

QUANTITATIVE ECONOMICS
& STATISTICS

The Social and Economic Contributions from Direct Selling -- Insight from Taiwan

2004 Socio-Economic Contribution Study

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*World Federation of
Direct Selling Associations*



中華民國直銷協會

ERNST & YOUNG

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Executive Summary

Direct selling in Taiwan provides significant economic and social contributions to Taiwanese families and to the country as a whole. This report highlights the many contributions of the direct selling industry to Taiwan, based on two new surveys of the direct selling companies and direct sellers. This report was commissioned jointly by the Taiwan Direct Selling Association (TDSA) 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, opening up opportunities for those who are not able to work full-time or with fixed hours. Direct selling also offers an alternative way to earn income to meet the financial needs of Taiwanese households.

The Taiwanese Direct Selling Industry

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

The direct selling industry in Taiwan is comprised of 264 companies, with total sales revenue of NT\$52.0 billion in 2003 (unless stated otherwise, all currency in this report are stated in Taiwan New Dollars). The industry includes a number of global companies with household names, such as Amway, Avon, Mary Kay, and Nu Skin, and Taiwan-based companies, including Boching, Chlitina, Formosa Magazine Press, Hsin Ten Enterprise, Medical Designs, and Sunpack. The direct selling industry accounts for 2.8 percent of total retail sales in Taiwan (Figure II.1). In 2003, there were approximately 3.8 million Taiwanese associated with the direct selling industry: 668,000 of these are direct sellers who received sales commissions from direct selling companies (Figure II.3).

Direct selling is a growing industry in Taiwan. Sales have increased by more than 36 percent over the past three years, from \$38.1 billion in 2000 to \$52.0 billion in 2003 (Figure II.2). The number of salespeople receiving commissions has increased by 15 percent in that period from 579,000 in 2000 to 668,000 in 2003 (Table II.3). Both of these growth rates are larger than the three percent growth experienced by the country as a whole from 2000 to 2003¹.

¹ Directorate-General of Budget, Accounting and Statistics Office:
<http://www.dgbas.gov.tw/English/dgbas-e0.htm>

Direct selling offers a wide variety of products, ranging from food to services. The largest categories of product sales are nutritional and health products (\$19.1 billion of sales), followed by beauty care (\$11.8 billion) and clothes and accessories (\$4.6 billion) (Table II.4).

Three-quarters of direct sellers are women: most are married with four or more people in the household. Many married couples do direct selling together. The demographics of the industry are family-oriented, and demonstrate its uniqueness in providing entrepreneurial opportunities for women that might not be available to them otherwise. This leads to improved earning power and quality of life for Taiwanese families (Table II.5).

Economic Contributions of the Direct Selling Industry in Taiwan

Direct selling contributes significantly to the Taiwanese economy both financially and in terms of quality of life. The average annual commission paid to direct sellers in 2003 was \$35,500; the average earnings of a direct selling organization's employees were \$596,353 (see page 10). Earnings of employees in the direct selling industry, while important, represent only a portion of the economic and social contributions the industry makes to the Taiwanese economy.

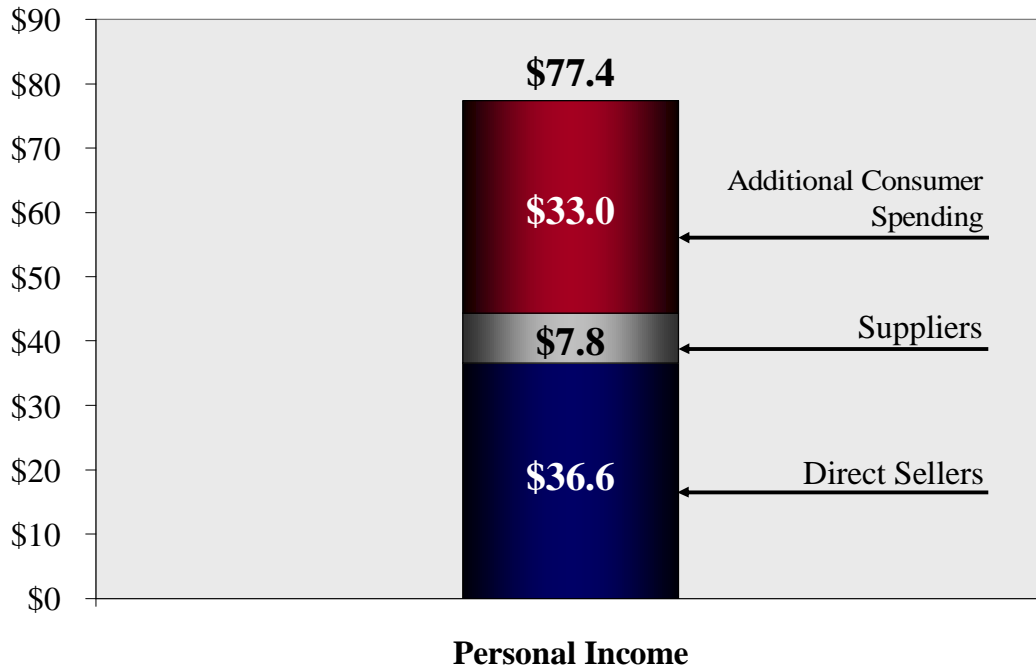
Beside salaries paid to employees and commissions paid to direct sellers, personal income is generated as spending by those agents propagates through the economy. Direct selling companies also make capital investments, fund research and development spending, and pay taxes.

As described above, there were approximately 3.8 million Taiwanese associated with the direct selling industry in 2003 – of these 668,000 were direct sellers that received sales commissions and 5,000 were permanent employees of the direct selling companies. They earned an estimated \$36.6 billion in wages and salaries and other compensation from the direct selling industry. These are both considered direct economic impacts of the direct selling industry (Table II.2).

The direct selling industry also contributes to Taiwanese employment in two additional ways. First, the industry buys products and services from other Taiwanese companies (suppliers), supporting additional Taiwanese 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 Taiwanese direct selling industry, Ernst & Young estimates that an additional \$40.8 billion in Taiwanese personal income was created through the indirect and induced income impact (Figure ES.1).

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



Fiscal Contributions of the Direct Selling Industry in Taiwan

The direct selling industry’s contributions to jobs, income, investment and research and development also result in increased tax collections for the Taiwanese government. The economic activity generated by the direct selling companies resulted in an estimated \$10.5 billion in total national and local taxes to the Taiwanese government in 2003 (Table III.3).

The direct selling organizations, their employees and direct sellers are estimated to pay \$6.0 billion in tax payments. The combined total contribution of additional tax payments resulting from indirect and induced employment, investment, and research and development activity is estimated to be \$4.5 billion in 2003 (Table III.3).

