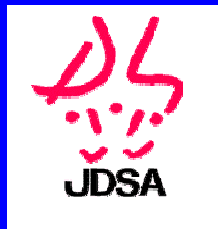


The Social and Economic Contributions from Direct Selling: Insight from Japan

2004 Socio-Economic Contribution Study



World Federation of Direct
Selling Associations



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Executive Summary

Direct selling in Japan provides significant economic and social contributions to Japanese families and to the country as a whole. This report highlights the many contributions of the direct selling industry to Japan, based on two new surveys, one of direct selling companies and a second of individual direct sellers. This report was commissioned jointly by the Japan Direct Selling Association (JDSA) and the World Federation of Direct Selling Associations (WFDSA).

Direct selling is a unique and often misunderstood business. While the concept of non-store retailing itself is quite common (e.g., catalogs, TV or radio sales, telemarketing, or Internet sales), direct selling is unique because it offers a personalized retail experience. Consumers benefit from product demonstrations, trials and customized service, often not available through alternative retail channels. Direct selling provides convenience, quality, and value for money. Direct sellers are drawn to the industry because it allows them to own their own business and provides them the opportunity of self-employment with modest startup costs and minimal risk. Direct selling also provides schedule flexibility for those who are not able to work full-time or with fixed hours. Direct selling offers an alternative income source for Japanese households.

The Japanese Direct Selling Industry

Direct selling maintains a significant place in Japanese society. It is a large, vibrant and unique industry with a wide of range of product offerings touching many aspects of Japanese life.

The direct selling industry in Japan is comprised of approximately 1,300 companies, with total sales revenue of ¥2,821 billion in 2003. Unless stated otherwise all currency in this report is reported in Japanese Yen (¥). The exchange rate as of March 2005 is ¥1 = 0.0096 US\$ or 1 US\$ = ¥104. The industry includes a number of global companies with household names, such as Avon, Amway, and Tupperware. There are also a number of Japanese-based companies, including Miki Shoji, Nikken Sogyo, Fuyo Company, Pola Cosmetics, Nikken Sohonsa, Oppen Cosmetics, and Nippon Menard.

The direct selling industry accounts for 2.2 percent of total retail sales in Japan (Figure II.1). In 2003, there were approximately 7 million Japanese associated with the direct selling industry: an estimated 2 million of these are direct sellers who received compensation (commission, overrides or bonuses) from direct selling companies (Table II.2).

Direct selling revenues have contracted a total of 8.1 percent between 1999 and 2003. However, during the same timeframe, Japanese GDP declined a total of 1.9 percent and, more importantly, retail sales declined 9.3 percent. Direct selling is increasing market share in the face of a declining retail market.

Direct selling organizations sell a wide variety of consumer products and services. In the Japanese direct selling industry, the largest categories of product sales are personal care (¥1,425,166 million of sales) and health products (¥930,080 million), which together account for almost 84 percent of total direct selling revenues.

Direct selling appeals strongly to Japanese women and families (Table II.5). Direct sellers are predominantly women (92 percent), married (84 percent) and have four or more members in the household (57 percent). Sixty-four percent of direct sellers live in a suburban or rural environment, and 86 percent have a high school diploma or below. Direct selling also offers opportunities for older people: 60 percent of direct sellers are age 50 or older.

Economic Contributions of the Direct Selling Industry in Japan

The direct selling industry provides wages and salaries to the employees of the direct selling companies plus compensation in the form of commissions, overrides, and bonuses to its self-employed direct sellers. In addition, the direct selling industry's purchases of goods and services from other Japanese companies provide employment and income to the employees of those companies. Spending by the direct sellers and employees of the direct selling companies and their suppliers also generates employment, personal income and taxes in the Japanese economy.

In 2003, the direct selling industry employed an estimated 29,500 employees in direct selling organizations; it also paid commissions, overrides, and bonuses to approximately 2,000,000 direct sellers. They earned an estimated ¥1,396 billion in wages, salaries and other compensation from the direct selling industry. These are both considered direct economic impacts of the direct selling industry (Table ES.1).

The direct selling industry also contributes to Japanese employment in two additional ways. First, the industry buys products and services from other Japanese companies (suppliers), supporting additional Japanese jobs. This first effect is referred to as the "indirect employment contribution". Second, the income earned by the direct sellers and employees of the direct selling industry and its suppliers becomes personal income, part of which is spent in their role as consumers. These activities support additional jobs in the retail and other sectors such as the housing, medical, entertainment, and service sectors. This second effect is referred to as the "induced employment contribution".

Based on our analysis of the income multiplier for the Japanese direct selling industry, Ernst & Young estimates that an additional ¥1,023 billion in Japanese personal income was created through the indirect and induced income impact (Figure ES.1).

Figure ES.1: Total Personal Income Contribution of the Japanese Direct Selling Industry, 2003 (¥ in billions)

Total personal income impact:	¥2,419	
Total indirect & induced impact:	¥662	Induced economic activity: Personal income resulting from increased personal consumption expenditures by direct sellers, direct selling company employees, and supplier company employees
¥1,023	¥361	Indirect economic activity: Personal income due to purchases from suppliers to the direct selling industry
	¥1,396	Direct economic activity: Personal income resulting from the operations of the direct selling companies. The direct personal income impact includes compensation to employees and direct sellers, including wages and salaries, commissions, bonuses, fringe benefits, and employer contributions for social insurance.

Source: E&Y calculations

Fiscal Contributions of the Direct Selling Industry in Japan

The direct selling industry's contributions to jobs, income, investment and research and development also result in increased tax collections for the Japanese government. The economic activity generated by the direct selling companies resulted in an estimated ¥592 billion in total national and local taxes to the Japanese government in 2003 (Table III.2).

Social Contributions of the Direct Selling Industry to Japan

The direct selling industry makes a substantial economic contribution to the Japanese economy. While economic contributions are more easily measured, the industry also contributes considerably to the quality of life enjoyed by many Japanese. The survey of direct sellers sheds light on the social contributions of the industry. Among these is an income earning opportunity this segment of the population might not otherwise enjoy. Another is work schedule flexibility that is helpful to Japanese families. Finally, and perhaps most importantly to the sellers, the work environment is very social, offering significant interaction and a chance to meet new people.

Benefits of Direct Selling to Direct Sellers

Social Work Environment

The social nature of the work environment is very appealing to Japanese direct sellers. The greatest benefits cited for being in the profession are the chance to “meet and socialize” and “buy products at a lower price” (Figure IV.5). Direct sellers’ main reason for getting involved with a company is its products (Figure IV.1), and they tend to remain loyal to that company – only two percent work with more than one company.

Flexible Income Earning Opportunities

The flexible nature of direct selling provides expanded income earning opportunities for many individuals. Forty-eight percent of direct sellers report working less than 20 hours per week, and 39 percent work less than 10 hours. This opens up supplemental income opportunities for many people who are not able to work full-time or cannot commit to a fixed work schedule. Since most direct sellers are family oriented women, this flexibility is very important to them, and 64 percent of respondents cited it as a benefit (Figure IV.4).

Improved Professional Skills

A significant percentage of direct sellers listed professional skills development that they attribute to their participation in direct selling. Eighty-one percent reported that they “feel more at ease in front of an audience”. Seventy-nine percent said they have built self-esteem and confidence through their direct selling experience.

Satisfaction of Direct Sellers

Nearly twice as many direct sellers are satisfied with their experience in the industry as are unsatisfied. Over 49 percent described themselves as either “somewhat satisfied” or “very satisfied” compared to 25 percent who described themselves as “somewhat unsatisfied” or “very unsatisfied” (Figure IV.7).

Benefits of Direct Selling to Consumers and Society

Serving Hard to Reach Consumers

Direct selling increases access to retail markets in rural areas, generally underserved by traditional retail channels. Of the survey respondents 21 percent of their customers are age 61 or older. Direct selling provides these consumers with access to additional goods they might not otherwise be able to find.

Contributions from Charitable Giving

Direct selling organizations gave an estimated ¥15.3 million to charitable causes in 2003. When asked if they contribute any money, goods or services to social programs, 73 percent of respondents said they contributed to human services and charities (Figure IV.8).

Conclusion

The direct selling industry in Japan is a vibrant part of the Japanese economy and community. Its contributions to Japanese families and the Japanese economy are significant and important. While the economic contributions of jobs, personal income, investment, and taxes can be quantified, it is also important to recognize the social contributions that are made to individual families' lives and well-being. Increased self-esteem, self-confidence, organization and management skills will play a major role in building a stronger future for direct sellers, their families, their communities and their country. As one direct seller put it:

“I have become more open-minded by meeting so many people. I can see different points of view and am less judgmental. I have also become more positive in my outlook. These changes have affected my children, too.”

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I. Introduction

Purpose and Scope of Study

Ernst & Young was commissioned jointly by the Japan Direct Selling Association (JDSA) and the World Federation of Direct Selling Associations (WFDSA) to conduct a study of the socio-economic impact of the direct selling industry in Japan. The objective of this study is to present the direct and indirect social and economic impact of the Japanese direct selling industry. Regulatory and legal issues are outside the scope of the study.

This report estimates these social and economic impacts based on two new surveys, one of direct selling companies and a second of individual direct sellers. All 282 member companies of JDSA received a survey questionnaire asking about matters such as sales, organization, investment, and charitable activity. Sixty-nine company surveys were returned for a 24 percent response rate. The responding companies comprise approximately 32 percent of the JDSA's revenues: JDSA members account for 89 percent of the industry revenues in Japan. This implies that the survey population represents approximately 29 percent of the direct selling industry's revenues in Japan.

A random sample of 1,568 direct sellers were sent questionnaires asking about their experiences as direct sellers and the impact the industry has made on their lives. The sample of direct sellers was chosen from companies in proportion to company revenues in the direct selling industry. There were 158 direct seller surveys completed and returned for a 10 percent response rate. Of these, 72 percent indicated they had conducted direct selling activities within the past two years. A more detailed discussion about the survey methodology can be found in Appendix D.

An economic model, based on Japanese input-output tables, was developed by Minnesota IMPLAN Group, Inc. to account for the complex economic interactions among producers, intermediate suppliers and consumers. The input-output relationships in the model identify how higher direct employment in the direct selling industry leads to higher indirect employment and output in supplier industries and additional induced economic activity from increased spending by consumers. The economic model estimates the combined nationwide economic impact (initial and multiplier effects) of direct selling activity in Japan. *Unless stated otherwise, all currency amounts in this report are reported in Japanese Yen (¥).* The exchange rate as of March 2005 is ¥1 = 0.0096 US\$ or 1 US\$ = ¥104.

As context for understanding the results, it is important to first understand the nature of the direct selling industry in general.

