreed upon by representatives of the CAVEDI.

Independent entrepreneur’s survey

— Situation regarding income generation at the moment of entering the activity and drivers (motivation)
— Bond and current coexistence of direct selling with other profitable activities
— Time devoted to direct selling and other profitable activities
— Income arising from direct selling and other resources
— Importance of generated income from direct selling and destination of such income
— Level of satisfaction with the activity, training and income
— Benefits of direct selling for people’s development
— Tools and channels used for sales
— Involvement of other members of the household in the independent entrepreneur’s activities
— Benefits/ advantages of direct selling (spontaneous and guided)
— Difficulties, complaints or disadvantages of direct selling (spontaneous and guided)
— Independent entrepreneur’s profile
— Final consumer`s profile

Survey to companies

— Investments made and future expectations
— Years in the activity (Seniority) and percentage of entrepreneurs having left the activity
— Training topics
— Sustainable actions carried out and reports
— *e-commerce* implementation
— Challenges for the sector
— Public image

FACT SHEET

Independent entrepreneurs' survey

- Coverage: National
- Universe: Entrepreneurs registered in CAVEDI's associated companies, who were active and who were more than one-year old at the time of recruitment.
- Sample design: each company drew up a list of independent entrepreneurs to be interviewed; the total number was determined according to each company's relevance in CAVEDI's total turnover. These lists included independent entrepreneurs of different turnover levels and place of residence, per each company's distribution. In total, there were quotas per company and per area, segmented in AMBA/ Interior. They resulted in 66% of the cases in the interior[1] and 34% in the Metropolitan Area of Buenos Aires (AMBA)
- Total effective surveys: 762
- Data-collection technique: online interviews (47%) and telephone interviews (53%)
- Date of field: from August 24th to October 20th 2017
- Participating companies: Amway, Avon, Essen, Herbalife, SwissJust, Mary Kay, Natura, Omnilife, Tupperware

Survey to companies

- Universe: Leaders of direct selling companies
- Total surveys: 8
- Data-collection technique: online interviews
- Date of field: from September 20th to November 28th 2017
- Participating companies: Amway, Avon, Essen, Herbalife, SwissJust, Mary Kay, Natura, Omnilife

The figures of sales and investments expressed in Argentinean pesos can be converted into American dollars taking the exchange rate as follows: for 2016 $15.51 and for 2017 $16.93, pesos per dollars. Such rates are the result of averaging the sell exchange rate from the National Bank (Banco Nación) at the end of each month of each year.

[1] N of T: Interior implies all the territory in the country except for the Metropolitan Area of Buenos Aires (AMBA)

SECTOR STATUS

Local position

In 2015 CAVEDI carried out a Direct Selling's Image and Positioning study over the adult population of Argentina's main cities which enabled the sector to understand and measure the penetration of the channel on final consumers and assess their image on this population. The study results allowed them to understand that:

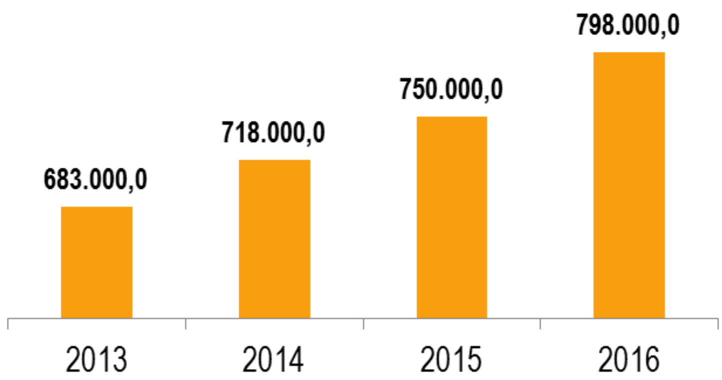
- Direct selling is a widespread channel over the Argentinean territory with a wide scope of brand awareness, use and product purchase by the general adult population (18-year-old and older).
- 91% of the population is aware of some direct selling brand; 8 out of 10 use some kind of product marketed through this channel and 7 out of 10 has purchased at least once through direct selling.
- 56% purchased through this channel over the last year, which means that direct selling was a recent purchasing method for 6.6 million Argentines.
- Direct selling has a strong presence over the country's major markets, especially Córdoba (88%), Neuquén (86%) and Mar del Plata (78%). This is relevant data given that direct selling has been competing in Argentina with a strong expansion and development of retail since the 80's. Between 2008 and 2012 the large chains had a solid expansion in the country's interior, where direct selling has historically had a compact presence.
- The channel's initial associations and images are positive; the bond with the seller as well as the convenience of home delivery are highly valued.
- The channel's major challenge is to increase and sustain the seller's presence, considering that purchase occurs whenever the offer takes place.
- Along these lines, another challenge for the sector is to increase brands' offer in order to enhance the channel's penetration and to socialize its differential: 26% of respondents has never been contacted by an independent entrepreneur and this figure escalates to 79% for those who have never purchased.

Additionally, CAVEDI gathers information every year among associated companies and other collaborating companies so as to draw up estimations for the sector. Such reports enable to understand that:

- The most popular categories for this channel are personal care and fragrances (66%), followed by household goods (25%); well-being (5%) and clothing & accessories (4%).
- Considering dollar sales over the past 5 years, the sector has generated USD 1.800 million dollars a year in Argentina on average, maintaining a similar turnover level ever year.
- The sector has grown in number of entrepreneurs reaching 799.000 in 2016; an additional 22% compared to 2012.

* On the other hand, in 2016 the companies of the sector associated to CAVEDI have employed 3.800 people directly and have allocated $2.188 million pesos to wages and employer social benefits.
* Furthermore, the organizations have paid $3.560 million pesos in national, provincial and municipal taxes.

Graphic 1: Evolution of resellers



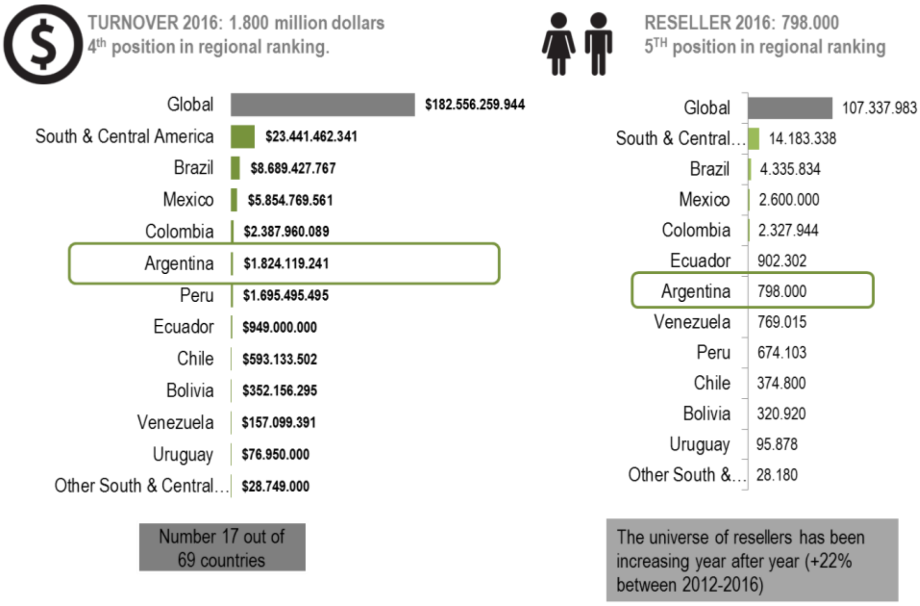
Source: CAVEDI

Global perspective

Thanks to the consolidated information provided by WFDSA the Argentinean situation was assessed in view of the international scenario:

* Within the ranking of revenue, Argentina is 17^{th} out of 69 countries, and within South and Central America it is the 4^{th} country following Brazil, Mexico and Colombia.
* As for the amount of client entrepreneurs, Argentina is number 23 of the world ranking. In terms of the South and Central American region it is Nº 6 out of 12 countries.
* Between 2012 and 2016 the estimated number of client entrepreneurs has increased in 22%.

Graphic 2: Annual revenue in dollars and number of retailer clients



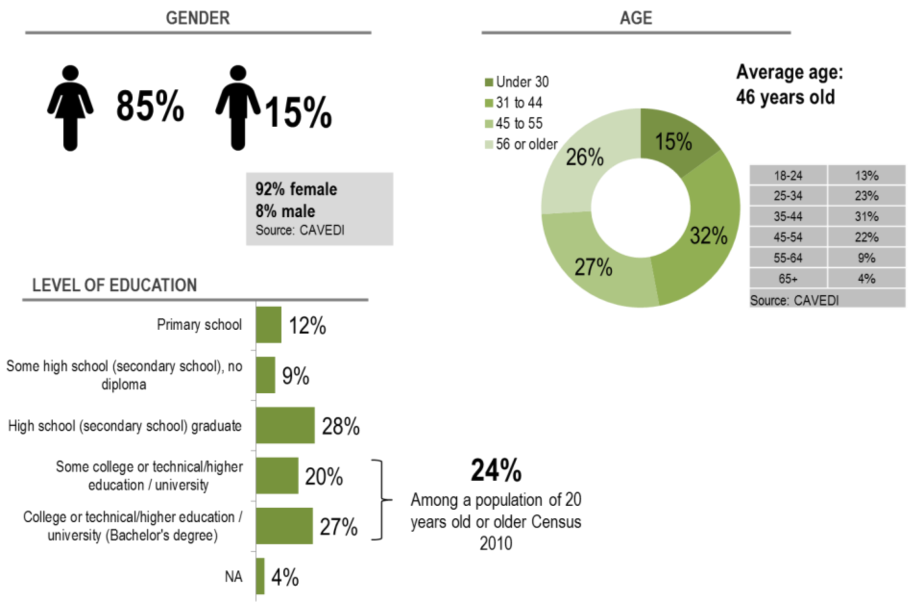
SOURCE: World Federation of Direct Selling Associations Data Base

INDEPENDENT ENTREPRENEURS SURVEY

Entrepreneurs' profile

- It mainly consists of female entrepreneurs with an average age of 46 with a higher education level compared to general population (46% holds a degree of superior education studies).
- 49% of entrepreneur respondents are the main head of household (main HH), that is, they are responsible for the largest portion of family income. Among female entrepreneurs, 46% play such role in the household, while among men that percentage rises up to 69%.
- 49% of entrepreneurs who are main HH consists of 13% only generates income through direct selling, 9% having incomes through direct selling plus pension, retirement or rent, and a further 27% who generate income through direct selling plus some other free-lance/self-employed activity or some form of employment under payroll.
- From female entrepreneurs who are main HH, 44% are exclusively dedicated to direct selling, while the remaining 56% combines direct selling with some other kind of income-generating activity. Besides, 30% of female entrepreneurs who are main HH receive income through retirement, pensions or rents.[2].
- Households represented in the survey have a higher socioeconomic level tan average population: this is explained by the low presence of households whose main HH is unemployed or has a low level of education and owing to certain personal characteristics of such main HH who favor their socioeconomic situation (i.e.: they are employees with workers under their supervision, they have social insurance). These are households where there are more members who are also breadwinners.