Social Contributions of the Direct Selling Industry to Taiwan

The direct selling industry makes a substantial economic contribution to the Taiwanese economy. While economic contributions are more easily measured, the industry also contributes considerably to the quality of life enjoyed by many Taiwanese. A new survey of direct sellers sheds light on the social contributions of the industry, which include possibilities for entrepreneurship, work schedule flexibility, and opportunities to develop

personal business skills. These social contributions are no less important than the economic contributions discussed above.

Benefits of Direct Selling to Direct Sellers

Development of Entrepreneurship

Direct sellers have opportunities to develop their own business, fostering an environment of entrepreneurship. They own their own small business, while benefiting from the assistance of larger, more established direct selling companies. Of those responding to the survey, 62 percent cited the ability to “Own my own business” as a benefit; 52 percent cited “Having independence.” Most direct sellers indicated that direct selling improved their professional skills. Eighty-four percent of direct sellers cited “Building business management skills” as a benefit; 81 percent cited “Feeling more at ease in front of an audience.” These skills are important in both their personal and professional lives. These direct sellers are role models for their children, friends and neighbors (Figure IV.1).

Development of Flexible Employment

The flexible nature of direct selling provides expanded employment and business opportunities for many individuals. Fifty percent of direct sellers report working less than 20 hours per week, and 30 percent work less than 10 hours (see page 16). 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. Seventy-six percent of direct sellers are women; 64 percent have four or more persons in the household. Four percent of survey respondents have a disability, but are able to work in the direct selling industry (Table II.5).

Development of Increased Personal Skills

A significant percentage of direct sellers listed personal skills development that they attribute to their participation in direct selling. Eighty-four percent reported that they have built self-esteem and confidence through their direct selling experience. Seventy-seven percent said their direct selling resulted in improved performance on other jobs (Table IV.2).

Contributions from Charitable Giving

Direct selling organizations gave and estimated \$44 million to charitable causes in 2003. When asked if they contribute any money, goods or services to social programs, 86 percent of respondents said they contributed to human services and charities, and 30 percent of respondents contributed to education (Figure IV.6).

Satisfaction of Direct Sellers

Direct sellers indicated they are generally pleased with their experience in the industry. Over 70 percent described themselves as either “somewhat satisfied” or “very satisfied.” (Figure IV.7).

Satisfaction of 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. Twelve percent of direct selling consumers live in rural areas while 11 percent of direct selling customers are age 61 or older. Direct selling provides these consumers with access to additional goods they might not otherwise be able to find (see page 22).

Conclusion

The direct selling industry in Taiwan is a growing, vibrant part of the Taiwanese economy and community. Its contributions to Taiwanese families and the Taiwanese 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 successfully adjusted my mindset, and have helped other members and customers improve their appearances and thus improve their self-confidence. As a result, I can hardly describe how happy I am now.

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I. Introduction

Purpose and Scope of Study

Ernst & Young was commissioned jointly by the World Federation of Direct Selling Associations (WFDSA) and the Taiwan Direct Selling Association (TDSA) to conduct a study of the socio-economic impact of the direct selling industry in Taiwan. The objective of this study is to present the direct and indirect social and economic impact of the Taiwan 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 28 member companies of TDSA received a survey questionnaire asking about matters such as sales, organization, investment, and charitable activity. Twenty company surveys were returned for a 71 percent response rate. A random sample of 1789 direct sellers received 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 535 direct seller surveys completed and returned for a 30 percent response. Of these, 294 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 the Taiwan 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 Taiwan. *Unless stated otherwise, all currency in this report are stated in Taiwan New Dollars.*

As context for understanding the results, it is important to 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 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, opening up opportunities

for those who are not able to work full-time or with fixed hours. Direct selling also offers an alternative for earning income to meet the financial needs of Taiwanese households.

The direct selling industry in Taiwan 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 Taiwanese economy and society.

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

WFDSA's code of conduct defines direct selling as:

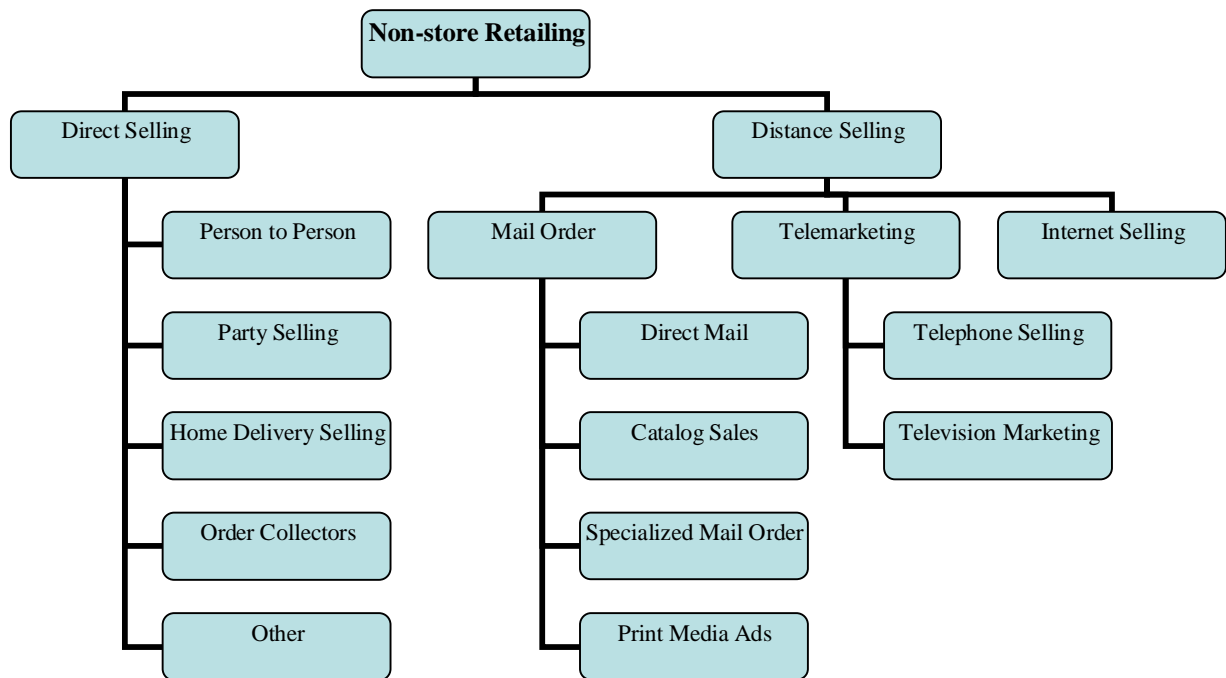
the marketing of consumer products directly to consumers generally in their homes or the homes of others, at their workplace and other places away from permanent retail locations, usually through explanation or demonstration of the products by a Direct Seller.

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 in that it provides 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 in order 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 the following:

- 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 one of two structural models, single-level and multi-level.