The Direct Selling Industry

Direct selling is a unique and often misunderstood business. While the concept of non-store retailing itself is quite common (e.g., catalogs, TV or radio sales, telemarketing, or Internet sales), direct selling is unique because it offers a personalized retail experience. Consumers benefit from product demonstrations, trials and customized service, often not available through alternative retail channels. Direct selling provides convenience, quality, and value for money.

Direct sellers are drawn to the industry because of the opportunity for self-employment with modest startup costs and minimal risk. Direct selling also provides work schedule flexibility for

those who are not able to work full-time or with fixed hours. Direct selling offers an alternative income source for Japanese households.

The direct selling industry in Japan provides significant financial and non-financial contributions to households, the community and the country. Direct selling, although not as prominent as store retail selling or other non-store retail selling, plays an important role in the Japanese economy and society.

Direct Selling Compared to In-store Retailing and Other Non-store Retailing

WFDSA's code of conduct defines direct selling as:

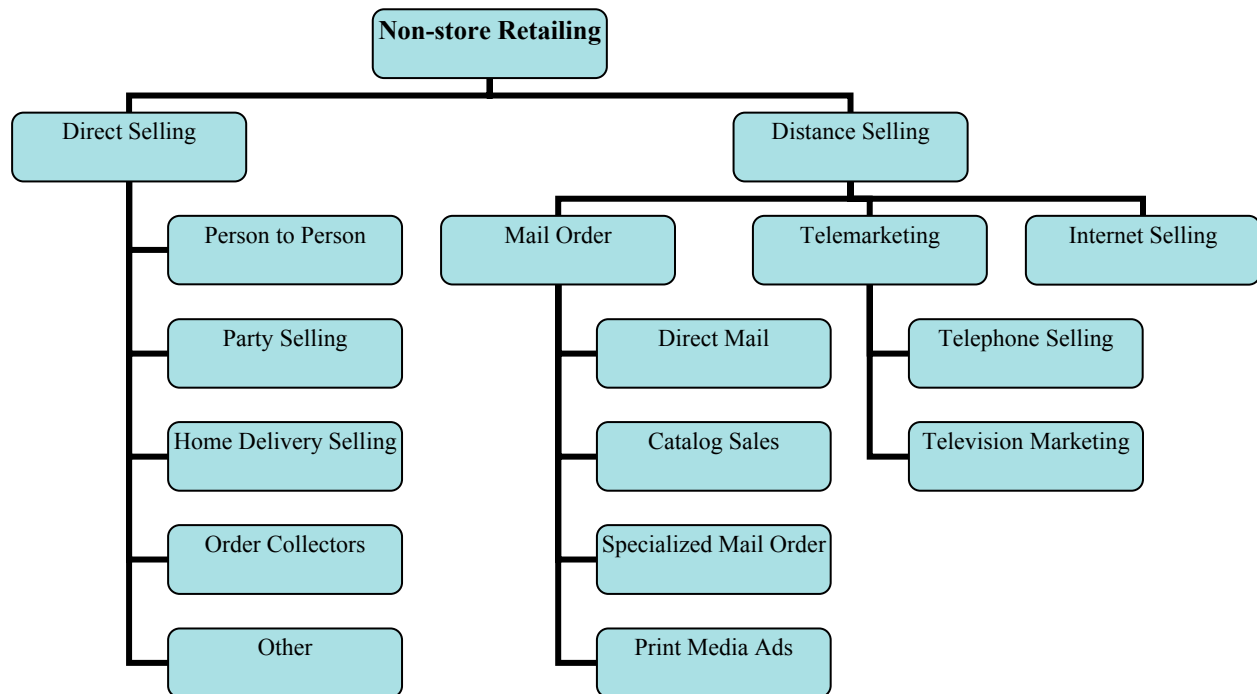
the marketing of consumer products directly to consumers generally in their homes or the homes of others, at their workplace and other places away from permanent retail locations, usually through explanation or demonstration of the products by a Direct Seller.

Direct selling is a part of “non-store retailing”, or retailing that take place outside of the traditional store environment. Direct selling is composed of independent direct sellers, who offer personalized interaction between customers and product representatives.

Unlike traditional in-store retailing, non-store retailing does not require a fixed retail location. Non-store retailing methods include catalogs, mail order, telemarketing, television marketing, and Internet sales. Each of these non-store retailing channels is defined by the method used to reach the consumer: telemarketing uses the telephone to contact potential customers, for example. Figure I.1 shows the most common types of non-store retailing and the modes by which they most frequently reach consumers.

Direct selling differs from other forms of non-store retailing by providing the consumer with personalized interaction with people who are knowledgeable about the products. This makes the purchase experience convenient and informative. Direct sellers use a variety of methods to connect with customers. These include person-to-person, party plan, and home delivery selling. The two most common methods use by direct sellers are:

- Person-to-Person: The direct seller demonstrates or explains the goods or services they wish to sell to the potential customer, often through a prior arrangement or introduction.
- Party Plan: A direct seller acts as a host/hostess and invites friends and family to a demonstration of goods or services. Alternatively, a customer serves as host/hostess and invites an outside direct seller to demonstrate the goods or services to their guests.

Figure I.1: Components of Non-store Retailing

Direct selling is similar to in-store retailing for the consumer because someone who understands the product is on hand to address consumer concerns. Direct sellers are able to spend more time demonstrating the product, and often have more knowledge than a store employee simply because they specialize in one particular product or product line. The major advantage of the person-to-person and party plan methods is that the direct seller is on hand to address customer questions.

Direct selling also differs from traditional retail stores and even most non-store retail channels in that the startup costs for the individual direct seller are low. New direct sellers can join the direct selling organization with minimal up-front investment, allowing them to grow their business based upon their own initiative.

Compensation Structure of Direct Selling Organizations

Direct selling organizations are generally organized into either a single or multi-level compensation model.

- Single-level organizations offer one of two sources of compensation to their direct sellers. The first is the markup between wholesale and retail prices; the second is commissions, paid directly to the direct seller. For the most part, the direct seller acts as a traditional retailer, buying the product at wholesale from the organization and selling it to the consumer at a retail price.
- Multi-level organizations offer direct sellers an additional method of compensation. Direct sellers still earn income through sales to their direct customers, as in a single-level organization. In addition, the direct seller earns compensation based on the sales of other

direct sellers they have introduced, trained, and supported in developing their business and on the sales of others recruited by their recruits down a number of levels. The direct seller is not compensated for the recruiting itself, but receives a share of the profit on sales of their down-line sales organization. Most of Japan's direct sales organizations (94 percent of those surveyed) are structured for multi-level compensation.

As described above, the majority of direct sellers are not employees of the direct selling organization – they do not receive traditional wages and salaries for their work. Rather they are self-employed, independent contractors whose compensation is based on the level of sales they achieve and related sales performance incentives.

Report Structure

This report estimates the economic and social contributions of the direct selling industry in Japan based on the two surveys described above. An overview of the Japanese direct selling industry is provided in Section II, followed by estimations of the economic and fiscal contribution of this industry in Section III. Section IV discusses the important non-economic social contributions that the direct selling industry has on the Japanese population. The appendices contain information regarding data sources and methodological descriptions.

II. The Japanese Direct Selling Industry

Direct selling maintains a significant place in Japanese society. It is a large, vibrant and unique industry with a wide of range of product offerings touching many aspects of Japanese life.

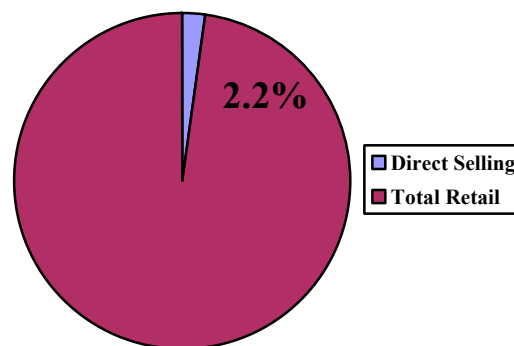
Size of the Industry

As of 2003, there were approximately 1,300 direct selling companies in Japan. The industry includes a number of global companies with household names, such as Avon, Amway, and Tupperware. There are also a number of Japanese-based companies, including Miki Shoji, Nikken Sogyo, Fuyo Company, Pola Cosmetics, and Nikken Sohonsa, Oppen Cosmetics, and Nippon Menard.

JDSA members account for 89 percent of total direct selling revenues in Japan. These companies are generally well-established and have been in the direct selling business an average of 19 years.

Direct selling industry revenues in Japan totaled ¥2,821 billion in 2003. With retail sales totaling ¥128,231 billion in Japan, direct selling represents a 2.2 percent share of the total retail market (Figure II.1).

Figure II.1: Direct Selling Share of Retail Sales, 2003



Source: Retail Sales from Japan Ministry of Economy, Trade and Industry.
Direct Selling Revenues from WFDSA.

As shown in Table II.I, approximately 7 million Japanese were associated with the direct selling industry as of 2003. In 2003, Japan had a sales penetration rate of 18.2, meaning that there was one direct seller for every 18.2 people in Japan. Japan has more direct sellers than any other Asian country, although the penetration rate is lower in Japan than other Asian countries due to the large population.

Table II.1: Direct Sales Penetration Rates - Asia, 2003

Country	Population (thousands)	Direct Sellers (thousands)	Penetration Rate
Japan	127,620	7,000	18.2
Taiwan	22,605	3,818	5.9
Malaysia	24,530	3,000	8.2
Singapore	4,354	315	13.8
Korea	47,640	3,050	15.6
Thailand	64,860	4,000	16.2

Source: WFDSA and JDSA

Table II.2 shows the size of the Japanese direct selling industry relative to the Japanese population as a whole. Of the 7 million people associated with the direct selling industry in Japan, an estimated two million (29 percent) received compensation in the form of commissions, overrides or bonuses in 2003. Active direct sellers comprised approximately 3.2 percent of those employed in 2003.