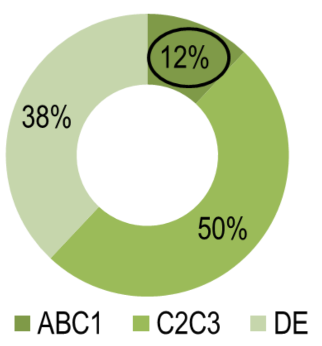
Graphic 3: sociodemographic profile of entrepreneur respondents



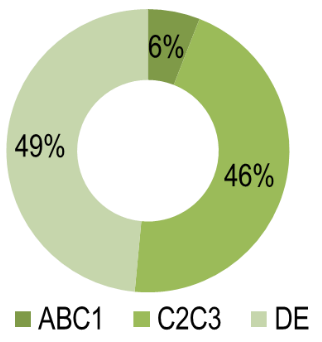
[2] For further detail of differences between male and female who are main HH, please refer to annex chart 1 on page 12.

HOUSEHOLD SEL

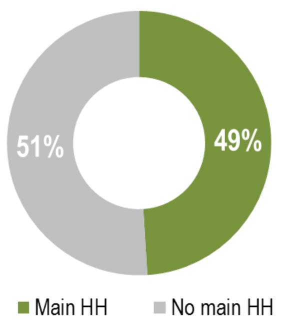
Among interviewed entrepreneurs



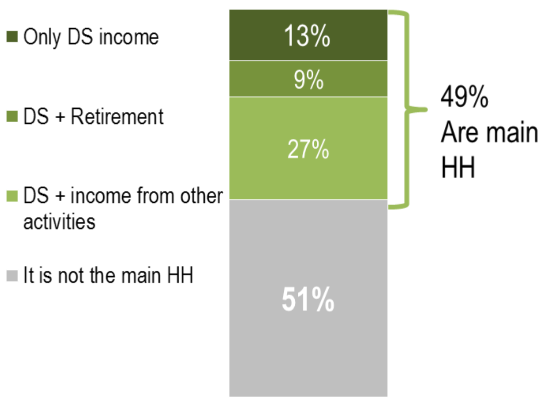
Households at country level (Ongoing Household Survey 2015)



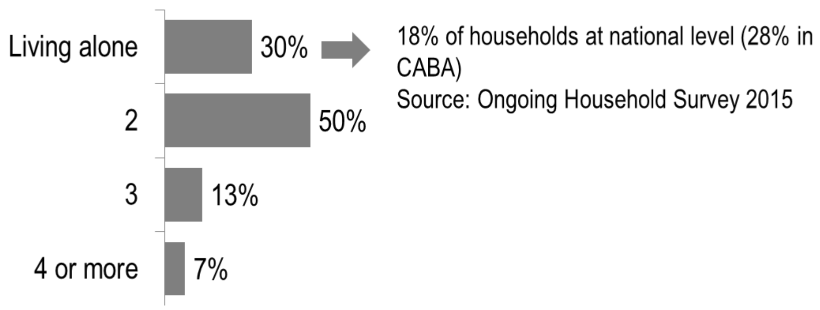
POSITION AT HOUSEHOLD SAMPLE TOTAL



INCOME RECEIVED



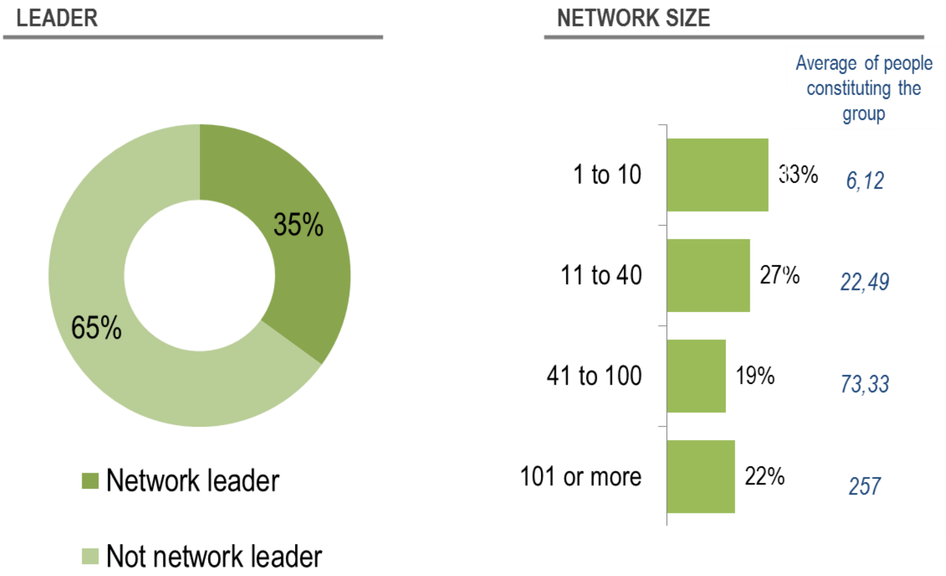
MEMBERS OF HOUSEHOLD



SOURCE: SEIS Study Argentina 2017 Survey to independent entrepreneurs

Regarding the activity, the survey shows that one third of the interviewed entrepreneurs are leaders of some kind of sales network with a wide size range.

Graphic 4: number of network leaders and size of the network they lead



SOURCE: SEIS Study Argentina 2017 survey to independent entrepreneurs

Annex chart 1: sociodemographic profile of entrepreneurs who are the main HH per gender

FEMALE main HH (46% of entrepreneurs)	MALE main HH (69% of entrepreneurs)
30% are over 56 years old.	Larger presence of people under 30 and of mid and high SEL
41% has over 10 years' experience in the sector	41% entered the activity between 1 and 3 years ago
3 out of 10 are leaders of a network	81% live outside the Metropolitan Area of BA (Interior)
Largest concentration of this group in Metropolitan Area of Buenos Aires (35%)	75% work on their own/ independently or they own /are partners of a business company
26% live on their own	22% live on their own
30% receive retirement/ pension and 40% are on the payroll	21% have no medical insurance/coverage (vs. 10% in the non-main-HH group)
16% have no medical insurance/coverage (vs. 10% in the non-main-HH group)	

SOURCE: SEIS Study Argentina 2017 Survey to independent entrepreneurs

Annex chart 2: Profile of entrepreneurs who are network leaders and who are not

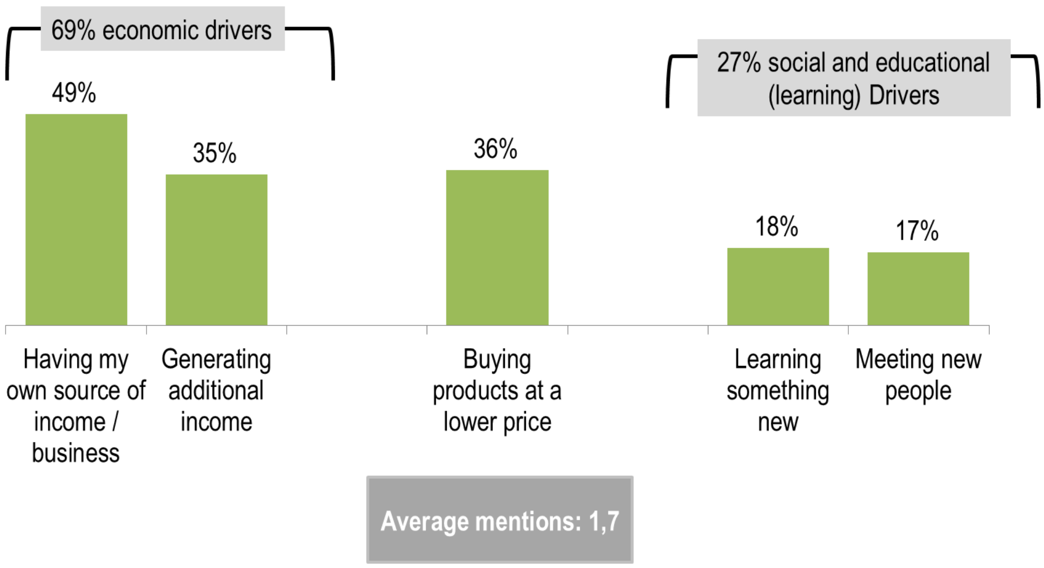
NETWORK LEADERS (35% of entrepreneurs)	**NON LEADERS (65% of entrepreneurs)**
53% have been involved in direct selling for over 7 years	Slightly more significant for entrepreneurs who entered most recently (36% 3 years ago)
In 40% of the households where there is one leader, other members are involved with direct-selling tasks	Other members of the household take part collaborating with the independent entrepreneur (32% of the non-leader households)
They entered the activity in pursuit of lower prices for the products they purchased (50% of the mentions) and with the purpose of having their own income, a business (60%). Today they have turned that into a resale business	More prone to entering the activity in pursuit of a source of income (73%). Secondarily, they became interested in the possibility of having access to lower-price purchases (28%), learning something new and meeting people (26%)
36% were not generating income at the time of starting up direct selling	40% had no other source of income
Today, almost 7 out of 10 carry out this activity only and exclusively	55% is dedicated to direct selling along with some other profitable activity and 45% is only and exclusively involved in direct selling
55% is main HH	46% is main HH
They dedicate 22 hours a week, on average, to their direct selling business	Their average weekly dedication to direct selling is almost 15 hours. In addition, 25% of this group allots 7 hours a day or more to their other additional profitable activity.
The direct selling activity is stable throughout the year for 92% of network leaders	Despite the combination of direct selling with other activities, 81% sell constantly throughout the year.
Incomes coming from direct selling represent a significant portion of the total income for these people: for 56% it implies the largest part of the income and for 22% it is half of it.	For 67% the income coming from direct selling represents the largest portion of their total revenue and for 34% that portion is the largest or half of it.