- Single-level organizations offer compensation to their direct sellers based on the markup between wholesale and retail prices. 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 two methods of compensation. The first is to earn income through sales to their direct customers, as in a single-level organization. In addition, the direct seller earns a commission based on the sales

of other direct sellers they have introduced, trained, and supported in developing their business. The direct seller is not compensated for the recruiting itself, but receives a share of the profit on sales of those they brought into the business. Most of Taiwan's direct sales organizations (94 percent of those surveyed) are structured for multi-level compensation.

Report Structure

This report estimates the economic and social contributions of the direct selling industry in Taiwan based on the two surveys described above. An overview of the Taiwanese 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 Taiwanese population. The appendices contain information regarding data sources and methodological descriptions.

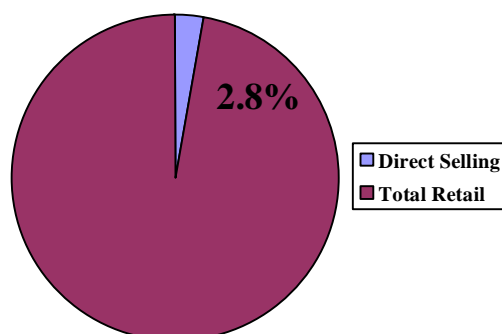
II. The Taiwan Direct Selling Industry

Size of the Industry

As of August 2004, there were 264 direct selling companies in Taiwan. TDSA members account for 50 percent of total direct selling revenues in Taiwan and 37 percent of the direct selling employment. A list of TDSA members is included in Appendix A.

Direct selling industry revenues in Taiwan totaled \$52.0 billion in 2003. With retail sales totaling \$1,860 billion in Taiwan, direct selling represents a 2.8 percent share of the total retail market (Figure II.1).

Figure II.1: Direct Selling Share of Retail Sales



Source: Taiwan Retail Sales from Euromonitor International's "Retailing in Taiwan Report", Direct Selling Revenues from WFDSA

Over 3.8 million Taiwanese were associated with the direct selling industry as of 2003. In 2003, it had a sales penetration rate of 5.92 – there is one direct seller for every 5.92 people in Taiwan. This is a much higher rate of penetration than other countries in the region, as shown in Table II.1.

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

Country	Population	Direct Sellers	Penetration Rate
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
Japan	127,620	2,000	63.8

Source: WFDSA

Much of this coverage is attributable to the large number of direct sellers in Taiwan, as well as the ratio of direct sellers to people in the general population. Taiwan has 3.8 million people associated with the direct selling industry -- approximately 38 percent of

the Taiwanese labor force. Table II.2 has important data on the size of the Taiwan direct selling industry.

Table II.2: Taiwan Population and Employment Data, 2003 (thousands)

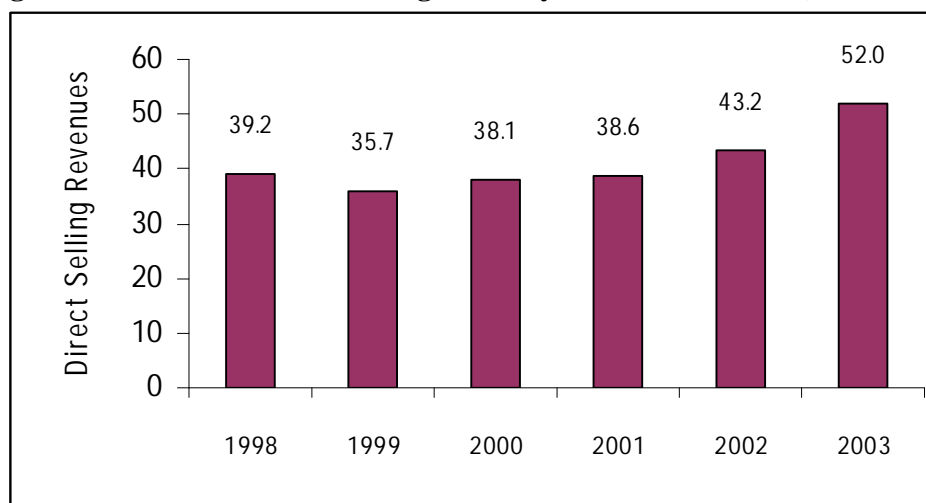
Category	Population
Total Population	22,605
Total Population 15 years or older	17,572
Total Labor Force	10,076
Total Employed	9,573
Total Direct Sellers	3,818
Total Direct Sellers Having Made Purchases	1,267
Total Direct Sellers Receiving Commission	668

Source: Macroeconomic Data from Directorate-General of Budget, Accounting, and Statistics, Taiwan, Direct Selling data from WFDSA and TDSA

Growth of the Industry

Figure II.2 shows the recent growth trends in the Taiwan direct selling revenues. Growth in the past three years has been exceptional, from \$38.1 billion in 2000 to \$52.0 billion in 2003 – more than a 36 percent increase. By comparison, the GDP growth in this period was three percent².

Figure II.2: Taiwan Direct Selling Industry Revenue Growth (\$ in billions)



Source: Directorate-General of Budget, Accounting, and Statistics, Taiwan, Taiwan Fair Trade Commission

The number of people associated with direct selling has grown as well: by over 37 percent since 1998. Much of this growth took place in 2001 and 2003, as Table II.3 shows.

² Directorate-General of Budget, Accounting and Statistics Office:
<http://www.dgbas.gov.tw/English/dgbas-e0.htm>

Table II.3: Taiwan Direct Selling Sales Force Growth, 1998-2003 (thousands)

Year	Direct Sellers	Direct Sellers Who Ordered a Product	Direct Sellers Receiving Commissions
2003	3,818	1,267	668
2002	3,269	1,185	631
2001	3,136	1,111	570
2000	2,834	1,125	579
1999	2,811	1,072	646
1998	2,781	979	590

Source: Taiwan Fair Trade Commission

Breadth of the Industry

Direct selling organizations sell a wide variety of consumer products and services. Table II.4 lists product categories and the associated revenues, as well as the number of companies involved in selling that type of product. The industry reaches a wide consumer base with this variety of products, and so touches the lives of many different types of people.

Table II.4: Direct Selling Product Categories and Associated Revenues (\$ in millions)

Product Categories	Companies	Revenues	Percent of Revenues
Nutritional and Health Products	175	\$19,538	37.6
Beauty Care Products	136	\$11,777	22.7
Clothes and Accessories	32	\$4,560	8.8
Service Products	18	\$2,932	5.6
Cleaning Products	94	\$2,158	4.2
Water Filter and Related Products	38	\$2,156	4.2
Toiletries	19	\$1,009	1.9
Diet Products	30	\$917	1.8
Books, stationeries, Audit, and Videos	19	\$909	1.8
Fitness Equipment	41	\$880	1.7
Communication Product, such as telecom	18	\$559	1.1
Kitchenware	2	\$266	0.5
Other	52	\$4,330	8.3
<i>Total</i>		<i>\$51,991</i>	<i>100.0</i>

Source: Taiwan Fair Trade Commission

In the Taiwan direct selling industry, the largest categories of product sales are nutritional and health products (\$19.5 billion of sales), beauty care products (\$11.8 billion) and clothes and accessories (\$4.6 billion).