Table II.2: Japan Population and Employment Data, 2003

Category	Population (thousands)
Total Population	127,620
Total Population 15 years or older	109,620
Total Labor Force	66,660
Total Employed	63,160
Total Direct Sellers	7,000
Total Direct Sellers Receiving Compensation	2,000

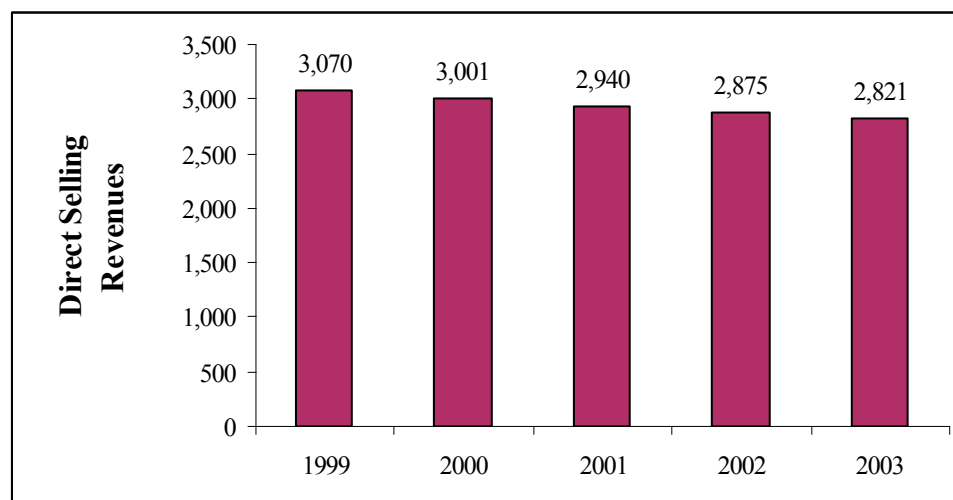
Source: Macroeconomic Data from Japan Institute for Labor Policy and Training.
Direct Selling data from WFDSA and JDSA.

Changes in the Industry

Figure II.2 shows recent trends in Japanese direct selling revenues. The trend in direct selling revenues reflects the continued contraction of the Japanese economy in general over the past five years. Direct selling revenues have contracted from ¥3,070 billion in 1999 to ¥2,821 billion in 2003, a decline of 8.1 percent. However, during the same timeframe, Japanese GDP declined a total of 1.9 percent and, more importantly, retail sales declined 9.3 percent.¹ Direct selling is increasing market share in the face of a declining retail market.

¹ GDP data from Economic and Social Research Institute (ESRI), Cabinet Office, Government of Japan.

Figure II.2: Japanese Direct Selling Industry Revenues, 1999-2003
 ¥ in billions



Source: JDSA

Table II.3 shows trends in direct selling revenues relative to retail sales in Japan over the past five years. Direct selling as a percent of retail sales has remained relatively constant, and overall has suffered less of a decline than some other retailing sectors, inching up from 2.17 percent of retail sales in 1999 to 2.20 percent in 2003. Overall, the direct selling industry in Japan has performed relatively well considering the economic environment.

Table II.3: Japanese Direct Selling Revenues as a Percent of Retail Sales, 1999-2003
 ¥ in billions

Year	Direct Selling Revenues	Retail Sales	Direct Selling Revenues as Percent of Retail Sales
1999	¥3,070	¥141,450	2.17%
2000	3,001	139,132	2.16%
2001	2,940	136,087	2.16%
2002	2,875	130,760	2.20%
2003	¥2,821	¥128,231	2.20%

Source: Research and Statistics Department, Economic and Industrial Policy Bureau, Ministry of Economy, Trade and Industry. Direct Selling revenues from WFDSA and JDSA.

Breadth of the Industry

Direct selling organizations sell a wide variety of consumer products and services. Table II.4 lists product categories, associated revenues, and the distribution of products sold by direct sellers in Japan. The industry reaches a wide consumer base with this variety of products, and so touches the lives of a diverse group of people. In the Japanese direct selling industry, the largest categories of product sales are personal care (¥1,425,166 million) and health products (¥930,080 million), which together account for almost 84 percent of total direct selling revenues. Other categories include food, household, family-related products, and service products.

Table II.4: Direct Selling Product Categories and Associated Revenues
 ¥ in millions

Product Categories	Revenues	Percent of Revenues
Personal Care Products	¥1,425,166	50.5%
Health Products	930,080	33.0
Household Products	279,637	9.9
Other	102,683	3.6
Family Related Products	73,429	2.6
Food Products	8,464	0.3
Service Products	1,532	0.1
Total	¥2,821,000	100.0%

Source: Weighted responses from E&Y Survey of Japanese Direct Selling Companies, 2004

Demographics of the Industry

An analysis of the demographics of direct sellers reveals the unique characteristics of the industry. The advantages of the industry attract people who might not otherwise participate in the Japanese workforce.

As shown in Table II.5, direct sellers in Japan are predominantly women (92 percent). The profession appeals to families – most direct sellers are married (84 percent) and have four or more members in the household (57 percent). Sixty-four percent of direct sellers live in a suburban or rural environment, and 86 percent have a high school diploma or below. Direct selling also offers opportunities for older people: 60 percent of direct sellers age 50 or older.

Direct selling offers substantial flexibility for those in the industry. It also allows labor force participation for segments of the population that might otherwise not be able to earn a living in more traditional industries. Direct selling is therefore a unique industry that contributes to improved quality of life and improved earning power for Japanese families.

Table II.5: Characteristics of Direct Sellers

Demographics	Category	Percent of Respondents
Gender	Male	8%
	Female	92
Age	18 - 34	6
	35 - 49	35
	50 - 65	49
	> 65	11
Marital Status	Single, never married	3
	Married / Co-habitant	84
	Divorced/Widow	13
Total # in Household	Two or less	19
	Three	23
	Four	22
	Five	15
	Six or more	20
Area of living	Urban	36
	Suburban	38
	Rural	26
Education	Below high school	73
	High school graduate	13
	College degree	12
	Graduate degree, i.e., Masters, Ph.D.	1
	Professional degree, i.e., MBA, MD	0%

Source: E&Y Survey of Japanese Direct Sellers, 2004

III. The Economic and Fiscal Contribution of the Japanese Direct Selling Industry

The direct selling industry provides wages and salaries to the employees of the direct selling companies plus compensation in the form of commissions, overrides, and bonuses to its self-employed direct sellers. In addition, the direct selling industry's purchases of goods and services from other Japanese companies provide employment and income to the employees of those companies. Spending by the direct sellers and employees of the direct selling companies and their suppliers also generates employment, personal income and taxes in the Japanese economy.

The sources of all data in this section are:

- The Ernst & Young survey of direct selling organizations in Japan (see Appendix B),
- Ministry of Economy, Trade and Industry in Japan, and
- Ernst & Young economic modeling (see Appendix D).

Direct Economic Contribution of Direct Selling Organizations

In 2003, the direct selling industry employed an estimated 29,500 employees in direct selling organizations; it also paid commissions, overrides, and bonuses to approximately 2,000,000 direct sellers. The 282 direct selling companies that belong to the Japan Direct Selling Association had total revenue of ¥2,520 billion. This represents 89 percent of the total direct selling industry in Japan.

Direct sellers, direct selling organizations and their employees earned an estimated ¥1,396.2 billion in wages, salaries and other compensation from the direct selling industry. This includes the compensation noted above plus non-wage compensation (including fringe benefits, retained earnings, and dividends from the direct selling industry). This amount is often called the “direct employment contribution.”

Figure III.1: Total Personal Income Contribution of the Japanese Direct Selling Industry, 2003
(¥ in billions)

Total personal income impact:	¥2,419	
Total indirect & induced impact:	¥662	Induced economic activity: Personal income resulting from increased personal consumption expenditures by direct sellers, direct selling company employees, and supplier company employees
¥1,023	¥361	Indirect economic activity: Personal income due to purchases from suppliers to the direct selling industry
	¥1,396	Direct economic activity: Personal income resulting from the operations of the direct selling companies. The direct personal income impact includes compensation to employees and direct sellers, including wages and salaries, commissions, bonuses, fringe benefits, and employer contributions for social insurance.

Source: E&Y calculations

Suppliers (Indirect) and Employee Spending (Induced) Contributions

In addition to the direct contributions of the direct selling industry listed above, the direct selling industry contributes to Japanese employment in two ways. First, the industry buys products and services from other Japanese companies (suppliers), supporting additional Japanese jobs. This first effect is referred to as the “indirect employment contribution”. Second, the income earned by the direct selling industry, its suppliers, and their employees becomes personal income, part of which is spent in their role as consumers. These activities support additional jobs in the retail, housing, medical, entertainment, and service sectors, among others. This second effect is referred to as the “induced employment contribution.” Figure III.1 shows the combined impact of the direct, indirect, and induced employment contributions.

Direct selling companies create economic activity in non-direct selling companies, such as product manufacturers and advertising firms. The revenues of these industries that are generated by the activities of the direct selling industry are called the *indirect impact*.

People involved in direct selling and supporting industries purchase goods and services in the general economy with the salaries, compensation and profits they earn. The revenues generated by these purchases are called the *induced impact*.

The additional income from indirect and induced jobs results in an income *multiplier* of 1.7. Based on this multiplier, an estimated additional ¥1,023.1 billion in Japanese personal income was created through the indirect and induced income impact. This means that the total impact on income of the industry in Japan is ¥2,419.3 billion.

Similarly, additional revenue from indirect and induced jobs results in a revenue *multiplier* of 2.5. So, while direct selling companies directly produce ¥2,821.0 billion in sales revenue their total impact on sales in the economy of Japan is ¥7,107.4 billion.

As noted previously, an estimated 2,029,500 people earned compensation in the direct selling industry – whether as direct employees or self-employed direct sellers. The purchases of direct selling organizations and the spending of their employees and direct sellers generated an additional 239,000 jobs. Thus, the total job generation attributable to the direct selling industry is 2,268,500.

The sum of the direct, indirect, and induced impacts is the total economic impact of the direct selling industry. These impacts are summarized in Table III.1.

Table III.1: Economic Contributions of Direct Selling
(¥ in billions)

Personal Income	Direct Impact	¥1,396.2
	Indirect Impact	360.9
	Induced Impact	662.2
	Total	¥2,419.3
Employment	Direct Impact	2,029,500
	Indirect Impact	65,166
	Induced Impact	173,812
	Total	2,268,478
Sales	Direct Impact	¥2,821.0
	Indirect Impact	1,501.9
	Induced Impact	2,784.5
	Total	¥7,107.4

Source: E&Y calculations (See Appendix D for methodological details)

Contributions to the Government: Tax Revenue Collections

The direct selling industry's contributions to jobs, income, and investment result in increased tax collections for the Japanese government. As shown in Table III.2, the direct selling industry directly and indirectly generated an estimated ¥592.1 billion in total national and local taxes in 2003.

Table III.2: Taxes Generated by the Direct Selling Industry
(¥ in billions)

Type of Tax	Direct	Indirect and Induced	Total Taxes
Total Taxes	¥364.7	¥227.4	¥592.1

Source: E&Y calculations

The direct and indirect national tax revenues generated by the direct selling industry in 2003 are summarized in Table III.3. As shown, the main source of this revenue is business income and business taxes.