SOURCE: SEIS Study Argentina 2017 Survey to independent entrepreneurs

Recruitment and loyalty towards activity

- The universe of entrepreneurs is divided into seniors and new-starters: 38% have been involved in the activity for over 10 years and 34% have entered over the past 3 years.
- Most recent incorporations correspond to younger profiles and mostly male.
- Half of the entrepreneurs have been involved in more than one company (25% have been over 3 or more companies). Currently, they claim to be in contact with only one.
- The drivers for entering a direct-selling activity are mainly economic reasons: firstly, to generate their own income (49%), to have an additional income (35%). Secondly, to purchase products at a lower price (36%). Finally, reasons related to learning something new and meeting people (18% and 17%, respectively) (Graphic 5).

Graphic 5: Reasons for starting up the activity as an independent entrepreneur



4. What are the main reasons for having started a direct selling activity? READ. You can choose more than one option

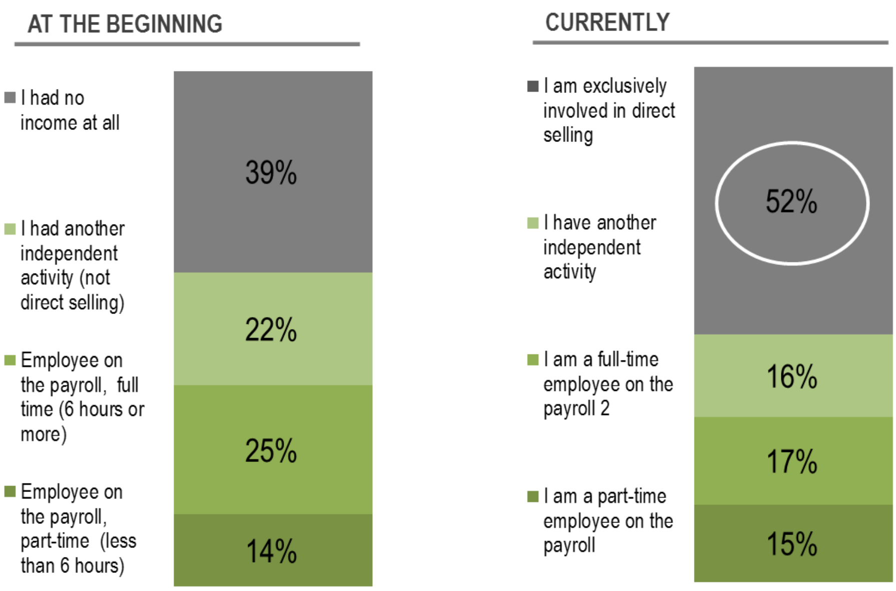
SOURCE: SEIS Study Argentina 2017 Survey to independent entrepreneurs

Coexistence of direct selling with other other profitable activities

- 52% of interviewed entrepreneurs are only and exclusively dedicated to this activity, 31% combines direct selling with some kind of payroll job and 16% combines it with some other independent/freelance activity (Graphic 6).
- The activity proves to have a strong power of retention among those who did not have any income prior to direct selling. 39% of current entrepreneurs were not generating any income at the time of starting up their direct-selling activity (Graphic 6).

- Presently, 76% of those who were not generating income are exclusively dedicated to direct selling only, while 57% who were employees on the payroll still keep a double activity.
- Direct selling is also an additional source of income for people employed or dedicated to some other independent activity (Graphic 7)
- Those who are exclusively involved in direct selling are, on average, older (37% are 56 and older) and with a lower SEL (46% DE). One third receives retirement/pension[3].

Graphic 6: Situation at the beginning of direct selling activity and current situation

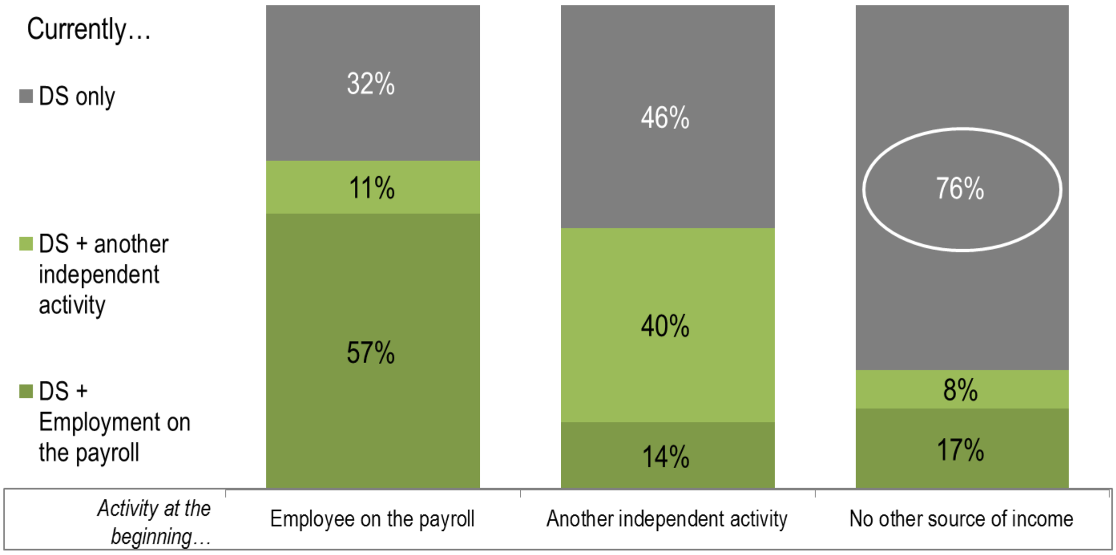


9. When you first started a direct selling activity you were… READ. Only one answer allowed.
10. And nowadays, apart from your direct selling activity… what is your situation? READ. Only one answer allowed.

SOURCE: SEIS Study Argentina 2017 Survey to independent entrepreneurs

[3] For further details of the differences between sociodemographic profile of independent entrepreneurs exclusively involved in direct selling and independent entrepreneurs sharing direct selling with other profitable activities, please refer to annex chart 3 on page 18.

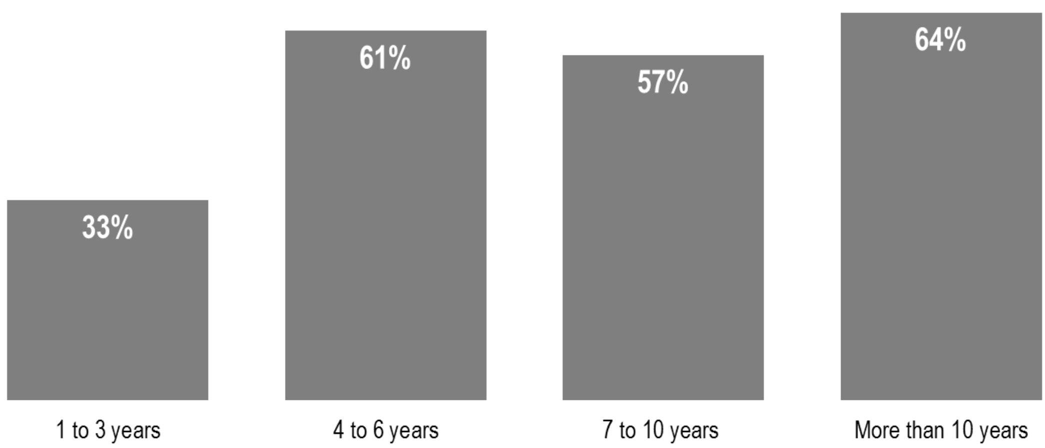
Graphic 7: Current bond with direct selling according to the situation at the beginning of the activity as an independent entrepreneur



SOURCE: SEIS Study Argentina 2017 Survey to independent entrepreneurs

- As the longevity in the bond with the companies increases, so does the portion of entrepreneurs choosing to dedicate to direct selling exclusively, as opposed to other profitable activities. After 3 years, the survey data confirm that the level of involvement with the activity is much stronger, whereas in the group of recent incorporations the combination of direct selling along with another activity is sustained (mainly employees on the payroll) (Graphic 8).

Graphic 8: Percentage of entrepreneurs exclusively involved in direct selling per seniority in the activity.

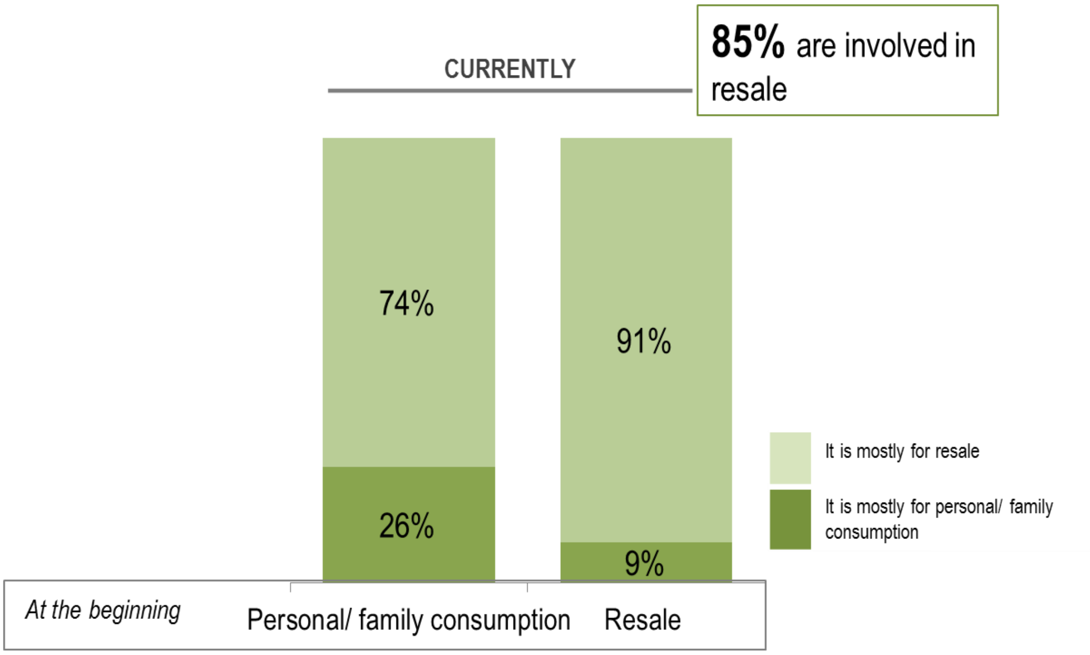


SOURCE: SEIS Study Argentina 2017 Survey to independent entrepreneurs.