Demographics of the Industry

An analysis of the demographics of direct sellers reveals the unique benefits offered by the industry. These benefits attract people who might not otherwise participate in the entrepreneurial activities associated with direct selling.

As shown in Table II.5, survey respondents have a higher concentration (76 percent) of women in direct selling than in the Taiwanese population (49 percent).³ Most direct sellers are married (74 percent), with a higher concentration of married couples in direct selling than in the general populace (65 percent of the Taiwanese population is married). Many married couples tend to do direct selling together, and many use direct selling as a second source of income. Most have four or more people in the household. The industry has been successful in reaching out to women and families, who often strive for more flexible work arrangements.

Four percent of direct sellers have some kind of disability. Private Taiwanese companies are required by law⁴ to employ disabled persons as at least one percent of their workforce. The direct selling industry offers flexibility to these workers and encourages their participation in the workforce.

Direct selling offers substantial flexibility and independent business opportunities for those in the industry. It also allows labor force participation for a segment 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, improved earning power, and entrepreneurial opportunities for Taiwanese families.

³ The national census data on Taiwan is from the Directorate-General of Budget, Accounting and Statistics Office: <http://www.dgbas.gov.tw/English/dgbas-e0.htm>

⁴ Directorate-General of Budget, Accounting and Statistics Office: <http://www.dgbas.gov.tw/English/dgbas-e0.htm>

Table II.5: Characteristics of Direct Sellers

Demographics		Percent of Respondents
Gender	Male	24
	Female	76
Age	18 - 34	35
	35 - 49	52
	50 - 65	12
	> 65	2
Marital Status	Single, never married	20
	Married / Co-habitant	74
	Divorced/Widow	6
Total # in Household	Two or less	16
	Three	19
	Four	28
	Five	20
	Six or more	16
Area of living	Urban	62
	Suburban	26
	Rural	12
Education	Below high school	8
	High school graduate	48
	College degree	39
	Graduate degree, i.e., Masters, Ph.D.	2
	Professional degree, i.e., MBA, MD	3

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

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

The direct selling industry provides employment and income to the employees of the direct selling companies plus the direct sellers. In addition the direct selling industry's purchases of goods and services from other Taiwanese 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 Taiwanese economy.

The sources of all data in this section are:

- The Ernst & Young survey of direct selling organizations in Taiwan (see Appendix B),
- The Directorate-General of Budget, Accounting, and Statistics in Taiwan, and
- Ernst & Young economic modeling (see Appendix D).

Direct Economic Contribution of Direct Selling Organizations

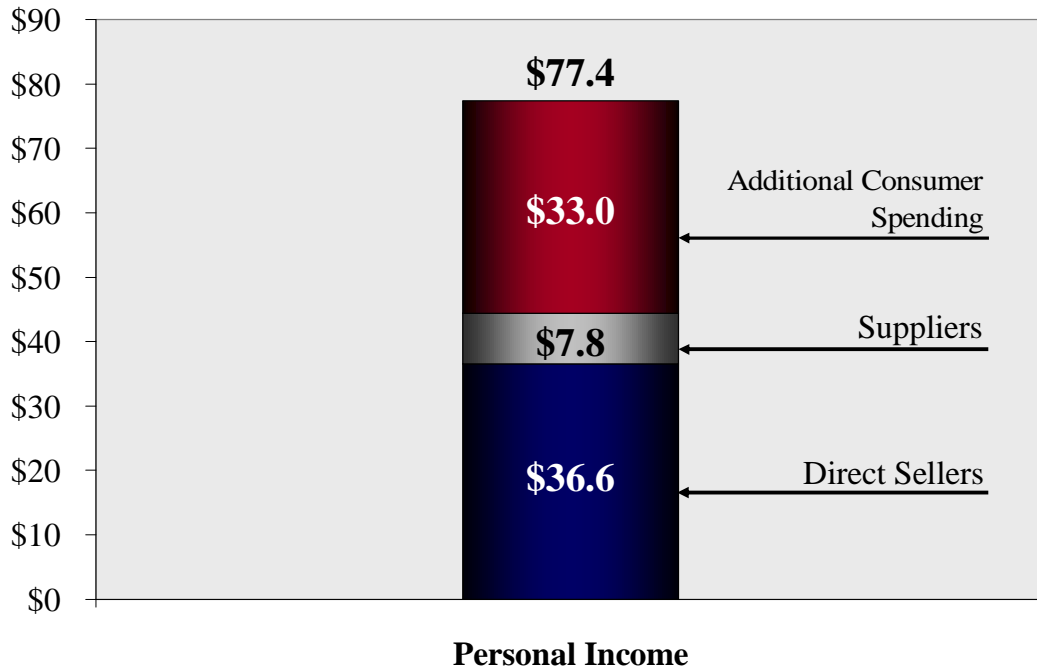
In 2003, the direct selling industry employed an estimated 5,000 employees in direct selling organizations; it also paid commissions, bonuses or wages and salaries to 668,000 direct sellers. The 264 direct selling organizations had total revenue of \$52.0 billion, as reported by the Fair Trade Commission.

Direct selling organizations paid commissions and bonuses of \$23.7 billion in 2003, for an average annual commission of \$35,500. Since many of these direct sellers are working part-time, their direct selling commission is an important supplement to the household's other income. In addition, direct selling organization's employees, involved in administration, production, logistics and research and development earned an estimated \$3.0 billion in 2003, for an average wage and salary of \$596,353.

Direct sellers, direct selling organizations and their employees earned an estimated \$36.6 billion in wages and salaries and other compensation from the direct selling industry. This includes the commissions and bonuses noted above plus non-wage compensation (including fringe benefits, retained earnings, interest and dividends). This amount is often called the "direct employment contribution."

The direct selling industry contributes to Taiwanese employment in two additional ways. First, the industry buys products and services from other Taiwanese companies (suppliers), supporting additional Taiwanese 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 retail and other sectors such as housing, medical, entertainment, and service. This second effect is referred to as the "induced employment contribution."

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



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 industry generated revenues, jobs, salaries and taxes through a number of indirect and induced impacts. Indirect impacts are the result of purchases made by the direct selling industry from other industries. Direct selling companies create economic activity in non-direct selling companies, such as product manufacturers and advertising firms. Table III.1 illustrates the types of input purchases made by direct selling companies from suppliers, creating the indirect employment and income impacts. The revenues of these industries that are generated by the activities of the direct selling industry are called the *indirect impact*.