Table III.3: Taxes Generated by the Direct Selling Industry
(¥ in billions)

Type of Tax	Taxes Collected
Consumption Tax	¥165.3
Individual Income Tax	109.8
Inhabitant Tax*	74.4
Corporate and Business Tax	62.7
Property Tax	60.5
Custom & Stamp Duties	13.8
Other Tax	105.6
Total Taxes	¥592.1

*Local tax on individual and corporate income
Source: E&Y calculations

The direct selling industry contributes significantly to the Japanese economy through both direct and indirect channels. The direct contribution includes sales revenue of ¥2,821.0 billion and employment of 2,029,500 and ¥364.7 billion in tax revenues. In addition, indirect and induced contributions through purchases of products and services from other Japanese companies and employee spending support an additional 239,000 Japanese jobs, ¥1,023.1 billion of personal income to Japanese families and economy, and ¥227.4 billion in tax revenues.

IV. The Social Contribution of the Japanese Direct Selling Industry

The direct selling industry makes a substantial financial contribution to the Japanese economy. While economic contributions are more easily measured, the industry also contributes considerably to the quality of life enjoyed by many Japanese. The survey of direct sellers (detailed in Appendix C) sheds light on the social contributions of the industry.

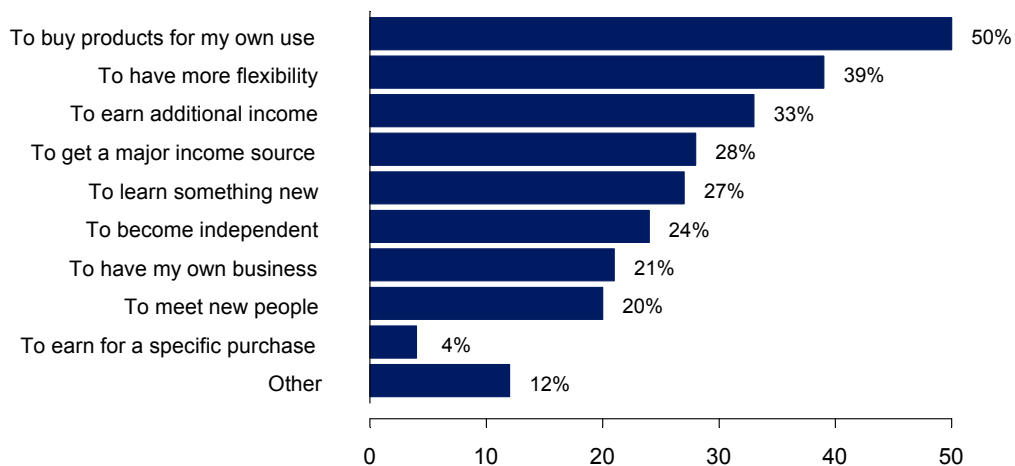
As shown in Table II.5, Japanese direct sellers are primarily married women with a high school education living in a suburban or rural area. The industry offers unique advantages that appeal to this segment of the population – helping them to have a greater impact on society than they might otherwise.

In this section, there are two major areas of focus. First is to understand the characteristics, motivations and experiences of the individuals involved in direct selling. Second is to highlight the social contributions these attributes help direct sellers make in Japan. Among these is an income earning opportunity this segment of the population might not otherwise enjoy. Another is work schedule flexibility that is helpful to Japanese families. Finally, and perhaps most importantly to the sellers, the work environment is very social, offering significant interaction and a chance to meet new people. These contributions are no less important than the economic contributions discussed in previous sections.

Work Experience of the Direct Sellers

The three primary reasons given for becoming a direct seller are “to buy products for my own use” (50 percent), “to have more flexibility” (39 percent) and “to earn additional income” (33 percent) (Figure IV.1). Many direct sellers join the profession based on an affinity for a product or product line. Direct selling gives them a chance to enjoy discounts on these products, plus some additional income on sales to others, without requiring them to make prescribed commitment of time or money.

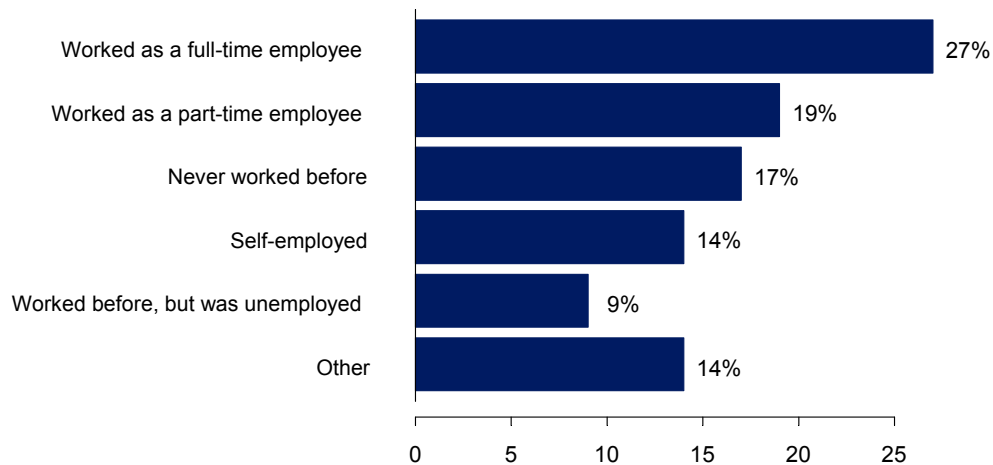
Figure IV.1: Reasons for Becoming a Direct Seller



Source: E&Y Survey of Japanese Direct Sellers, 2004

As shown in Figure IV.2, before joining the direct seller force, 46 percent worked as a full or part-time employee. Twenty-six percent of direct sellers had either never worked before or were unemployed before becoming a direct seller.

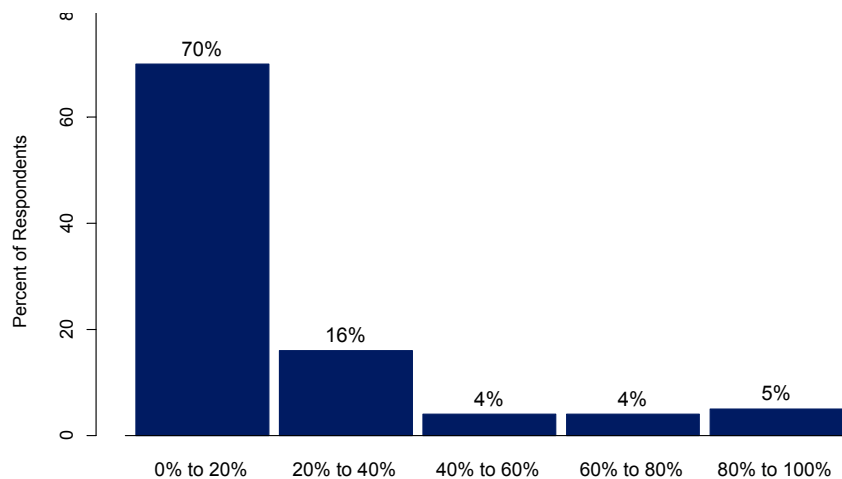
Figure IV.2: Previous Work Status of Direct Sellers



Source: E&Y Survey of Japanese Direct Sellers, 2004

Most direct sellers have received some form of training (68 percent). About 58 percent of the direct sellers received their training from the direct selling companies, and 7 percent of them received the training from their up-line direct sellers.

The great majority of direct sellers (98 percent) represented only one direct selling company during the past two years. As noted above direct sellers tend to work with companies from whom they purchase products for personal consumption. The survey respondents are very serious about direct selling as an income earning opportunity. The majority (70 percent) of respondents reported retail sales for personal consumption of 20 percent or less (Figure IV.3). They achieve the majority of their sales to others, as opposed to buying things for themselves.

Figure IV.3: Percentage of Retail Sales Used for Personal Consumption

Source: E&Y Survey of Japanese Direct Sellers, 2004

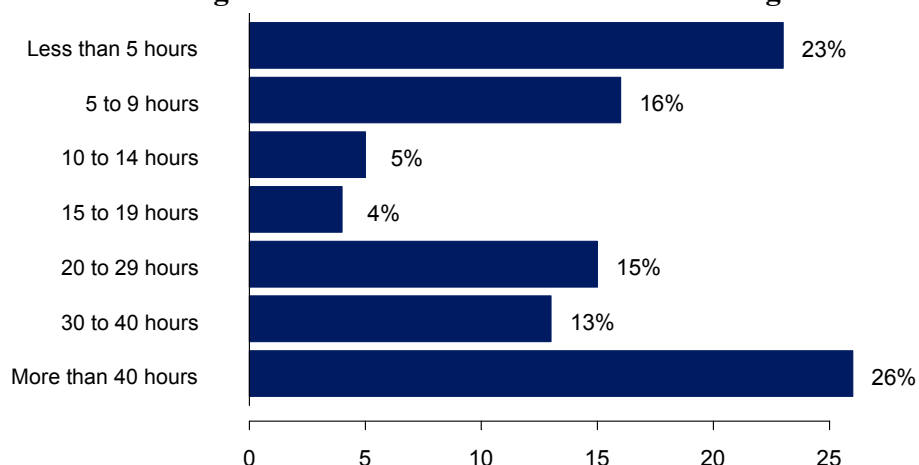
Time Devoted to Direct Selling

A unique feature of the direct selling industry is that it provides a flexible working schedule. The majority of direct sellers who responded (91 percent) work 12 months per year. However, the time devoted to direct selling varies widely. Though direct sellers may work throughout the year, some work long hours each week, while others spend less time on a regular basis.

Many of our survey respondents regard direct selling as only a part-time activity. Forty-eight percent of direct sellers report working less than 20 hours per week, and 39 percent work less than 10 hours. This opens up additional employment and supplemental income opportunities for many people who are not able to work full-time or cannot commit to a fixed work schedule.

However, direct selling can be an activity to which participants devote significant time. Twenty-six percent of direct sellers work more than 40 hours per week (Figure IV.4). Owning their own business is a more important motivating factor for those who devote significant time to direct selling activities. Among those who work more than 40 hours a week, 43 percent cite “own my own business” as a reason for becoming a direct seller, compared to 21 percent overall.

Figure IV.4: Time Devoted to Direct Selling



Source: E&Y Survey of Japanese Direct Sellers, 2004

Direct Selling Approaches

Direct sellers use various approaches to sell their products. Most direct sellers either sell directly to friends or use contacts provided by friends (94 percent, Table IV.1). Some use home parties, advertisements or simply knock on doors.

The Internet is used in direct selling, but is still an emerging method compared to more traditional approaches. Only 19 percent of direct sellers indicate use of the Internet as a sales approach.