Destination of purchase

- Almost all entrepreneurs assign their purchases to resale.
- A comparison between allocation of products purchased at the beginning versus at present show a high level of conversion from consumer to entrepreneur: 74% of those who started up for personal or family consumption only are nowadays dedicated to reselling (Graphic 9).

Graphic 9: Type of current consumption of direct selling products compared to type of consumption at the beginning of the activity as an independent entrepreneur



SOURCE: SEIS Study Argentina 2017 Survey to independent entrepreneurs

Annex chart 3: Sociodemographic profile of independent entrepreneurs exclusively involved in direct selling and independent entrepreneurs sharing direct selling with other profitable activities

		TOTAL	Entrepreneur exclusively	Entrepreneur + another activity
Age	Under 30	**15%**	12%	18%
	31 to 44	**32%**	25%	39%
	45 to 55	**27%**	26%	29%
	56 or older	**26%**	37%	14%
	Average	**46,22**	**49,66**	**42,46**
Level of education	Primary	**12%**	18%	7%
	Secondary	**37%**	39%	35%
	Higher (non-Univ)	**20%**	16%	24%
	University	**25%**	22%	28%
	Post Graduate	**2%**	1%	4%
SEL	ABC1	**12%**	9%	**16%**
	C2	**16%**	12%	**21%**
	C3	**34%**	33%	35%
	D1	**32%**	**38%**	25%
	D2E	**6%**	**8%**	3%
Seniority	1 to 3 years	**34%**	22%	48%
	4 to 6 years	**16%**	19%	13%
	7 to 10 years	**12%**	13%	11%
	Over 10 years	**38%**	**46%**	28%
Leader	It is a net leader	**34%**	43%	24%
	It is not a net leader	**66%**	57%	**76%**
Receiving retirement	YES	**23%**	**34%**	12%
	NO	**77%**	66%	88%
	Base	**762**	**398**	**364**

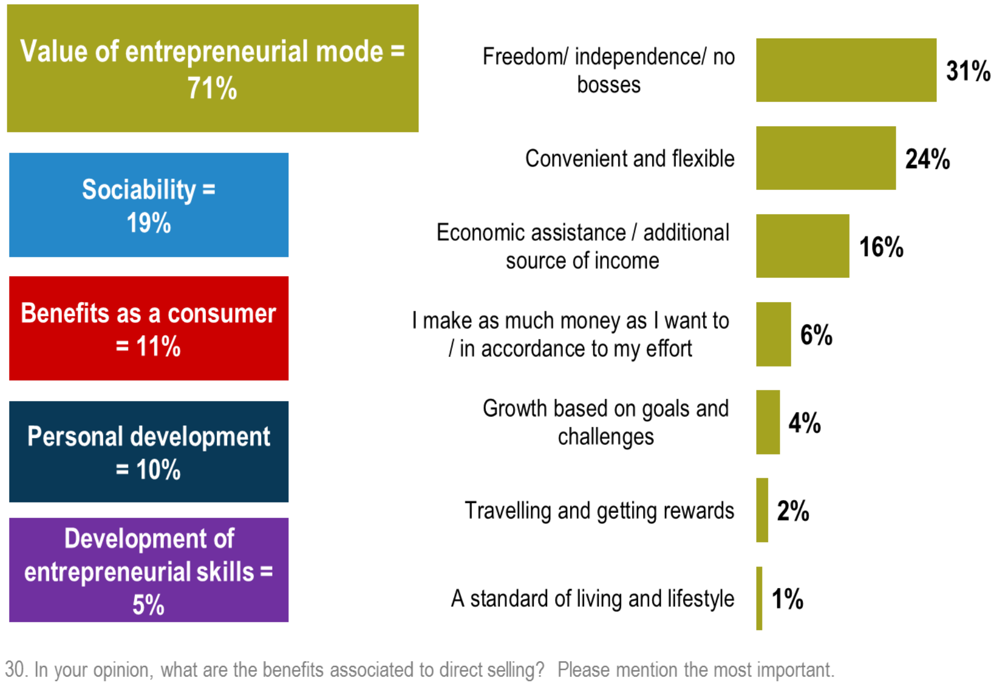
SOURCE: SEIS Study Argentina 2017 Survey to independent entrepreneurs

Associated benefits to direct selling

- One of the main characteristics of direct selling is that in terms of income there are no limits for the entrepreneur; plus it allows facing an economic activity with a minimum number of hours per week.
- Once they have started the activity, entrepreneurs highly value the mix between being independent, and flexibility of time and dedication.

- Spontaneously, the strongest benefits mentioned are the ones linked to *assessment of business type*: (freedom, convenience, flexibility, additional income). Secondly, they mention social-related aspects stemming from direct selling (Graphic 10)

Graphic 10: Benefits of direct selling (mentioned spontaneously and coded by dimensions)

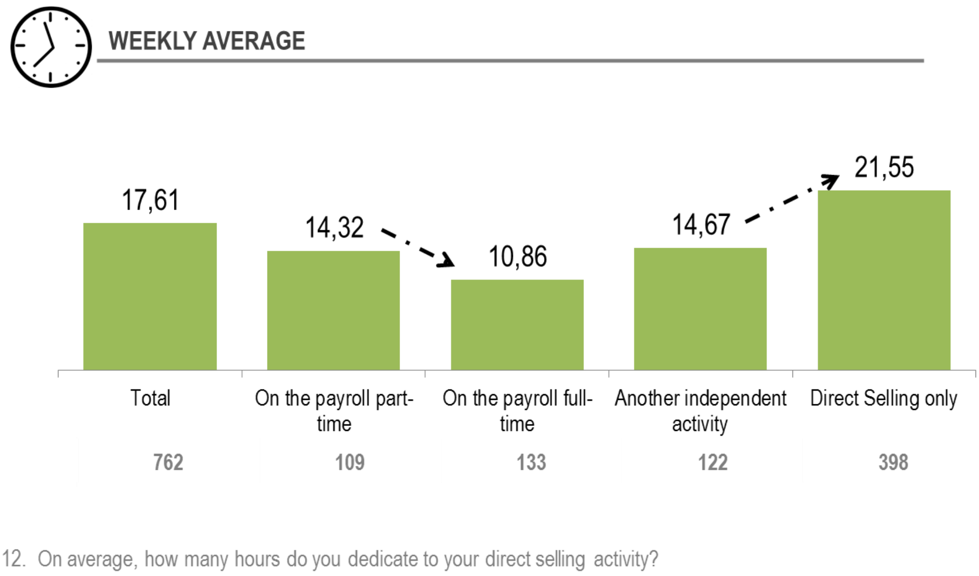


SOURCE: SEIS Study Argentina 2017 Survey to independent entrepreneurs

Time dedicated to direct selling

- The amount of hours dedicated to the activity is significantly lower than the time implied in other kinds of profitable activities. On average, they dedicate almost 18 weekly hours, that is to say, 3 hours a day in a 6-day week.
- Those who are involved in direct selling exclusively spend and dedicate the most time. These people dedicate 22 weekly hours on average to resale with a considerably higher income than the rest of the entrepreneurs and a better investment/income ratio (Graphic 11).

Graphic 11: Average of weekly hours dedicated to direct selling



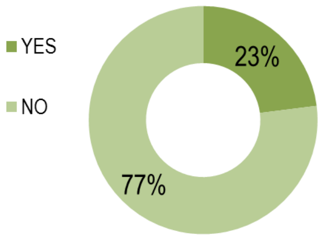
SOURCE: SEIS Study Argentina 2017 Survey to independent entrepreneurs

Final consumer profile and bond with entrepreneurs

- Each entrepreneur has 38 clients on average. The seniority factor implies a bigger number of clients when compared to newcomers. However, there is no significant difference between 4-year-old ones and the rest.
- A quarter of the sector's final consumers are males. The portion of male clients increases among male entrepreneurs.
- Entrepreneurs personally manage the client-relationship, mostly through Whatsapp, catalog, e-mail and over the phone. The use of social networks (Facebook, Instagram) is still rather low, even for network leaders.
- Over the past 12 months, 2 out of 10 entrepreneurs received complaints from clients/ consumers, mainly for product failure or differences between expectation and the product delivered (Graphic 12).

Graphic 12: Percentage of entrepreneurs who have been subject of complaints and reasons of complaint

ANY COMPLAINTS OVER THE LAST 12 MONTHS?