Table III.1: Distribution of Operating Expenses by Category

Category	Percent
Advertising	12.1%
Travel	25.2%
Machinery and Equipment	3.3%
Telecommunications	6.8%
Special Events	22.4%
Postal Expense	4.6%
Vehicle Lease Expense	11.0%
Printing and Publication Expense	4.6%
Packaging Expenses	2.5%
Other Expenses	7.6%
<i>Total Expenses</i>	<i>100.0%</i>

Source: Unweighted results from direct seller survey, 2004

The induced impact of the direct selling industry is created by the consumer purchases of workers, direct sellers, and owners in the direct selling and supporting industries. These employees and owners purchase goods and services in the general economy with the salaries, commissions and profits they earn. The revenues generated by these purchases are called the *induced impact*.

Based on our analysis of the income multiplier for the Taiwanese direct selling industry, Ernst & Young estimates that an additional \$40.8 billion in Taiwanese personal income was created through the indirect and induced income impact.

The sum of the direct, indirect, and induced impacts is the total economic impact of the direct selling industry. These impacts are shown in Table III.2.

Table III.2: Economic Contributions of Direct Selling (\$ in billions)

Employment	Direct Impact	673,000
	Indirect Impact	7,489
	Induced Impact	30,398
	<i>Total</i>	<i>710,887</i>
Sales	Direct Impact	\$52.0
	Indirect Impact	\$20.3
	Induced Impact	\$60.4
	<i>Total</i>	<i>\$132.7</i>
Personal Income	Direct Impact	\$36.6
	Indirect Impact	\$7.8
	Induced Impact	\$33.0
	<i>Total</i>	<i>\$77.4</i>

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

As shown above, direct selling companies paid commissions and/or wages and salaries to 673,000 people, while their purchases from other companies and the spending of their employees generated an additional 38,000 jobs. Thus, the total job generation attributable to the direct selling industry is 711,000. The additional income from indirect and induced jobs results in an income *multiplier* of 2.1. Similarly, while direct selling companies directly produce \$52.0 billion in sales revenue and \$36.6 billion in personal income, their total impact on sales and personal income in the economy of Taiwan are \$132.7 and \$77.4 billion, respectively.

The purchase of products from companies outside of the direct selling organizations represented \$15.6 billion in 2003. This is mainly due to subcontracted production of products sold by the direct selling organizations. An estimated 55 percent of the goods were produced by companies located in Taiwan.

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 Taiwanese government. As shown in Table III.3, the economic activity generated by the direct selling industry resulted in an estimated \$10.5 billion in total national and local taxes in 2003.

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

Type of Tax	Direct	Indirect	Total Taxes
Total Taxes	\$6.0	\$4.5	\$10.5

Source: E&Y calculations

Both direct and indirect national tax revenues generated by the direct selling industry in 2003 are summarized in Table III.4. As shown, the main source of this revenue is business income and business taxes.

Table III.4: Taxes Generated by the Direct Selling Industry (\$ in billions)

Type of Tax	Taxes Collected
Business Tax	\$2.1
Business Income Tax	\$1.5
Custom Duties	\$1.5
Individual Income Tax	\$1.5
Commodity Tax	\$1.0
Securities & Futures Tax	\$0.6
Land Tax	\$0.9
House Tax	\$0.4
License Tax	\$0.4
Other Tax	\$0.8
<i>Total Taxes</i>	<i>\$10.5</i>

Source: E&Y calculations

The direct selling industry contributes significantly to the Taiwanese economy through both direct and indirect channels. The direct contribution includes sales revenue of \$52.0 billion and employment of 673,000 and \$6.0 billion in tax revenues. In addition, indirect and induced contributions through purchases of products and services from other Taiwanese companies and employee spending support an additional 38,000 Taiwanese jobs, \$40.8 billion of personal income to Taiwanese families and economy, and \$4.5 billion in tax revenues.

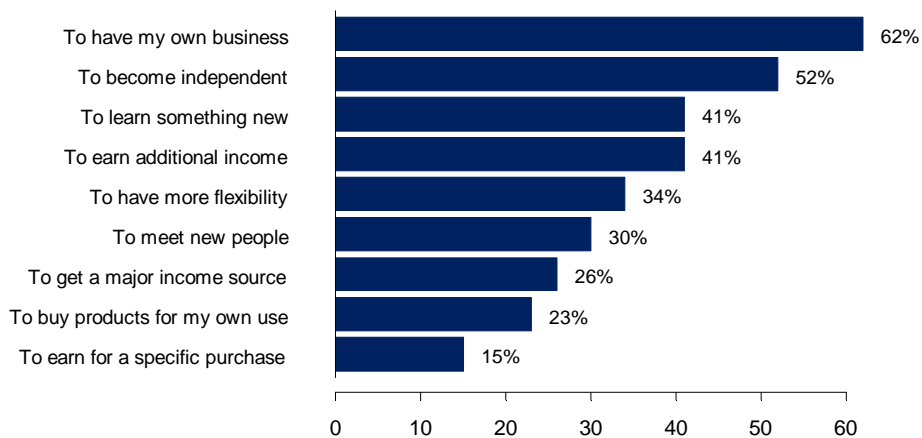
IV. The Social Contribution of the Taiwan Direct Selling Industry

The direct selling industry makes a substantial financial contribution to the Taiwanese economy. While economic contributions are more easily measured, the industry also contributes considerably to the quality of life enjoyed by many Taiwanese. A new survey of direct sellers (detailed in Appendix C) sheds light on the social contributions of the industry, which include possibilities for entrepreneurship, flexibility, and opportunities to develop personal business skills. These contributions are no less important than the economic contributions discussed above. In this section, the focus is on understanding the characteristics, motivations and experiences of individuals involved in direct selling, and the social contributions the direct selling industry makes.

Work Experience of the Direct Sellers

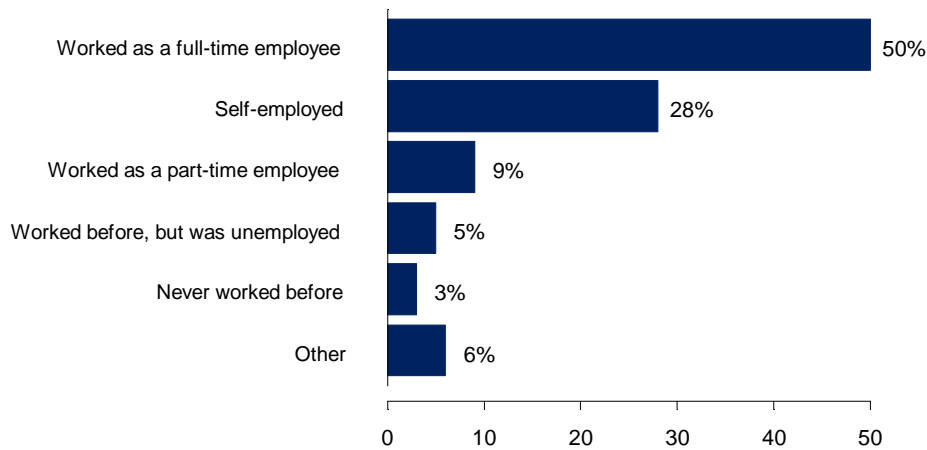
The two primary reasons given for becoming a direct seller are “to have my own business” (62 percent) and “to become independent” (52 percent) (Figure IV.1). The second reason is especially true for those who never worked before. About 70 percent of direct sellers who never worked before indicated that they became involved in the business to become independent.