Table IV.1: Direct Selling Approaches

Approaches Used	Percent of Respondents
Friends	94
Contacts through other people	87
Home parties	77
Advertisements, flyers	68
Telephone	59
Knocking on doors	49
Internet	19

Source: E&Y Survey of Japanese Direct Sellers, 2004

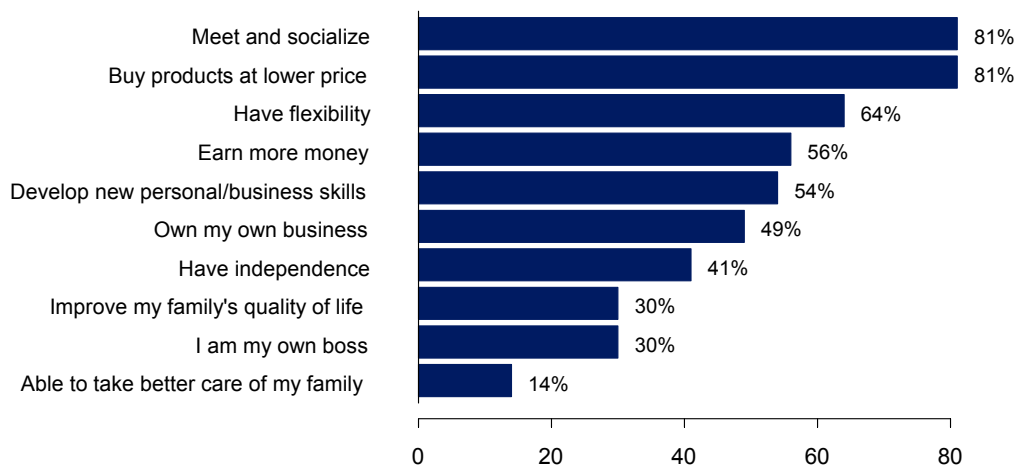
Benefits of Direct Selling to Direct Sellers

Providing otherwise unavailable work opportunities

Direct selling gives people who might not ordinarily work a chance to earn additional income and meet new people. As noted in Section II, most direct sellers in Japan are married women with a high school diploma or below who live in suburban or rural areas. Direct selling allows them opportunities to meet new people and earn extra income likely unavailable to them otherwise. As shown in Figure IV.5, 81 percent cited “Meet and socialize” and “Buy products at

a lower price” as benefits; 64 percent cited “Have flexibility”, and 56 percent cited “Earn more money”.

Figure IV.5: Benefits of Being a Direct Seller



Source: E&Y Survey of Japanese Direct Sellers, 2004

These values are reflected in the skills that direct sellers have honed through their direct selling activities. Table IV.2 lists some of these specific skills. “Feel more at ease in front of an audience”, “Build self-esteem and confidence”, “Better organize your agenda” and “Work better with others” all resonated with around 80 percent of respondents.

Table IV.2: Benefits of Being a Direct Seller: Improved Professional Skills

Improved Professional Skills	Percent of Respondents
Feel more at ease in front of an audience	81
Build self esteem and confidence	79
Better organize your agenda	78
Work better with others	77
Build better sales skills	69
Build business management skills	68
Take more initiatives	62
Improve performance on other jobs	22

Source: E&Y Survey of Japanese Direct Sellers, 2004

Development of Increased Personal Skills

A significant number of survey respondents listed personal skills development that they attribute to their participation in direct selling. As shown in Table IV.2, 79 percent reported that they built self-esteem and confidence through their direct selling. Not only did direct sellers find their skills improved through direct selling, the effects also carried over to other parts of their lives.

As shown in Table IV.3, 88 percent of respondents indicated that the benefits carried over to their private lives, and 16 percent of respondents indicated the benefits carried over to another job.

Table IV.3: Benefits of Being a Direct Seller: Benefits Carried Over

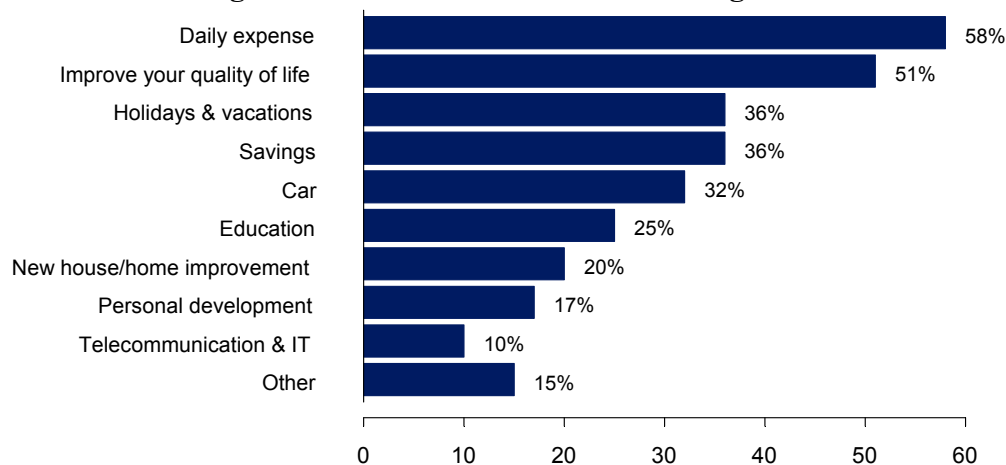
Benefits Carried Over	Percent of Respondents
In private life only	85
In another job only	13
In both private life and another job	3

Source: E&Y Survey of Japanese Direct Sellers, 2004

Financial Benefits

How did direct selling activities benefit respondents financially? Direct sellers often indicated more than one benefit, but they most frequently said they used the money earned from their direct selling activities for daily expenses (58 percent) and to improve their quality of life (51 percent) (Figure IV.6).

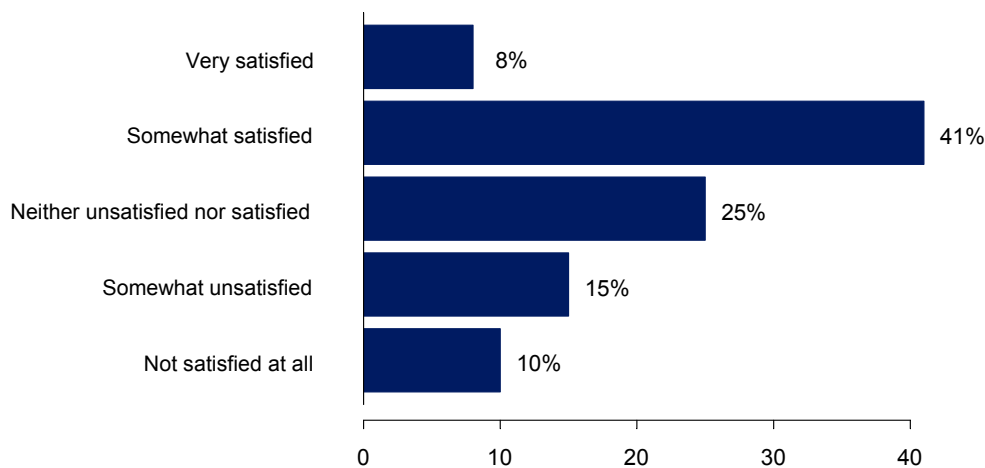
Figure IV.6: Financial Benefits of Being a Direct Seller



Source: E&Y Survey of Japanese Direct Sellers, 2004

Satisfaction of Direct Sellers

Nearly twice as many direct sellers are satisfied with their experience in the industry as are unsatisfied. Over 49 percent described themselves as either “somewhat satisfied” or “very satisfied” compared to 25 percent who described themselves as “somewhat unsatisfied” or “very unsatisfied” (Figure IV.7). According to the companies surveyed, the average turnover rate among direct sellers was 24 percent.

Figure IV.7: Satisfaction of Direct Sellers

Source: E&Y Survey of Japanese Direct Sellers, 2004

Testimonials of Direct Sellers

Here is a select sample of verbatim comments from direct sellers in response to the question “Please briefly describe one or two important things that have happened to you or your family OR that have helped others, as a result of being involved in direct selling.”

“Every month, I visit my clients and give them (skin)care tips. They also ask my advice about other things, which they always appreciate. I have fun meeting a lot of different people, and every day is enjoyable.”

“As a housewife, I feel happier and I am leading a more meaningful life because I have more things to do. But I wouldn’t be telling the truth if I pretended this had nothing to do with our income, or that I didn’t wish I could earn more.”

“I have gained more self-confidence when meeting people. Now, I can also help other people in my field.”

“I have developed deeper relationships with my clients, since I feel my clients and I should share our lives through at-home sales.”

“I have become more open-minded by meeting so many people. I can see different points of view and am less judgmental. I have also become more positive in my outlook. These changes have affected my children, too.”

“My children think more about the meaning of work, about relationships with others, and life values. They now set goals.”

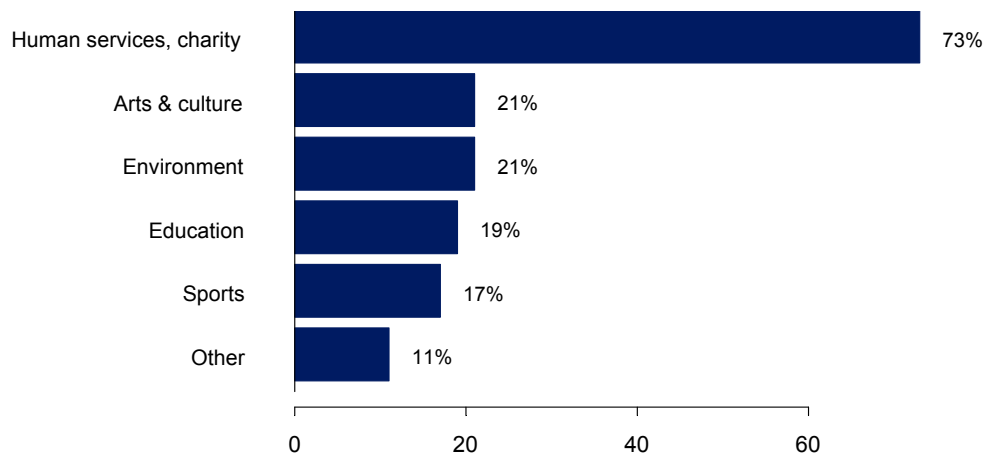
“My network has broadened and I feel enriched by my friendships. People ask for my advice, not just about sales.”

Social Benefits of Direct Selling to Society

Contributions from Charitable Giving

Direct selling organizations gave an estimated ¥15.3 million to charitable causes in 2003. When asked if they contribute any money, goods or services to social programs, 73 percent of respondents said they contributed to human services and charities, and 21 percent of respondents contributed to arts & culture and the environment (Figure IV.8).

Figure IV.8: Charitable Contributions to Social Programs
(Multiple Responses Allowed)



Source: E&Y Survey of Japanese Direct Sellers, 2004

Direct Selling Attracts Hard to Reach Consumers

Not all consumers are able to find what they need in their local stores nor do they have the benefit of non-store retail channels, such as the Internet. Direct selling increases access to retail markets in rural areas, generally underserved by traditional retail channels. Of the survey respondents 21 percent of their customers are age 61 or older. Direct selling provides these consumers with access to additional goods they might not otherwise be able to find.