% OF ENTREPRENEURS WHO RECEIVED COMPLAINTS L12M

The product/ packaging had a defect	27%
The product was not what I expected /it did not meet my expectations	24%
There are differences with the catalog's description	24%
Too many days between placing the order and the actual delivery	16%
Problems with the product due to the client's lack of awareness	4%
Health problems derived from the product	3%

36 Did you receive any product complaints from clients over the last 12 months? Only one answer allowed
37. Which were the main complaints? READ. You can choose more than one

SOURCE: SEIS Study Argentina 2017 Survey to independent entrepreneurs

Impact of direct selling on people

- Spontaneously, entrepreneurs state that direct selling has provided them with economic possibilities, travel opportunities; it has fostered a positive bond with their environment and it has meant an alternative for development and empowerment. Some verbatim are as follows:

— *I decided to save money so as to afford the car installments. I learned to drive and bought my car. It was my very own birthday present as I turned 51 this year.*

— *I was able to have additional income that helped me provide for my children.*

— *Having access to good-quality products at a lower price.*

— *I was able to help my children so that they could study away from home, in other parts of the country (other provinces).*

— *To bring up my kids… I was able to afford one of the top bilingual schools.*

— *Meeting nice, enthusiastic people.*

— *As me and my own family have tried the products, I am positive that what I'm offering is good.*

— *The possibility of spending more time with my children and see them growing up and evolving.*

— *I've achieved my personal goal of economic independence and soundness.*

— *A positive attitude in life.*

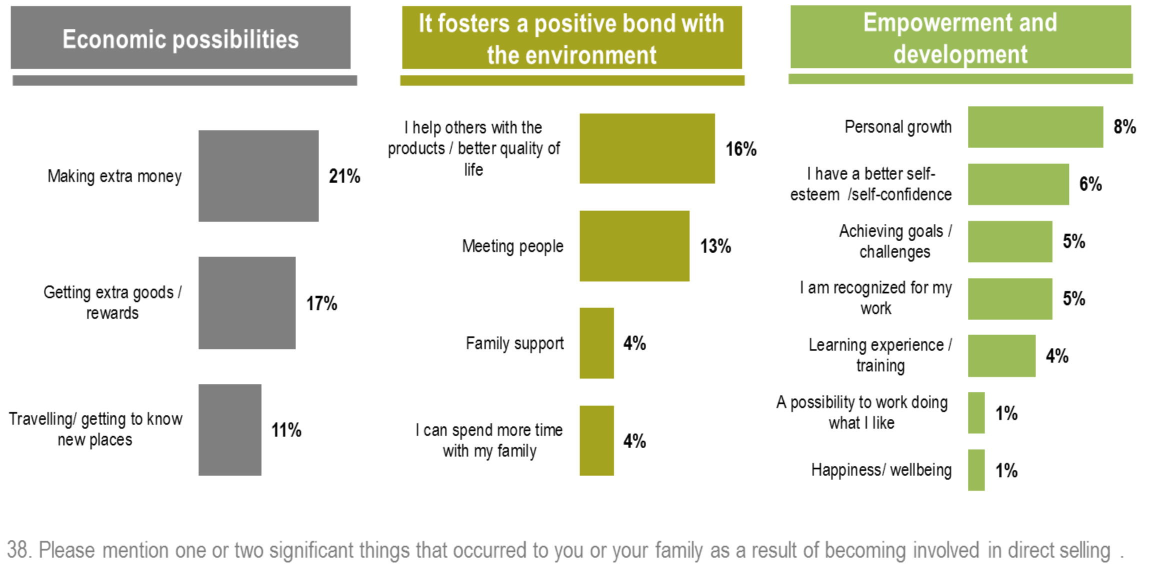
— *Having goals in life, and the possibility of teaching my children that kind of lifestyle.*

— *Freedom, independence, being a part of my children's upbringing, and the possibility to give them the best. I can grow limitlessly! Passion for what I do.*

— *I earn what I meant to, I manage my own Schedule; it allows me to grow and I really feel free and I cannot get fired because of my age and I can pamper myself as much as I want to.*

- When grouping these spontaneous mentions by dimension, the most significant ones were: mainly, those linked to economic possibilities of making extra money (21%), affording additional purchases and personal rewards (17%), travelling / getting to know places (11%). Then, they highlight an additional benefit in the social sphere: enhancing the quality of life of other people (16%), meeting people (13 %) (Graphic 13).

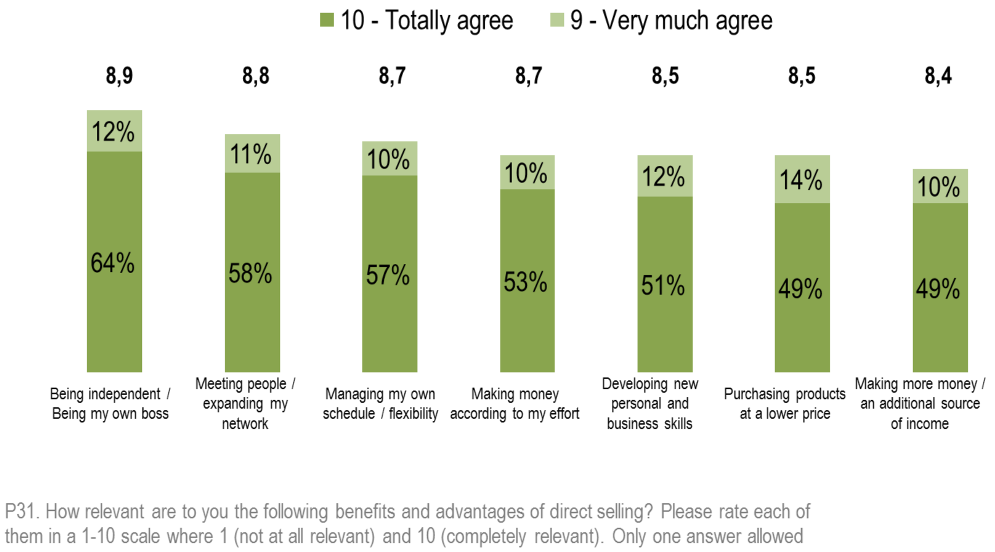
Graphic 13: Significant aspects related to direct selling activity (mentioned spontaneously and coded by dimensions)



SOURCE: SEIS Study Argentina 2017 Survey to independent entrepreneurs

- The survey also included a set of guided benefits in a 1-10 scale, in order to detect the level of agreement of entrepreneurs on the existence of such benefits stemming from direct selling. Mostly, all phrases reached an average score close to 9. The assessed aspects were: *1) independence / being my own boss (8,9); 2) meeting people / widening my social network (8,8); 3) managing my own schedule (8,7); 4) making money according to my efforts (8,7); 5) developing new personal and business skills (8,5); 6) affording products at a lower price (8,5); 7) making extra money (8,4)* (Graphic 14).

Graphic 14: Level of agreement (scores 9 and 10) regarding the benefits associated to direct selling



SOURCE: SEIS Study Argentina 2017 Survey to independent entrepreneurs

- In addition to the economic benefits and the associated benefits connected to the business-venture format enabled by direct selling, there is wide consensus among entrepreneurs over the positive impact of the activity in the development of aspects such as organization, business management and self-esteem empowerment (Graphic15).

Graphic 15: Percentage of entrepreneurs who agree with direct selling having helped them improve the following aspects in their lives

32. Do you agree on the fact that direct selling has helped you improve the following aspects in your life?
READ. Only one answer per phrase

SOURCE: SEIS Study Argentina 2017 Survey to independent entrepreneurs

- Direct selling also rouses an opportunity of further involvement and learning-process within the entrepreneurs' household: 35% of respondents receive some kind of help from someone in their family for carrying out the activity (mainly product delivery and advertising).

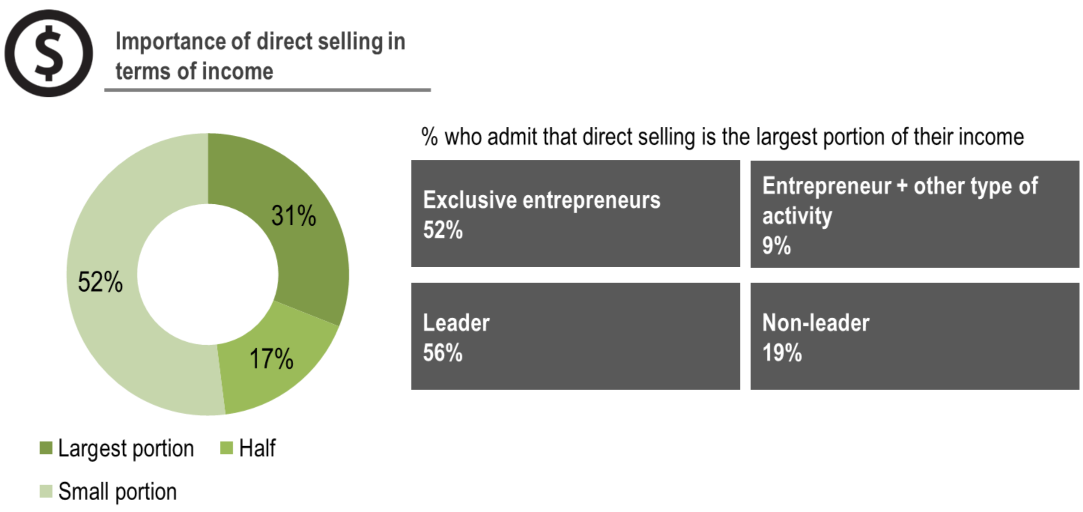
Training

- 75% of entrepreneurs have attended training over the last 12 months.
- Attendance is higher among Metropolitan Area of Buenos Aires (AMBA) residents, newcomers, network leaders and those who dedicate to the activity exclusively.
- 88% of network leaders have attended some kind of training over the last 12 months.

Income through direct selling

- 3 out of 10 interviewed entrepreneurs (31%) state that income coming from direct selling represents the largest portion of their individual income, a further 2 out of 10 (17%) declare that it entails half of their income.
- Among exclusive entrepreneurs and network leaders this proportion surpasses 50%.

Graphic 16: Relevance of direct selling in entrepreneur's total income and percentage of entrepreneurs who claim that direct selling represents the largest portion of their income

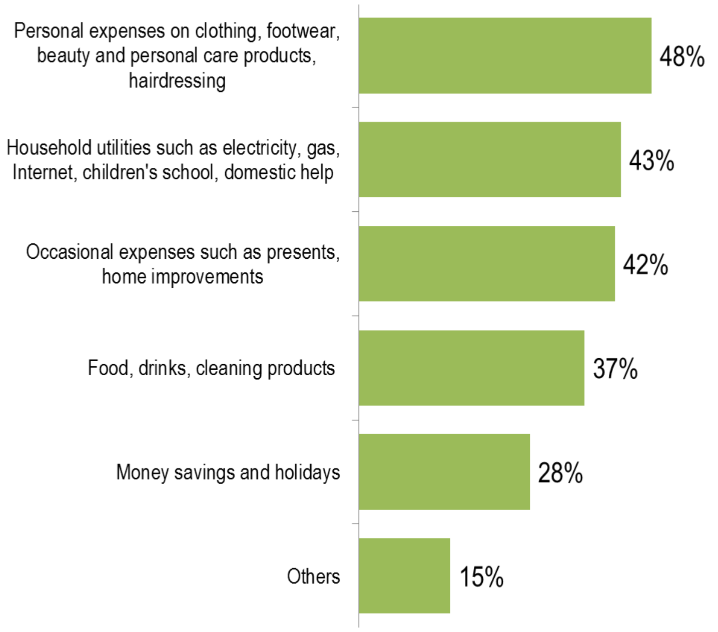


13.1. Currently you would say that… READ. Only one answer allowed.

SOURCE: SEIS Study Argentina 2017 Survey to independent entrepreneurs

- Incomes coming from direct selling are primarily destined to personal expenses (clothing, footwear, hairdressing, 48%); utilities (public services such as electricity, water, telephone, etc. 43%) and occasional expenses such as presents, home improvements (42%) (Graphic 17).