Figure IV.1: Reasons for Becoming a Direct Seller



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

As shown in Figure IV.2, before joining the direct seller force, about half worked as a full-time employee. For those previous full-time workers, the primary reason to become a direct seller cited was “to have my own business” (69 percent). However, for those who worked before but were currently unemployed, “to have my own business” is significantly less important (26 percent).

Figure IV.2: Previous Work Status of Direct Sellers

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

Most direct sellers have received some form of training (82 percent). About half of the direct sellers received their training from the direct selling companies, and 25 percent of them received the training from their up-line direct sellers.

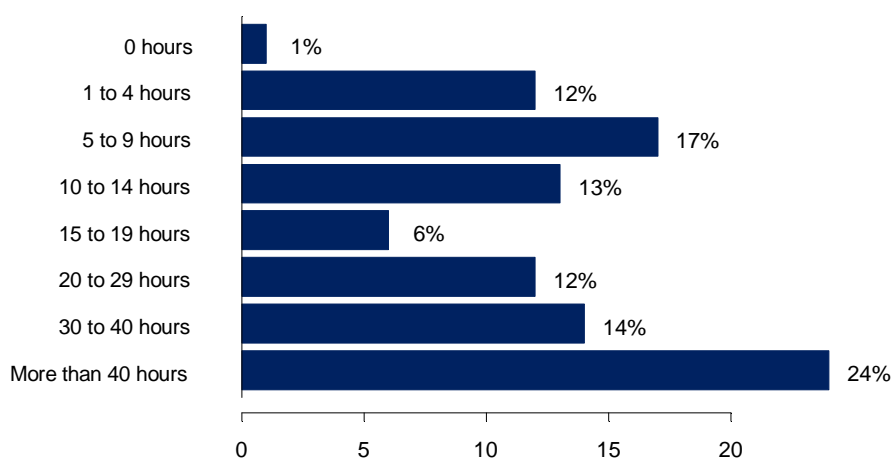
The great majority of direct sellers (87 percent) represented only one direct selling company during the past two years, and the majority of direct sellers who responded (82 percent) work 12 months per year.

Time Devoted to Direct Selling

A unique feature of the direct selling industry is that it provides a flexible working schedule. Many of our survey respondents regard direct selling as only a part-time activity. Fifty percent of direct sellers report working less than 20 hours per week, and 30 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 four percent of direct sellers work more than 40 hours per week (Figure IV.3). Independence is an important motivating factor for those who devote significant time to direct selling activities. Among those who work more than 40 hours a week, 70 percent cite becoming independent as a reason for becoming a direct seller.

Figure IV.3: Time Devoted to Direct Selling



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

Direct Selling Approaches

Direct sellers use various approaches to sell their products. Most direct sellers sell their products through friends (98 percent, Table IV.1). Some use home parties, advertisements or simply knock on doors. The Internet, as a relatively new technology, also is used in direct selling. About 40 percent of direct sellers indicate they have used the Internet as a sales approach.

Compared to the traditional approaches for direct selling, the Internet seems to be an emerging method. It is used predominantly by younger people, males, and those with higher levels of education.

Table IV.1: Direct Selling Approaches

Approaches Used	Percent of Respondents
Friends	98
Contacts through other people	85
Telephone	85
Home parties	74
Knocking on doors	70
Advertisements, flyers	69
Internet	40

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

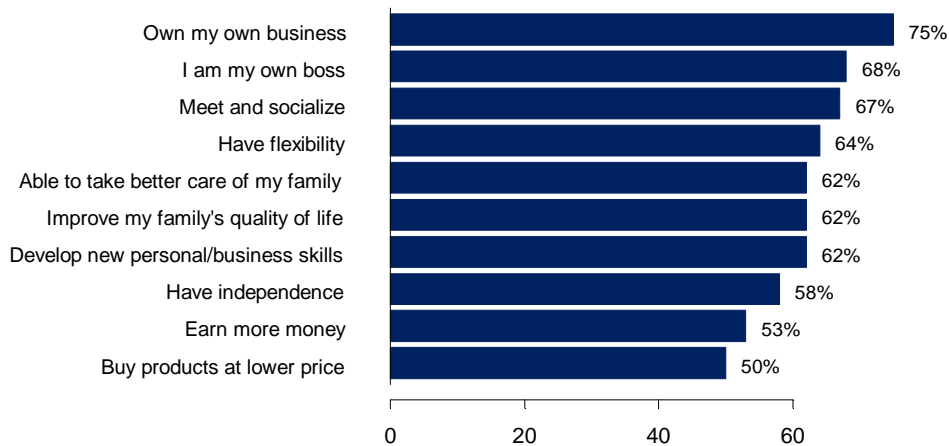
Benefits of Direct Selling to Direct Sellers

Development of Entrepreneurship

Direct sellers have opportunities to develop their own business, fostering an environment of entrepreneurship. They own a small business, while still benefiting from the

assistance of larger, more established direct selling companies. As shown in Figure IV.4, 75 percent cited the ability to “Own my own business” as a benefit; 58 percent cited “Having independence.” Direct sellers indicated that being a direct seller brought many benefits. When asked what some benefits are, about 40 percent chose more than six benefits from the list of 10 benefits listed in the questionnaire. About 25 percent marked all the benefits listed.

Figure IV.4: Benefits of Being a Direct Seller



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

Most respondents indicated that direct selling improved their professional skills. Eighty-four percent of direct sellers cited “Building business management skills” as a benefit; 81 percent cited “Feeling more at ease in front of an audience” (Table IV.2). These skills are important in both their personal and professional lives. These direct sellers are role models for their children, friends and neighbors.

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

Improved Professional Skills	Percent of Respondents
Build self esteem and confidence	84
Build business management skills	84
Work better with others	81
Feel more at ease in front of an audience	81
Better organize your agenda	80
Build better sales skills	80
Take more initiatives	77
Improve performance on other jobs	77

Source: E&Y Survey of Taiwanese 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, 84 percent reported that they built self-esteem and confidence through their direct selling. Not only did direct sellers find their professional skills improved through direct selling, the effects also carried over to other parts of their lives.