Conclusion

While the economic contributions of jobs, personal income, investment and taxes can be measured, it is also important to recognize the social contributions that are made to individual families' lives and well-being. The industry draws in segments of society that might not ordinarily participate in the activities required of direct sellers. Families, and particularly women, benefit from the skills acquired and honed through participation in the industry.

The increased self-esteem, self-confidence, organization and management skills acquired through direct selling will play a major role in building a stronger future for direct sellers, their families, their communities and their country.

Appendix A: World Federation of Direct Selling Associations

The Japan Direct Selling Association (JDSA) is the official direct selling association of Japan and is a member of WFDSA. The JDSA provided invaluable support and collaboration in conducting the research. The current members of the JDSA are:

A C M Co., Ltd.	Enagic Co., Ltd.
Advance Co., Ltd.	Family Service Eiko Co., Ltd.
Ai Star Co., Ltd.	Feather Co., Ltd.
Aiken Koso Co., Ltd.	Finerich, Inc.
Allure Co., Ltd.	Flouveil Co., Ltd.
Amc Japan Ltd.	For Days Co., Ltd.
Amway Japan, Ltd.	France Bed Sales Co., Ltd.
Aqualux Co., Ltd.	Fukufuk Co., Ltd.
Arsoa Honsha Corp.	Fuyo Yakuhin Co., Ltd.
Asahi Solar Co., Ltd.	Gaia Japan Co., Ltd.
Ashuran Co., Ltd.	Gakken Co., Ltd.
Atorasu World Co., Ltd.	Gem Cerey Corporation.
Avant Co., Ltd.	Genesis Co., Ltd.
Avon Products Co., Ltd.	Ginsen Co., Ltd.
Ay Enterprize Co., Ltd.	Gio Co., Ltd.
B&S Corporation Ltd.	Grand Ware Co., Ltd.
Banbi Co., Ltd.	Hakuju Inst. For Health Science Co., Ltd.
Bear Cereju Co., Ltd.	Hamashin Co., Ltd.
Belle-Allie Co., Ltd.	Happy Family Co., Ltd.
Ben Har Fuyo Co., Ltd.	Health Road Corp.
Bene Corporation Co., Ltd.	Herbalife Of Japan K.K..
B-Impress Co., Ltd.	Hokuto Tsusho Co.
Bio C-Pluse Co., Ltd.	Hourin Co., Ltd.
Book Loan Co., Ltd.	I B S Co., Ltd.
Bribon Co. Ltd.	I.B.E. II System Co., Ltd.
Bright Communication Inc.	Ichiken Corporation
Brother Sales Ltd.	I-Jex Co., Ltd.
Buster Co., Ltd.	Ikuei Co., Ltd.
C M C Corporation.	Ito Co., Ltd. .
Cats Co., Ltd.	Itsuki Shobo Co., Ltd.
C'bon Cosmetics Co., Ltd.	Ivy Cosmetics Co., Ltd.
Chan Deal Co., Ltd.	Janome Sewing Machine Co., Ltd.
Chan Loire Co., Ltd.	Japan Health Summit Inc.
Chanson Cosmetics Co., Ltd.	Japan Life Co., Ltd.
Cherir Co., Ltd.	Japan Royal Jelly Co., Ltd.
Cho Shuppan Co., Ltd.	Japan Tupperware Co., Ltd.
Chouou Shuppan Core Co., Ltd. .	Jcs International Co., Ltd.
Clinlife Inc.	Jenova Co., Ltd.
Colledge Have Co., Ltd.	Jubi Co., Ltd.
Cosmetics Roland Co., Ltd.	Juki Corporation
Daiken Co., Ltd.	Just Meet Corp.
Dei Mart Co., Ltd.	Justice Co., Ltd.
Dic Lifetec Co., Ltd.	Kaio Co., Ltd.
Dorche	Kanebo C'est Moi Co., Ltd.
Dsk Co., Ltd.	Kanemori Co., Ltd.
Duskin Co., Ltd.	Kanto Biso Co., Ltd.
Earth Refine Service Co., Ltd.	Kanto Kanri System Co., Ltd.
Ebisuya Co., Ltd.	Keiko Setsubi Co., Ltd.
Eibi Co., Ltd.	

Kinki Setsubi Co., Ltd.
Kokusai Umo Co., Ltd.
Koroyoshifuku Corporation
Koyosha Co., Ltd.
Kyocera Corporation
Kyoiku Tosho Center Co., Ltd.
Le Cher Co., Ltd.
Lessel Co., Ltd.
Lexus Co., Ltd.
Linguaphone Marketing And Research Company
Linz Corporation Co., Ltd.
Livly Co., Ltd.
Luna Corporation Inc.
Lux Japan Ltd.
M G I Japan Co., Ltd.
M I C Co., Ltd.
M P G Co., Ltd.
Maiburanshu Co., Ltd.
Manda Co., Ltd.
Margarites Co., Ltd
Maruhachi Mawata Co., Ltd.
Maruko Co., Ltd.
Marusho Co., Ltd.
Maruzencomfort Co., Ltd.
Meiwa Jusetsu Co., Ltd.
Menard Joallet Co., Ltd.
Meno Gaia Co., Ltd.
Miki Corporation
Mincle Products Co., Ltd. Miya Inc.
Mutow Co., Ltd.
My-Friend Co., Ltd.
N I C Co., Ltd.
Nagase Co., Ltd.
Nagoya Shinko Co., Ltd.
Namisu Co., Ltd.
Naris Cosmetics Co., Ltd.
Naturally Yours Co., Ltd.
Naturecare Japan Ltd.
Natur's Sunshine Products, Japan Co.,Ltd.
Nec Corporation
Nefful Co., Ltd.
Nichidenko Co., Ltd.
Nigel Corporation
Nihon Umo Co., Ltd.
Nihon Best Co., Ltd.
Nihon Bf & Co., Ltd.
Nihon Gakko Tosho Co., Ltd.
Nihon Home Create Co., Ltd.
Nihon House Co., Ltd.
Nihon Kenko Zoushin Kenkyukai Co., Ltd.
Nihon Kensui Co., Ltd.
Nihon Monoploizeco., Ltd.
Nihon Original Service Co., Ltd.
Nikkei Jutaku Setsubi Co., Ltd.
Nikken Sohonsha Corporation
Nippo Group Co., Ltd.
Nippon Chokuhan Co., Ltd.
Nippon Josephine Co., Ltd.
Nippon Medical Research Corporation
Nippon Menard Cosmetics Co., Ltd.
Nissei Sogo Jyutaku Co., Ltd.
Nissen Co., Ltd.
Nisshin Home Tec Co., Ltd.
Nisso House Co., Ltd.
Noevir Co., Ltd.
Noryoku Kaihatsu Center Co., Ltd.
Nu Skin Japan Co., Ltd.
On Raod Co., Ltd.
Oniwa Co., Ltd.
Oppen Cosmetics Co.,Ltd
Pola Cosmetics, Inc..
Presence Co., Ltd.
Quest Maruhachi Co., Ltd.
Quick Service Co., Ltd.
Rachel Co., Ltd.
Rainbow Co., Ltd.
Real Co., Ltd.
Ricoh Education System Co., Ltd.
Ristarts Co., Ltd.
Royal Cosmo Co., Ltd
Runy Corporation Inc.
S T Living Co., Ltd.
San Charm Co., Ltd.
San Helsen Co., Ltd.
Sanix Incorporated
Sankei Jusetsu Co., Ltd.
Sanko Co., Ltd.
Sankyo House Service Co., Ltd.
Sanwa Co., Ltd.
Sanwa House Co., Ltd.
Sanyokohan Co., Ltd.
Senshukai Co., Ltd.
Shaklee Japan K.K.
Sharona Co., Ltd.
Sharule Co., Ltd.
Shigeno Taishitsu Igaku Kenkyujo Co., Ltd.
Shin Nihon Jutaku Kanri Service Co., Ltd.
Shinary Co., Ltd.
Shine Co., Ltd.
Shinei Co., Ltd.
Shinnihon House Co., Ltd.
Shinnihon Tsusho Co., Ltd.
Shinrex Co., Ltd.
Sogo Jutaku Co., Ltd.
Sogo Shuppan Co., Ltd.
Soken Co., Ltd.
Soken System Co., Ltd.
Soma Cosmetics Co., Ltd.
Sonic Japan Co., Ltd.
Sony Cp Laboratories Co., Ltd
Sumida Sangyo Co., Ltd.
Summit International Inc.
Sun West Co., Ltd.
Sunalpha Co., Ltd.

Sunjell Co., Ltd.	Usana Japan, Inc.
Sunkus Home Co., Ltd.	Victoire Co., Ltd.
Sunmark Co., Ltd.	Vorwerk Nippon K.K.
Sunrider Japan Inc.	Wacoal Co., Ltd. (Pesala)
Super Max Usa Co., Ltd.	Wellness Movement Co., Ltd.
Swnny Co., Ltd.	Win Co., Ltd.
Taisei Co., Ltd.	Wing, Inc.
Taiseisha Co., Ltd.	Wins International Co., Ltd.
Tatejima Kensetsu Co., Ltd.	World Ale Inc.
Tdk Core Co., Ltd.	World Family K.K.
Tempiad Co.,Ltd.	World Maruhachi Co., Ltd.
Total House Co., Ltd.	X-One Co., Ltd.
Towa House Co., Ltd.	Y M O Co., Ltd.
Twins Co., Ltd.	Yamahisa Co., Ltd.
United Power Co., Ltd.	Young Vinus Co., Ltd.
Up Link Japan Co., Ltd.	Zenkoku-Tsukinotomonokai Co., Ltd.

The World Federation of Direct Selling Associations (WFDSA) also provided valuable assistance in preparing this study. They provided access to both direct selling organizations and for the surveys used in this study. Founded in 1978, the WFDSA is a nongovernmental, voluntary organization representing the direct selling industry globally as a federation of national direct selling associations.

The WFDSA has a code of conduct that member companies adopt as a means of ensuring ethical behavior. It governs the actions:

1. of member companies toward each other,
2. of member companies toward direct sellers, and
3. of direct sellers to consumers.

The code addresses such areas as ethical recruiting of direct sellers (new direct sellers as well as those already working for other companies), fees and product inventory practices, and direct seller training. It also discusses fair presentation of products by sellers to consumers, and provides regulations on returning merchandise, discussion of competitors, and respect of privacy.