Graphic 17: assigned expenses from direct selling income



P22. In which of the following do you invest the revenues from your direct selling activity? READ. More than one option is allowed.

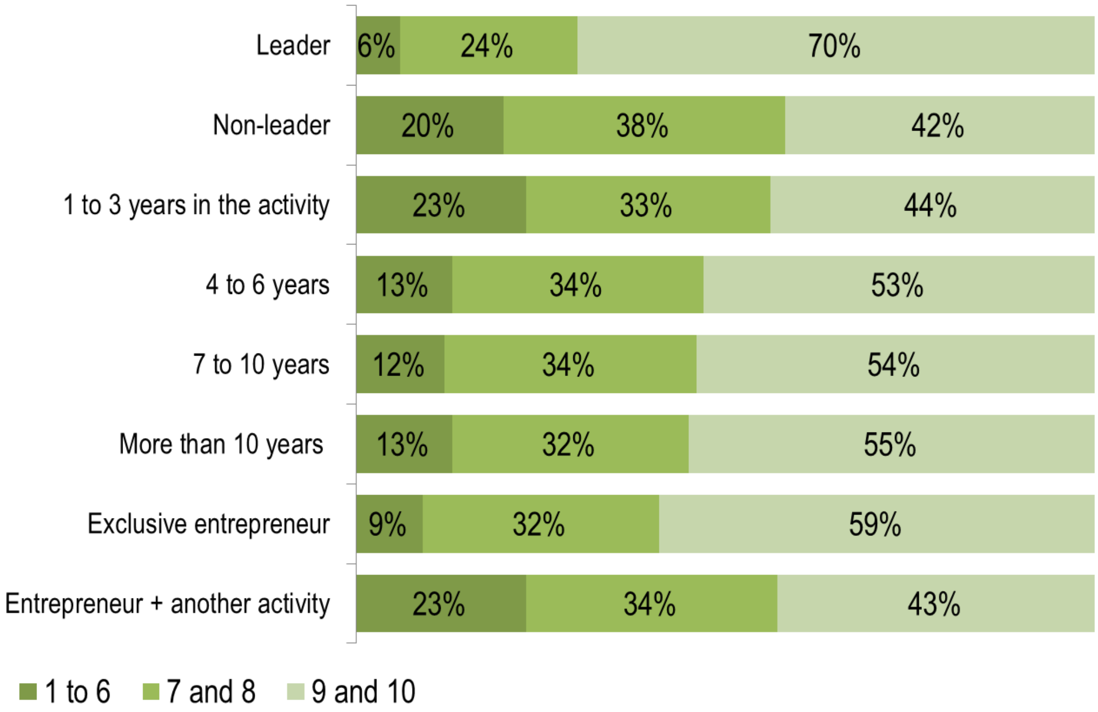
SOURCE: SEIS Study Argentina 2017 Survey to independent entrepreneurs

- On average, 20% of income is reinvested in utilities and travelling expenses (allowance) for the development of the activity.

Overall satisfaction with the activity, training and provided materials as well as with the generated income from direct selling

- Overall satisfaction of entrepreneurs with direct selling is high: half of entrepreneurs rate it 9 or 10 versus 16% with lower scores (6 or below).
- The segments with the highest level of satisfaction are network leaders (70% assign satisfaction percentages of 9 or 10), the ones who have the longest time in the activity and those who are dedicated exclusively to direct selling (59%) (Graphic 18).

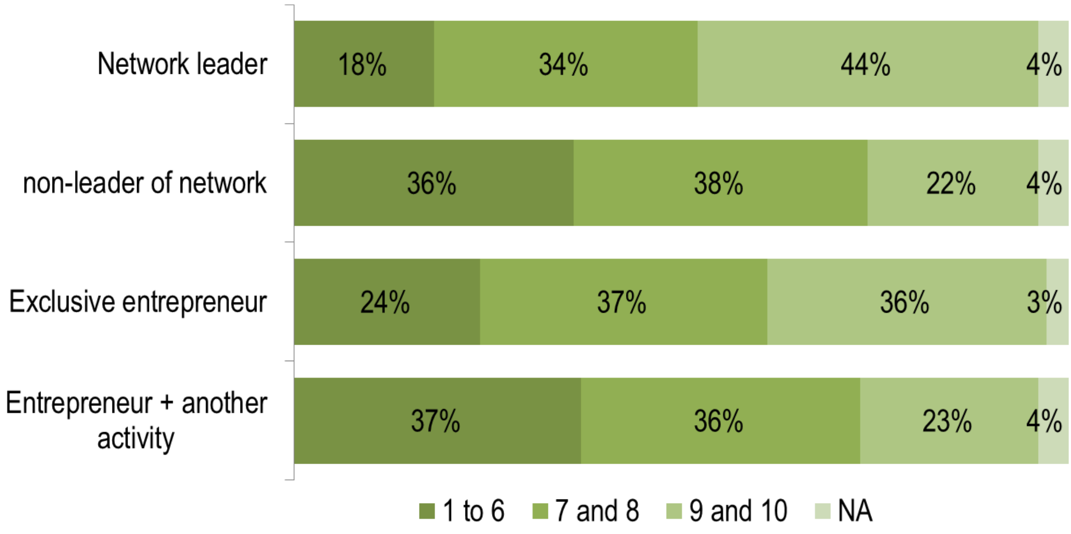
Graphic 18: overall satisfaction with direct selling (scores grouped 1 to 10)



SOURCE: SEIS Study Argentina 2017 Survey to independent entrepreneurs

- Training provided by the companies of the sector is highly valued by independent entrepreneurs: 6 out of 10 respondents claimed to be very satisfied with them (57%) providing a satisfaction score of 9 or 10.
- The most critical aspect of satisfaction is linked to incomes. Among respondents, there were equal proportions of entrepreneurs dissatisfied with level of income (30% rate the level of satisfaction with 1 to 6) and satisfied with level of income (30% rate the level of satisfaction with 9 to 10).
- The level of satisfaction with incomes is low and more critical within the segments of entrepreneurs combining direct selling with other profitable activities (Graphic 19).

Graphic 19: Level of satisfaction with incomes generated by direct selling (scores grouped 1 to 10)

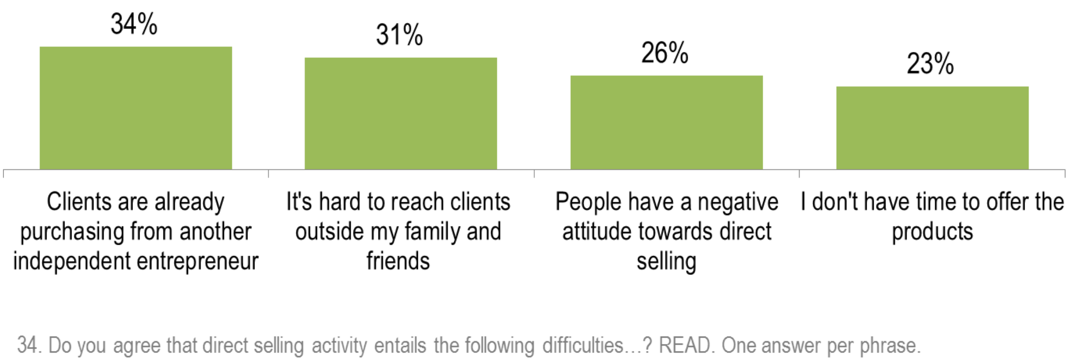


SOURCE: SEIS Study Argentina 2017 Survey to independent entrepreneurs

Barriers for the development of the activity

- A barrier noticed by entrepreneurs is the lack of time (due to the combination and coexistence with other activities) to dedicate more weekly hours so as to generate higher income levels, like the ones of network leaders and exclusive entrepreneurs.
- Spontaneously they claim various difficulties to carry out the activity such as primarily issues related to the business (payment due date, high price of products, lack of stock, etc.); secondly, personal difficulties (fears, lack of time) and finally, barriers linked to the ability to approach and appeal to more clients.
- In a guided ranking, one third of entrepreneurs agree with having the difficulty of not being able to expand their client portfolio; plus they claim there is a somewhat negative image of the sector which harms their activity (Graphic 20).
- The guided assessment of difficulties reveals that difficulties are stronger within the group of newcomer entrepreneurs.

Graphic 20: Percentage of entrepreneurs who agree with the following difficulties arising from direct selling



SOURCE: SEIS Study Argentina 2017 Survey to independent entrepreneurs

SURVEYS TO COMPANIES

Sector’s overview and challenges

- Unanimously the interviewed companies agree on the fact that the most relevant positive impact provided by direct selling is the development of entrepreneurial skills as an element that fosters social change, enhances development opportunities and contributes to women’s empowerment.

Sector’s investments

- The companies associated to CAVEDI made investments on fixed assets for $507 million pesos in 2016. In addition to this, there were investments in areas such as entrepreneurs and providers’ training, brochures, logistics, packaging, rewards and events for entrepreneurs. In terms of usual prices, the investment on all items has increased.
- The companies of the sector allotted over $62 million pesos in training to entrepreneurs, which increased in 41% between 2016-2017. In addition to this, other investments were made in events, travelling and rewards to entrepreneurs for $354 million pesos. Within the aspects assessed in the study, the total amount of these investments for entrepreneurs comes second, after postage and logistics (Chart 3).