As shown in Table IV.3, 87 percent of respondents indicated that the benefits carried over to their private lives, and 26 percent of respondents indicated the benefits carried over to another job.

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

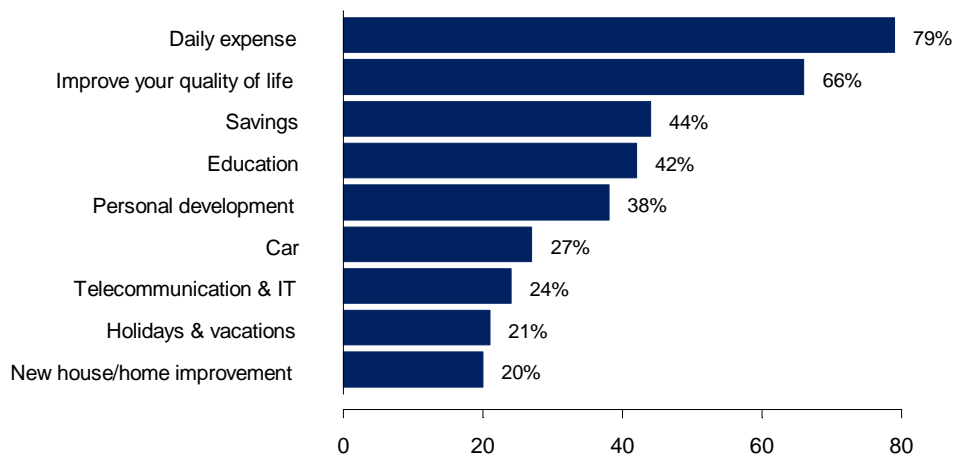
Benefits Carried Over	Percent of Respondents
In private life only	73
In another job only	12
In both private life and another job	14
<i>Total</i>	<i>100</i>

Source: E&Y Survey of Taiwanese 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 (79 percent) and to improve their quality of life (66 percent) (Figure IV.5).

Figure IV.5: Financial Benefits of Being a Direct Seller

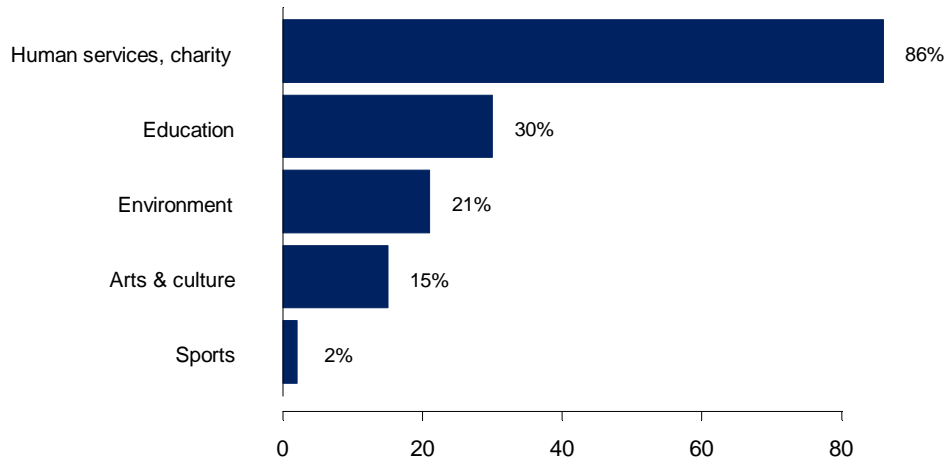


Source: E&Y Survey of Taiwanese Direct Sellers, 2004

Contributions from Charitable Giving

Direct selling organizations gave an estimated \$44 million to charitable causes in 2003. When asked if they contribute any money, goods or services to social programs, 86 percent of respondents said they contributed to human services and charities, and 30 percent of respondents contributed on education (Figure IV.6).

Figure IV.6: Charitable Contributions to Social Programs
(Multiple Responses Allowed)



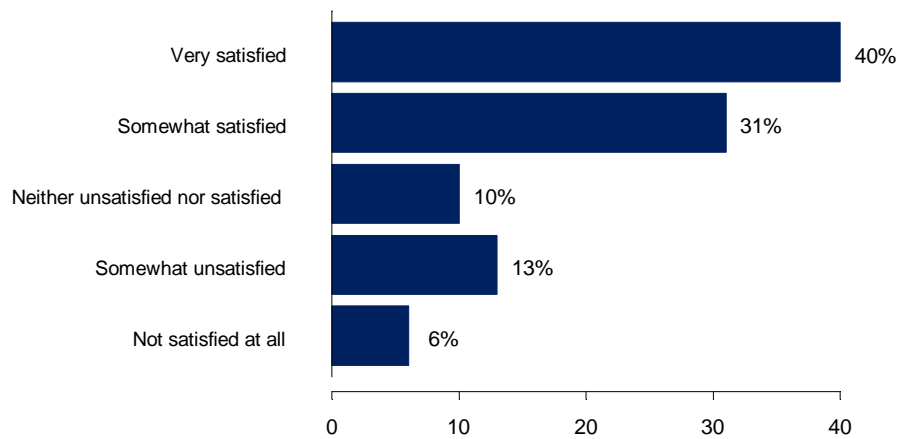
Source: E&Y Survey of Taiwanese Direct Sellers, 2004

Satisfaction of Direct Sellers

Job Satisfaction

The direct sellers indicated they are generally pleased with their experience in the industry. Over seventy percent described themselves as either “somewhat satisfied” or “very satisfied.” (Figure IV.7)

Figure IV.7: Satisfaction of Direct Sellers



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

Testimonials of Direct Sellers

Here is an arbitrary 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.”

- Preventive medicine and nutritional immunology education helps people to distance themselves from illnesses. 2. Helps junior members grow and improves quality of life. 3. Because nutritional immunology can bring about health to people, both consumers and direct marketers feel grateful. They come back again and again for more products. For so many years, my business has kept growing without loss of customers.
- After I joined direct marketing business, I began to understand the importance of health. It helped to improve my own health and that of my family and also helped to make my relatives become healthier. They are glad that I told them "health is more important than anything else".
- Direct marketing is like an eye opener to me... I was amazed by the unlimited potential and great charm of direct marketing.
- Joining direct marketing business gave me a positive outlook on life. I become brave in shouldering responsibilities. I have also helped many direct marketing partners' change their lives.
- This is the 3rd year of my direct marketing career... I helped many of my partners who are also single mothers to build self-esteem by helping them increase their income.