Enforcement of the code is primarily the responsibility of the member companies. Local DSA's are responsible for the handling of complaints against member companies, as well as ensuring that member companies are aware of the regulations of the code of conduct. The full code of contact is available for viewing at http://www.wfdsa.org/world_codes/code.asp.

Appendix B: Survey of Direct Selling Organizations

2004 WFDSA Direct Selling Company Survey in _____

Unless otherwise specified, please report the direct selling operations and sales activities in your company in **(country)** only. (Direct selling is a channel of distribution for the marketing of products and services directly to consumers.)

Sales Activities

1. What were your total estimated retail sales in [country] in fiscal year 2003? (in local currency):

1b. If you do not calculate estimated retail sales, please provide your net (or wholesale) sales in [country] in fiscal year 2003?

2. What was the breakdown of your estimated total retail sales by the following product categories? If there were no sales or costs in that category, please report 0. Please note that the percentages should add to 100%.

Category	2003 Estimated Total Retail Sales (in %)
Personal Care Products , such as cosmetics, fragrances, skincare, jewelry, ladies and children's clothes and other personal items	_____ %
Food Products , such as frozen foods, gourmet foods, and other foods	_____ %
Health Products , such as nutritional supplements, meal replacement (food bars, drinks), diet plans and other products	_____ %
Household Products , security, water treatment, energy saving, electrical, home decorative, furnishing, cookware, tableware, kitchenware, houseware, home and car cleaning and other household products	_____ %
Family Related Products , such as books, toys, games, audio, video and business aids, photography, and scrap booking	_____ %
Service Products , such as telecom, utilities, insurance, financial, pre-paid legal and other services	_____ %
Other (Please specify _____)	_____ %
_____	_____ %
_____	_____ %
Total	100 %

Organizational Structure

3. Are you affiliated with any other companies in [country]? Yes No

(If “No”, please skip to Question 4)

3a. Are you a subsidiary of another company? Yes No

If “Yes”, where is your parent company based? _____

3b. Do you own any subsidiaries in [country]? Yes No
(If “No”, please skip to Question 4)

4. What compensation system for direct sellers does your company primarily utilize?

Single level compensation Multi level compensation

5. What was the total number of people involved in selling your products in [country] at the end of 2003? Please indicate the total amount paid to them (either in commissions, bonuses, including non-cash equivalent values, or wages and salaries).

	Number of People Involved in Sales	Commissions, Bonuses or Wages/Salaries (including non-cash equivalent)
Independent/self employed (direct sellers)	_____	_____

6. What was the total number of people directly employed by your company (your local HQ and manufacturing) in [your country] at the end of 2003? Only provide data for those who were full-time or part-time employees of your company.

Type	Number of People Involved in Non-Sales	Wages/Salaries (in local currency)
Administrative & support (including human resources, finance and sales support)	_____	_____
R&D, production & logistics	_____	_____
Total	_____	_____

7. What percentage of your active direct sellers in 2002 did not renew into the business in 2003?

_____ %

Other

8. How long has your company been operating in [country]? _____

Production & Logistics

9. Please provide the following information for the production facilities your company (or parent company) had in [your country] in 2003 (please include subsidiaries in the totals).

Number of facilities: _____

Product Description	Value of Production (in local currency)	Value of Exports (in local currency)
Goods sold through Direct Sellers		
Personal Care Products	_____	_____
Food Products	_____	_____
Health Products	_____	_____
Household Products	_____	_____
Family Products	_____	_____
Service Products	_____	_____
Other (_____)	_____	_____
Goods sold through other non-Direct Sellers	_____	_____
<i>Total</i>	_____	_____

10. What percentage of the value of direct selling goods sold does your own company distribute and what percentage do you contract for distribution with others in [country]?

Company owned distribution _____ %
 Subcontracted distribution _____ %

11. Please provide your estimate of the following information for your company's subcontractors' production and distribution facilities for goods sold in the direct selling industry in [country] in 2003.

Type	Number of Employees	Percentage of Total Subcontractors' Sales Made to Your Company
Production Facilities	_____	_____ %
Distribution Facilities	_____	_____ %

12. Please indicate the breakdown of merchandise you have purchased from other firms for purposes of resale by region and type in 2003 (in local currency).

Region	From Company's Own Facilities	From Subcontracted Production Facilities	Product(s)
[Your Country]	n/a	_____	_____
Other Countries	_____	_____	_____
Total	_____	_____	

13. What were your company's approximate expenses for the following activities in [country] in 2003 (in local currency)?

Industry	Value of Products / Services Purchased by Your Company (at purchasing price)
Advertising	_____
Travel	_____
Meals & Entertainment	_____
Special Events (e.g., conferences, meetings, rallies, etc.) excluding travel and M&E expenses	_____
Telecommunications	_____
Postal & courier services	_____
Vehicle leasing	_____
Printing & publishing	_____
Packaging	_____
Other (_____)	_____
<i>Total</i>	_____

Investments

14. How much have you spent on capital investments in [country] over the past 3 years (in local currency)?

Year	Investment in Buildings	Investment in Equipment
2003	_____	_____
2002	_____	_____
2001	_____	_____

15. What were your company's annual training expenses in [country] in 2003 (in local currency)?

For own employees _____
 For direct sellers _____

Taxation

16. Please indicate the taxes your company paid in [country] for 2003 (in local currency).

Corporate income taxes: _____
 Social security: _____
 Import duties: _____
 Indirect taxes (VAT): _____
 State and Local Taxes: _____
 Property Taxes: _____
 Other Taxes: _____
 License Fees: _____

Charitable Activities

17. Has your company been involved in any social or charitable activities in [country] over the last three years?

- Yes – [go to Q 17a]
- No – [skip to Q 18]

17a. If “Yes”, please provide detailed information on the year, activity and the amount of time and spending (in local currency).

	Description of Activities	Number of Volunteer Hours	Amount of Charitable/Philanthropic Giving
2003	_____	_____	_____
2002	_____	_____	_____
2001	_____	_____	_____

17b. Did you have any high impact charitable programs or activities in the past 5 years? If so, what was the estimated number of people impacted by each program?

Yes

No

	Name of Activity	Description of Activity	Number of People Impacted
1	_____	_____	_____
2	_____	_____	_____
3	_____	_____	_____

18. Please provide any other comments from consumers, direct sellers, government and/or others related to your business that might highlight the economic or societal benefit from the direct selling industry.

19. Finally, please fill out your contact information.

Your name: _____

Title: _____

Company name: _____

Your company address: Street Address: _____

City: _____

State/Province: _____

Postal Code or Zip: _____

Telephone: _____

Appendix C: Survey of Direct Sellers

2004 WFDSA Direct Seller Survey

Your Direct Selling Activity

Unless otherwise specified, please select only one answer.

1. How long have you been involved with Direct Selling (with current and past companies)?

- | | |
|--|---|
| <input type="checkbox"/> Less than 12 months | <input type="checkbox"/> 7-10 years |
| <input type="checkbox"/> 1-3 years | <input type="checkbox"/> More than 10 years |
| <input type="checkbox"/> 4-6 years | |

2. Have you conducted any direct selling activities in the past 2 years?

- Yes – go to Q3
 No – skip to Q23

3. What did you do before joining Direct Selling?

- | | |
|---|--|
| <input type="checkbox"/> Worked as a full-time employee | <input type="checkbox"/> Worked before, but was unemployed |
| <input type="checkbox"/> Worked as a part-time employee | <input type="checkbox"/> Never worked before |
| <input type="checkbox"/> Self-employed | <input type="checkbox"/> Other, specify _____ |

4. Why did you become a Direct Seller? [Check all that apply.]

- | | |
|---|---|
| <input type="checkbox"/> To become independent | <input type="checkbox"/> To have more flexibility |
| <input type="checkbox"/> To buy products for my own use | <input type="checkbox"/> To have my own business |
| <input type="checkbox"/> To earn additional income | <input type="checkbox"/> To learn something new |
| <input type="checkbox"/> To earn for a specific purchase (car, gifts, etc.) | <input type="checkbox"/> To meet new people |
| <input type="checkbox"/> To get a major income source | <input type="checkbox"/> Other, specify _____ |

5. Have you represented more than one company at the same time in the past 2 years?

- Yes
 No

6. Are you an on-going or seasonal Direct Seller?

- On-going (12 months a year)
 Seasonal (fewer than 12 months a year)

7. Is Direct Selling a full-time activity for you now?

- | | |
|--|---|
| <input type="checkbox"/> A full-time activity | <input type="checkbox"/> An additional part-time activity |
| <input type="checkbox"/> A part-time activity with no other employment | <input type="checkbox"/> Other, specify _____ |

8. On average, how many total hours do you usually dedicate to your Direct Selling business (including selling and training for Direct Selling) per week?

- | | |
|---|---|
| <input type="checkbox"/> 0 hours | <input type="checkbox"/> 20 to 29 hours |
| <input type="checkbox"/> 1 to 4 hours | |
| <input type="checkbox"/> 5 to 9 hours | <input type="checkbox"/> 30 to 39 hours |
| <input type="checkbox"/> 10 to 14 hours | |
| <input type="checkbox"/> 15 to 19 hours | <input type="checkbox"/> More than 40 hours |

9. Have you received any training last year? If yes, who provided the training?

- No, didn't receive any training
- Yes, received training from my upline
- Yes, received training from the direct selling company
- Yes, received training from an outside training company

10. What is your status as a Direct Seller?

- Self-employed – skip to Q 11
- Self-employed and have employees working for me – [go to Q 10a]

10a. How many people did you employ in 2003 to support your direct selling activities (administrative, reception, logistics)?

- Less than 5 people
- 5 to 10 people
- 11 to 50 people
- More than 50 people

10b. What were your estimated total business expenses (including the expense of purchasing supplies, training employees and other business expenses) in 2003 (in local currency)?

Category	Total Expenses
Advertising	_____
Travel	_____
Meals & entertainment	_____
Special events (e.g., conferences, meetings, rallies, etc.) excluding travel and M&E expenses	_____
Telecommunications	_____
Postal & courier services	_____
Vehicle leasing	_____
Printing & publishing	_____
Packaging	_____
Purchasing supplies	_____
Employee training	_____
Other (_____)	_____
<i>Total</i>	_____

11. What were your total estimated retail sales in fiscal year 2003 (in Yen)?

12. Among the total sales you provided above, what percentage of your 2003 total estimated retail sales was for personal consumption? _____ %

13. Please indicate if you have used any of the following approaches to contact people to sell your product. If yes, please indicate how often you use it.