Chart 3: Investments in 2016 and 2017 on selected items. Expressed in million pesos.

	2016 In million pesos	2017 In million pesos	Percentage Growth
Postage, logistics	552	659	19%
Brochures, catalogs	287	308	7%
Products' packaging	247	300	21%
Travelling, rewards to independent entrepreneurs	264	297	12%
Marketing and communication	135	205	53%
Training for entrepreneurs	44	62	41%
Events for entrepreneurs	49	57	15%
Training for company employees	12	18	44%
Events for providers	7	11	46%

SOURCE: SEIS Study Argentina 2017 Survey to leaders of direct selling companies

Training

Training to employees and entrepreneurs reached $62 million pesos in 2017, 41% raise compared to 2016.

The study results show wide agreement on training-related topics which are highly valued by independent entrepreneurs. The topics focus on:

- Search and training of new clients
- Search and training of new entrepreneurs
- Sales techniques
- New technologies (Internet, social networks)

Specifically, some companies put their efforts into training of other issues such as: Compliance / Good practices / observance of rules, Handling complaints, financial organization, business planning, categories, Leadership, Team work, Handling conflict.

Public commitment of the sector

- Most companies associated to CAVEDI include both economic and social impact indicators among their strategic goals.
- There is wide agreement among interviewed leaders on environmental goals along with training for entrepreneurship, as the key cores for the sector's companies to achieve positive impact.
- Additionally, the companies contribute with contributions or actions related to entrepreneurship, education, social inclusion, environment, nutrition and health.

- Furthermore, regarding sustainability, the interviewed companies have moved forward in terms of specific actions with key actors in business development: entrepreneurs, employees, the community in general. A group of companies also participate in the academic field, NGO, public administration and among producers/ providers involved in the value chain.
- In most cases, they are companies that have their own foundations and teams which specially focus on Corporate Social Responsibility management and sustainability. The participation of the company's direct collaborators (management, owners, CEOs, employees) is open for topic selection.

Challenges of the industry

The interviewed leaders agree that the industry must concentrate on the following challenges:

- To capitalize on technologies available and drivers that encourage final consumer towards the digital channel so as to spur direct selling.

- To develop *e-commerce* technologies that can suit each independent entrepreneur's profile.
- To increase visibility of the sector and improve its reputation.
- To become an appealing source of income for independent entrepreneurs.

The interest of the companies to harnessing the *e-commerce model* has already spurred actions within the sector: most interviewed companies have made progress in some implementations such as product offering on social networks and virtual stores for product purchasing by independent entrepreneur and digital catalogs. These actions, however, entail limitations in direct selling as business owners point out certain difficulties in terms of logistics and freight costs which limit a more aggressive penetration of their products in the market.

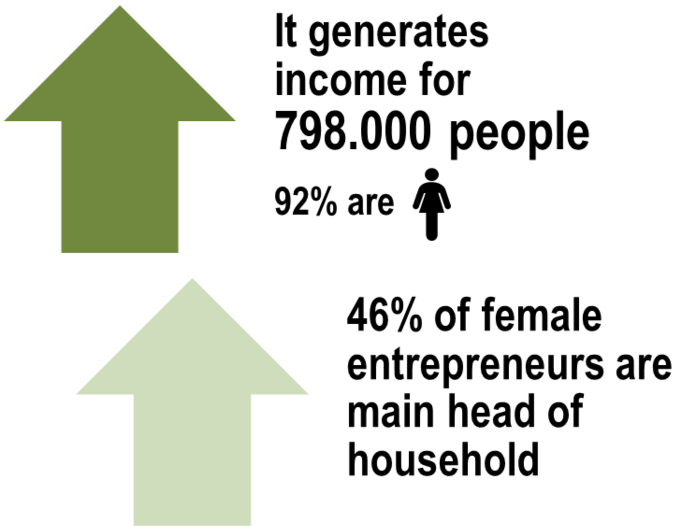
The interviewed companies were also categorical regarding the necessity of polishing the sector's public image so as to achieve a better reach to the final consumer and to communicate the independent business proposal as an appealing business opportunity. To that end, business owners highlight a need of open communications and set themselves apart from the pyramid schemes and informal economy.

Regarding the entrepreneur, companies expressed great concern for the fiscal costs which fall back onto the independent entrepreneur. Therefore, it is essential that the tax treatment aims at fostering the entrepreneurial activity.

CONCLUSIONS

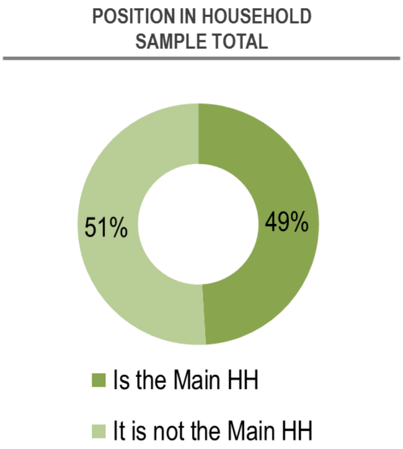
SUPPORT TO DEVELOPMENT, PROGRESS AND AUTONOMY OF WOMEN

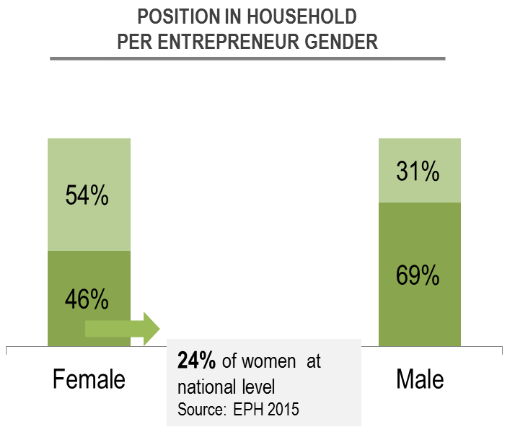
- The activity fosters the development of both men and women; nevertheless in Argentina the population related to the activity is still mainly feminine.
- According to CAVEDI's estimations and the entrepreneurs' study, the activity provides income opportunity to approximately 736.000 women half of whom are main head of household, which means that they are the main providers.
- The impact of direct selling on female population being main head of household (main HH) is really significant. These women represent 24% of the total adult feminine population. They are 46% of the direct selling universe.



- Most of these female main HH and entrepreneurs obtain income through various sources. According to the study, 3 out of 10 of such women main HH receive retirement or pension and 4 out of 10 are also employees on the payroll.

Entrepreneurs who are main head of household

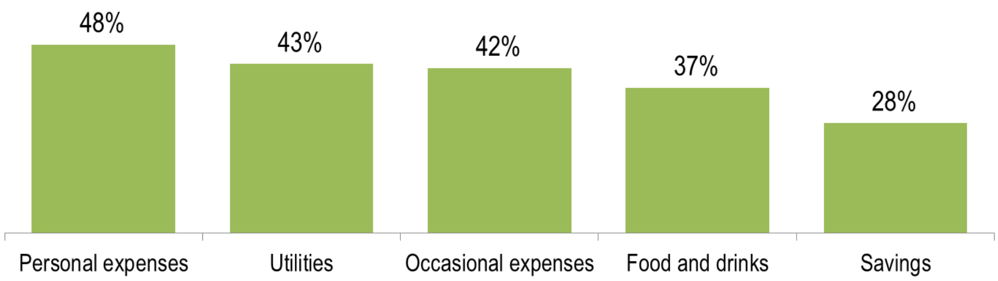




INCOME AND GROWTH OPPORTUNITY WITH NO LIMITS OR RESTRICTIONS

- Direct selling provides economic independence and it allows all parts involved to assign their income firstly to personal expenses (clothing, footwear, personal care products, etc.) either they are main head of household or not.

Purpose of income stemming from direct selling

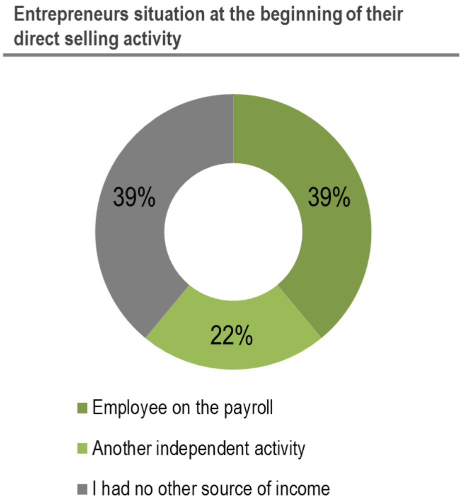


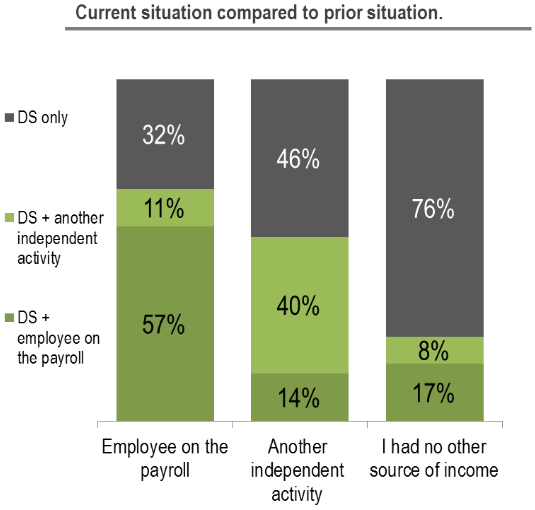
- Because the impact of the activity both on the households and the people is so significant, 4 out of 10 network leaders receive help from their families to carry out the activity, and the same happens for 3 out of 10 non-leaders.

- It proves to be a real, long-lasting alternative for people who had no individual income at the time of start-up.

- Additionally, it is an extra source of income for employees or people who have another independent activity.