- ...due to financial hardship and debt, my marriage was strained. From the time I joined the direct marketing business until now, my family has lived in abundance and also harmoniously. We are very satisfied with both our career and family life. 2. Let's look at one of my female junior partners... After some training, her sales performance has been outstanding. She even applies what she learned about sales promotion from direct marketing to vegetable wholesale.
- By joining the direct marketing business, I have had many chances to learn, grow, develop self-confidence, and enrich my life. Besides helping others, I myself have benefited the most by it... I hope that the general public will hold a more positive attitude toward direct marketing, because to me it is such a meaningful career.
- My father and grandmother passed away one after the other within 3 days. Being a positive person, and thanks to the training I received from direct marketing, I have learned how to adjust my frame of mind to think positively about any situation.
- Thanks to the training offered to me by the company as well as the encouragement given to me by the senior members, I have successfully adjusted my mindset, and have helped other members and customers improve their appearances and thus improve their self-confidence. As a result, I can hardly describe how happy I am now.

Satisfaction of 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, 12 percent of their customers live in rural areas while 11 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 entrepreneurial 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 Taiwan ROC Direct Selling Association (TDSA) is the official direct selling association of Taiwan and is a member of WFDSA. TDSA provided invaluable support and collaboration in conducting the research. The current members of the TDSA are:

Altwell Taiwan Inc.	Melaleuca of Asia Ltd. Co., Taiwan Branch
Amway Taiwan Co., Ltd.	Morinda Int'l Inc., Taiwan Branch
Avon Cosmetics (Taiwan) Ltd.	Nikken Taiwan, Inc., Taiwan Branch
Boching Enterprise Group	Nu Life International (Taiwan) Ltd.
Creative Memories Taiwan	Nu Skin Taiwan, Inc.
E.Excel International (Taiwan) Inc.	President Natural Industrial Corp.
Formosa Magazine Press	Redin International Co., Ltd.
Fuh Jen International Co., Ltd.	Summit International Lily Co., Ltd.
Herbalife Taiwan Inc., Taiwan Branch	Sunpak Corp.
Hsin Ten Enterprise Co., Ltd.	Sunrider Taiwan, Inc. Taiwan Branch
Lanfar International Co., Ltd.	Taiwan Nefful Co., Ltd.
Lotus Dragon International Co., Ltd.	Taiway Mlm International Co., Ltd.
M.J. Life Enterprises, Ltd.	Totalife International Co., Ltd.
Mary Kay (Taiwan) Inc.	USANA Health Science Taiwan Inc.
Matol Taiwan Corporation	Viva America Marketing Taiwan Branch
Medical Designs, Inc.	

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

1. 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)

2. What compensation system for direct sellers does your company primarily utilize?
 Single level compensation Multi level compensation

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)	_____	_____

3. 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	_____	_____

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

Other

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

Production & Logistics

6. 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	_____	_____
Total	_____	_____

7. 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 _____ %

8. 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	_____	_____ %

9. 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	_____	_____	

10. 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 (_____)	_____
Total	_____

Investments

11. 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	_____	_____

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

For own employees _____

For direct sellers _____

Taxation

13. 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

14. 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	_____	_____	_____

3. 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?

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

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

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

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

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

- | | |
|---|--|
| <input type="checkbox"/> No, didn't receive any training | <input type="checkbox"/> Yes, received training from my upline |
| <input type="checkbox"/> Yes, received training from the direct selling company | <input type="checkbox"/> Yes, received training from an outside training company |

10. What is your status as a Direct Seller?

- Employee – skip to Q 11
- 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)?

- | | |
|---|--|
| <input type="checkbox"/> Less than 5 people | <input type="checkbox"/> 11 to 50 people |
| <input type="checkbox"/> 5 to 10 people | <input type="checkbox"/> 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 (_____)	_____
Total	_____

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

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 satisfied
 Somewhat unsatisfied Very satisfied
 Neither unsatisfied nor 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.

Demographics

Finally, we are asking a few questions about you.

23. Your gender

- Male Female

24. Your age

- Younger than 18 50 – 65
 18 - 34 Older than 65
 35 - 49

25. Your marital status

- Single, never married – skip to Q 26
 Married / Co-habitant – go to Q 25a
 Divorced / Widow – skip to Q26

25a. Is your spouse/partner also a direct seller and you do direct selling together?

- Yes No

26. Do you have any kind of disability?

- Yes No

27. What is the total number of people living with you in the same household?

28. What type of area do you live in?

- Rural Suburban Urban

29. What is your highest education level?

- Below high school
 High school graduate
 College degree
 Graduate degree (e.g., Masters, Ph.D.)
 Professional degree (e.g., MBA, MD)

=====
Finally, please provide your contact information.

Your name: _____

Your mailing address: Street Address: _____

City: _____ State/Province: _____

Postal Code or Zip: _____

Telephone: _____

Thank You!

**Please return your completed questionnaire
in the envelope provided.**

Appendix D: Technical Appendix

Sampling Methodology for Selection of Direct Sellers

Allocation

In August of 2004, the Taiwanese Direct Selling Association (TDSA) supplied Ernst & Young with a current list of TDSA members. The list was comprised of 28 members⁵, and included the estimated total wholesale revenues and the estimated number of direct sellers for each member.

Two thousand survey questionnaires were allocated amongst each of the 28 members relative to their corresponding total wholesale revenues. The number of surveys each member received was in direct proportion to its percent of total wholesale revenues for all TDSA members. For example, a member that had 10 percent of the total wholesale revenues for all TDSA members would receive 10 percent of the total surveys distributed, or 200 surveys (2,000 * 10% = 200 Surveys). In other words:

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

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 20 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. 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. Five companies did not complete their sample selection resulting in a final direct seller sample size of 1789.

An example of the sampling instructions sent to each of the selected TDSA 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 TDSA. To inflate the survey results to represent the entire direct selling industry in Taiwan, weights were used.

⁵ The original list was comprised of 31 members, but was later updated after three companies were determined to no longer be with the TDSA.

The TDSA supplied Ernst & Young with information regarding the entire direct selling industry for Taiwan 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 wholesale 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:

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

Thus each Taiwanese dollar in the respondents estimate represents approximately 2.7 Taiwanese dollars 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 Taiwan Fair Trade Commission – these include total revenue, commissions paid, and direct sellers receiving commissions.

The information was supplemented with a survey of the Taiwan Direct Selling Association members regarding their employees, production facilities, expenses, and taxes. The E&Y survey had 18 responses from TDSA members representing over one-third of the direct selling industry's revenue.

The Taiwan input-output matrix for 1999 was used to establish the relationships between the direct selling industry and the rest of the Taiwan economy. The input-output matrix is compiled by the Taiwan Government.

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 Taiwan Fair Trade Commission. The direct selling industry then had a weighted average relationship with other industry sectors.

An economic model, based on the Taiwan 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 Taiwan.

Given the differences between the direct selling industry and the other retail industry segments, the income “multiplier” was used to estimate the indirect and induced output, income and employment effects. The income multiplier was estimated to be approximately 2.1, such that the total contribution of the industry was an additional 110% of the direct contribution of the industry in terms of personal income. The employment multiplier is smaller since there are many part-time direct sellers.

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 Taiwan.

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.