Approach	Used		Frequency		
	Yes	No	Seldom	Sometimes	Often
Advertisements, flyers	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Contacts through other people	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Friends	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Home parties	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Internet	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Knocking on doors	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Telephone	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Other, specify _____	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

14. Please describe your consumers by age and location.

By Age	
Younger than 18 years old	_____ %
18 to 60 years old	_____ %
61 years old or older	_____ %
Total	100%

By Location	
Urban	_____ %
Suburban	_____ %
Rural	_____ %
Total	100%

Impacts of Direct Selling

15. In general, how satisfied are you with your Direct Selling activities?

- Not satisfied at all
- Somewhat unsatisfied
- Neither unsatisfied nor satisfied
- Somewhat satisfied
- Very satisfied

16. What are some benefit(s) to you of being a direct seller? [Check all that apply.]

- Able to take better care of my family
- Buy products at lower price
- Develop new personal and business skills
- Earn more money
- Have flexibility
- I am my own boss
- Improve my family's quality of life
- Have independence
- Meet and socialize
- Own my own business

17. Would you disagree or agree that you have benefited from Direct Selling activities in terms of improved professional skills in the following perspectives?

	Strongly Disagree	Somewhat Disagree	Neutral	Somewhat Agree	Strongly Agree
Better organize your agenda	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Build better sales skills	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Build business management skills	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Build self esteem and confidence	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Feel more at ease in front of an audience	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Improve performance on other jobs	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Take more initiatives	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Work better with others	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Other, specify _____	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

18. Have the benefits carried over to another part of your life? [Check all that apply.]

- Yes, in my private life
- Yes, in another job
- Nowhere else

19. How do you use the money earned through your Direct Selling activities? [Check all that apply.]

- Daily expense
- Savings
- Holidays & vacations
- New house / home improvement
- Car
- Education
- Improve your quality of life (better food, households goods, etc.)
- Personal development
- Telecommunication & information technology
- Other, specify _____

20. Which of the following business investments did you have because of your involvement with Direct Selling? [Check all that apply.]

- Car
- Personal computer
- Fax machine
- Mobile phone
- Internet access

21. Do you contribute money, goods or services to social programs in the following areas? [Check all that apply]

- Human services, charity
- Education
- Environment
- Arts & culture
- Sports
- Other, specify _____

- 22. Please briefly describe one or two important things that have happened to you or your family OR that have helped others, as a result of being involved in direct selling.**

- 23. Have you ever worked as a distributor for another company (other than your current company)?**

- 24. Are you engaging in plural direct selling concurrently?**

Appendix D: Technical Appendix

Sampling Methodology for Selection of Direct Sellers

Allocation

The Japanese Direct Selling Association (JDSA) supplied Ernst & Young with a current list of JDSA members. The list was comprised of 282 members, and included the estimated total retail revenues and the estimated number of direct sellers for each member.

Two thousand survey questionnaires were allocated amongst each of the 282 members relative to their corresponding total retail revenues. The number of surveys each member received was in direct proportion to its percent of total retail revenues for all JDSA members. For example, a member that had 10 percent of the total retail revenues for all JDSA members would receive 10 percent of the total surveys distributed, or 200 surveys ($2,000 * 10\% = 200$ Surveys). In other words:

$$\text{Surveys Distributed to Company X} = (2,000) * \frac{\text{Total Retail Revenues for Company X}}{\text{Total Retail Revenues for TDSA}}$$

One potential disadvantage to this strategy was that some companies would be asked to select a very small number of direct sellers. To prevent this companies who were initially allocated less than five surveys were removed from the final sample size determination. Their portion of the survey allocation was then reallocated to the remaining members using the same methodology as described above.

Sample Selection

Following a final determination of the companies sampling their direct sellers and the number of sellers to be selected, sample selection was carried out by each individual company. Fifty companies were requested to follow specific instructions, designed by Ernst & Young, to select a systematic sample of their direct sellers. Each company received the number of individual direct sellers to sample, a random number table, and a series of detailed sampling instructions. Thirteen companies did not complete their sample selection resulting in a final direct seller sample size of 1568.

An example of the sampling instructions sent to each of the selected JDSA members is provided in Appendix E.

Weighting Methodology

The unweighted direct selling organization survey results reflect the practices and opinions of only the responding members of the JDSA. To inflate the survey results to represent the entire direct selling industry in Japan, weights were used.

The JDSA supplied Ernst & Young with information regarding the entire direct selling industry for Japan in 2003. The information included:

- The total number of companies in the entire industry,

- The estimated total sales force in the entire industry, and
- The estimated total retail revenues for the entire industry.

The weights were calculated by dividing the total industry estimate by the respondent estimate. For example, the weight used for industry sales estimates was calculated as follows:

$$\text{Sales Weight} = \frac{\text{Total Retail Revenues for the Industry}}{\text{Total Retail Revenues for Respondents}} = \frac{50.7 \text{ B (TWD)}}{18.7 \text{ B (TWD)}} \approx 2.7$$

Thus each Japanese yen in the respondents estimate represents approximately 3.5 Japanese yen in our overall industry estimate. Similar methodology was used in calculating weights for industry estimates dealing with the number of direct sellers.

Economic Impact Methodology

The methodology for the economic contribution analysis was based on a number of different sources. The key aggregate statistics for the industry were from the JDSA – these include total revenue and the number of direct sellers receiving compensation.

The information was supplemented with a survey of the Japan Direct Selling Association members regarding their employees, production facilities, expenses, and taxes. The E&Y survey had 69 responses from JDSA members representing approximately 32 percent of the direct selling association's revenue.

The Japanese input-output matrix for 2000 was used to establish the relationships between the direct selling industry and the rest of the Japanese economy. The input-output matrix is compiled by the Statistics Bureau of Japan.

Because the direct selling industry is only a part of the total retail industry, it was necessary to modify the input-output model to reflect the specific composition of the direct selling industry. A separate sub-industry was created based on the mix of products sold by the direct selling industry, as reported by the JDSA. The direct selling industry then had a weighted average relationship with other industry sectors.

An economic model, based on the Japanese input-output model, was developed by Minnesota IMPLAN Group, Inc. to account for the complex economic interactions among producers, intermediate suppliers and consumers. The input-output relationships in the model identify how higher direct employment in the direct selling industry leads to higher indirect employment and output in supplier industries and additional induced economic activity from increased spending by consumers. The economic model estimates the combined nationwide economic impact (initial and multiplier effects) of direct selling activity in Japan.

The estimated tax contribution is based on the estimated company payments from the direct selling organizations plus an estimate of taxes from the direct sellers, suppliers and induced economic activity. The taxes for the latter activity are based on the average relationship between taxes and national income in Japan.

Appendix E: Sampling Instructions

■ Ernst & Young LLP
1225 Connecticut Ave NW
Washington, DC 20036

■ Quantitative Economics and Statistics

Date: September 2004

To:

From: Glenn White, Ernst & Young LLP

Subject: World Federation of Direct Selling Associations (WFDSA)
Statistical Sampling and Mailing Instructions for Direct Seller Survey

The World Federation of Direct Selling Associations (WFDSA) is partnering with the DSA of **INSERT COUNTRY** to conduct a Socio-Economic Impact Study on Direct Selling. To gather the necessary economic data, surveys are being sent to randomly selected companies and direct sellers located across the globe. Your company and country is one of the first to be chosen. To ensure confidentiality, WFDSA's global partner for the Socioeconomic Impact Studies, Ernst & Young LLP (E&Y) has supplied information below to randomly select your company's own direct sellers and to distribute the survey. To help maintain the study schedule please complete all the steps below before **INSERT DATE**.

Selection Instructions

To properly select survey participants, please follow the 5 steps provided below:

- Step 1:** Define the population: Acquire a list or database of all eligible direct sellers. Eligible sellers include any seller that has been actively selling within the last two years or has been recruited within the last two years.
- Step 2:** Preparing the population: Sort the list by alphabetical order by the direct sellers last name (i.e. from A to Z), or by the direct sellers identification number and then number the sorted list from 1 to the total number of eligible direct sellers in the company.
- Step 3:** Use random numbers: Enclosed is a list of six digit random numbers. Determine the size of your population. If you have between 100,000 and 999,999 direct sellers, use the entire six-digit number. If you have between 10,000 and 99,999 direct sellers, use only the first 5 digits of each number. If you have between 1,000 and 9,999 direct sellers, use the first 4 digits and if you have fewer than 1,000 direct sellers, use only the first 3 digits of each number.
- Step 4:** Select the sample: Select the direct seller whose number from step 2 matches the first random number on the list. Continue to the next random number and select the direct

seller indicated. Continue in the same fashion until you have reached **XXX** selected direct sellers. This is your sample of direct sellers.

Note: When using these numbers, please disregard any duplicate numbers selected. For example, suppose you have fewer than 1,000 direct sellers, so that you are using only the first 3 digits of each random number. If you have already selected the random number 101,459, you should ignore the numbers 101,641 and 1,011 and any other numbers starting with 101.

Step 5: Issue Survey: The sampled list of direct sellers should include the sellers name and a corresponding valid mailing address of the seller. Once the list of selected sellers is created, please send a survey to each selected direct seller following the instructions below for mailing out the surveys.

Mailing Instructions for Distributing Surveys

Please follow the five steps below:

Step 1: Confirm that you have all your materials prepared: You should have a mailing list created from your sample selection and the following for *each* respondent:

- A printed copy of the survey introduction letter and instructions
- A printed copy of the survey
- A smaller return envelope stamped and addressed to your local Ernst & Young office (include appropriate address)
- A mailing envelope addressed to the respondent that is large enough to contain all survey materials without folding. There should be one large mailing envelope for each person on your sample list.

Step 2: Package all materials for each respondent: In each large mailing envelope, place the survey materials in the following order:

1. Introduction and instructions,
2. Survey, and
3. Stamped, return envelope addressed to

INSERT LOCAL E&Y ADDRESS .

This will ensure that the introduction letter is the first thing a respondent will see – this helps to encourage them to fill out the survey.

Step 3: Assign postage to the completed large mailing envelopes: It is important to ensure that adequate postage is applied since surveys are typically larger and/or heavier than a country's prevailing "letter rate". Check with the post office to minimize delivery issues.

Step 4: Mail the large envelopes to the respondents: Once all survey documents are in the addressed large mailing envelopes with adequate postage, the surveys are ready to send out.

Step 5: Follow-up on the surveys: Within a few weeks of mailing the surveys, please follow-up with the respondents to encourage their participation. This can take the form of direct contact (such as over the telephone) or through a mailed "reminder" to the respondent to fill out the survey. A potentially useful tool for such a reminder is your regularly mailed company bulletin or newsletter.

Confidentiality - Due to the proprietary nature of many of the questions, we wish to emphasize that **all** company and individual direct seller information gathered as a result of this study will **remain confidential**. Only Ernst & Young professionals responsible for the survey will have access to your individual responses. Summary information from the survey will not identify any company, individual, project or program. If you have any questions, please contact Glenn White a +01.202.327.6414 at Ernst & Young.