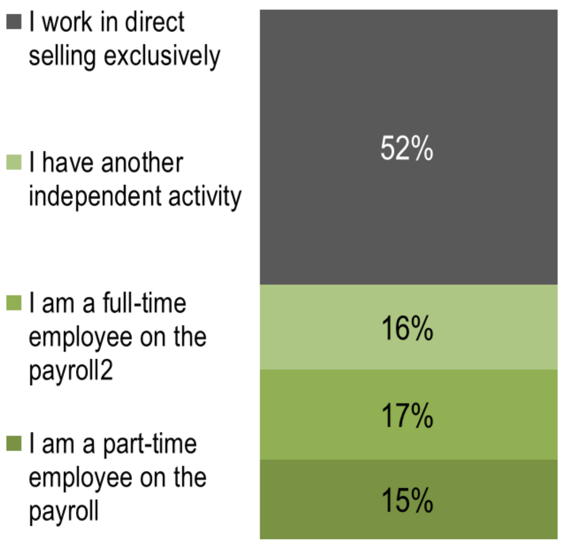
Situation of entrepreneurs at the time of starting up direct selling and current situation, compared to their prior situation.





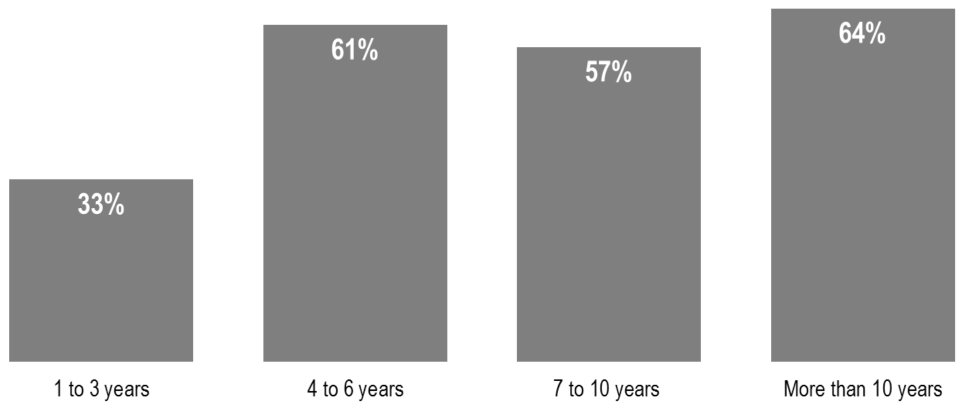
- Almost half of the current universe is exclusively dedicated to direct selling.

Current situation of entrepreneurs



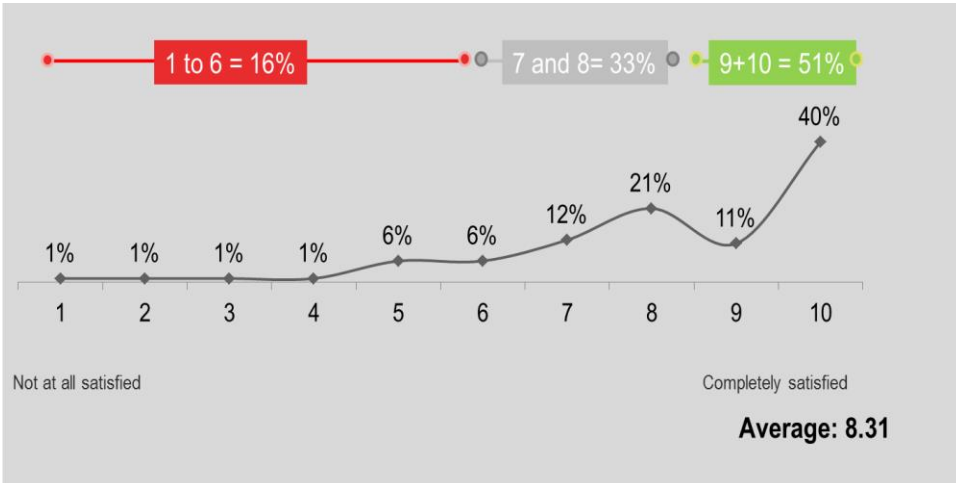
- The longer the time of the bond with the company, the more intense the relationship with direct selling. After 3 years, the study confirms that the level of involvement with the activity is much stronger.

Percentage dedicated to direct selling exclusively, per years in the activity



- The opinion of entrepreneurs shows a high level of satisfaction towards the activity and with the possibility of opportunities for people in various conditions.

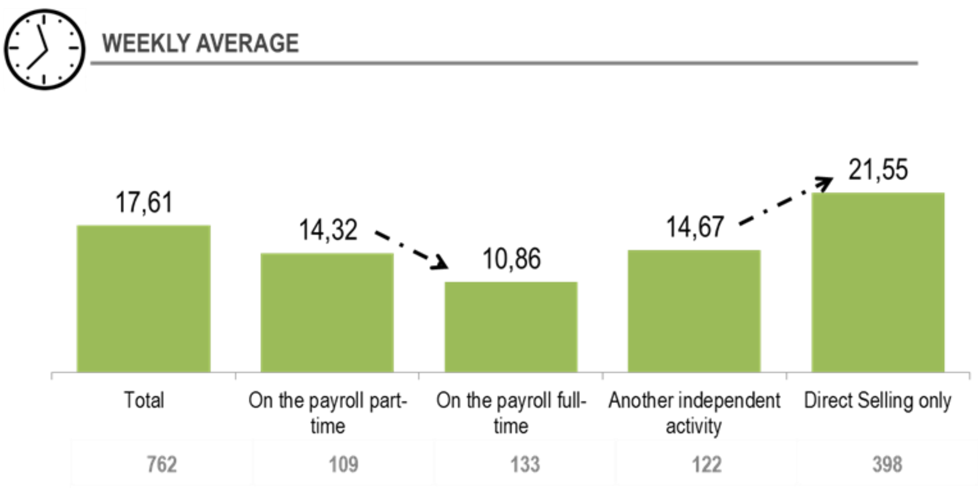
Level of satisfaction with direct selling



- One of the main characteristics of direct selling is that in terms of income there are no limits for the entrepreneur and the activity can be undertaken with a minimum of weekly hours. Flexibility in terms of personal schedule is a highly valued aspect.

> *I'm independent*
>
> *Freedom of time and money*
>
> *I don't have to report to anyone*
>
> *I own my business*
>
> *I am my own boss*
>
> *It allows me to manage my own schedule*
>
> *There is no agenda, I have my own calendar*
>
> *I can work out of home, I do not leave my children alone*

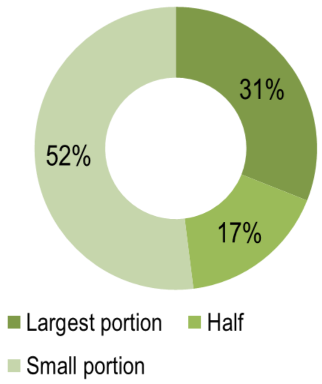
- In terms of dedication or intensity, direct selling is considerably less demanding than other activities such as being an employee on the payroll (50% less than a job of up to 35 hours a week).



12. On average, how many hours do you dedicate to your direct selling activity?

- Almost half the entrepreneurs state that the generated income from direct selling represents at least half their individual income.

Importance of direct selling in terms of income



% who admit that direct selling is the largest portion of their income

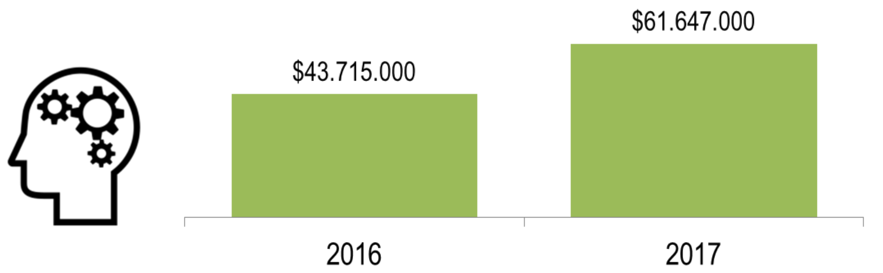
Exclusive entrepreneurs 52%	Entrepreneur + other type of activity 9%
Leader 56%	Non-leader 19%

13.1. Currently you would say that… READ. Only one answer allowed.

DEVELOPMENT OF ENTREPRENEURIAL SKILLS, TRAINING AND PERSONAL DEVELOPMENT

- Direct selling provides a great opportunity for personal learning and further development. Companies associated to CAVEDI invested over $62 million pesos in 2017 only, 41% more than in 2016.

  Investments of companies on Training for entrepreneurs (in pesos)



- In addition to this, there are further investments such as events, travelling and rewards for entrepreneurs. In 2017 these figures reached up to $297 millions, 12% more than in 2016.

- Investment in training and permanence in the activity has direct repercussions in personal life improvements of entrepreneurs: it has helped them to enhance management skills, self-esteem, time management and other attitudes related to sales and group activities.

32. Do you agree on the fact that direct selling has helped you improve the following aspects in your life? READ. Only one answer per phrase

SUPPORT TO THE COMMUNITY

- Overall, all companies associated to CAVEDI undertake actions aiming at the community, their employees, collaborators and independent entrepreneurs.
- Furthermore, in most cases they have their own foundations and teams who are involved in Corporate Social Responsibility management and sustainability.
- Additionally, the companies have made contributions and donations to social organizations.

SUMMARY

- Direct selling is a channel with a constant level of sales, which takes place as the same time as the massive expansion and accelerated growth of retail and *e-commerce*.
- It generates revenue of about $182.600 million dollars worldwide, and in Argentina it has reached to $1.800 million dollars in 2016.
- Between 2013 and 2016 the country's sales in dollars have increased 37% on average.

- In the global ranking, direct selling holds the position Nº 17 of 69 countries (Graphic 1, chapter Sector Status).
- Within the region, it is 4th in the ranking after important markets such as Brazil, Mexico and Colombia (Graphic 1, chapter Sector Status).

The contribution of the most important companies of direct selling in the country in 2016:

CONTRIBUTION OF DIRECT SELLING TO NATIONAL ECONOMY (values expressed in pesos)

CONTRIBUTIONS OF DIRECT SELLING TO ENTREPRENEURS (values expressed in pesos)

798.000 entrepreneurs / active resellers

(92% women)

62 million pesos in training to entrepreneurs

354 millions in travels and y events for entrepreneurs

Direct selling companies are strongly committed to fostering the entrepreneurial world.

The company sector's leaders agree that their greatest efforts are aiming at the **development of entrepreneurial skills**, thus fostering

Economic and personal development

Social mobility

Women empowerment