

QUANTITATIVE ECONOMICS
& STATISTICS

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

2004 Socio-Economic Contribution Study
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*World Federation of
Direct Selling Associations*



Asociación Mexicana de Ventas Directas, A.C.

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Executive Summary

Direct selling in Mexico provides significant economic and social contributions to Mexican families and to the country as a whole. The industry offers an alternative income source for Mexican households. This report highlights the many contributions of the direct selling industry to Mexico, based on two new surveys, one of direct selling companies and a second of individual direct sellers. This report was commissioned jointly by the Mexico Direct Selling Association (AMVD) 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 Mexican households.

The Mexican Direct Selling Industry

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

The direct selling industry in Mexico is comprised of 65 companies, with total sales revenue of 32.9 billion pesos in 2003 (unless stated otherwise all currency in this report are stated in Mexican pesos – the conversion rate as of June 2005 is 1 peso = .092 US\$). Of these, 40 are members in AMVD, who account for 85 percent of the industry's revenues.

The industry includes a number of global companies with household names, such as Avon, Mary Kay, Tupperware, Jafra, Stanhome and Herbalife. There are also a number of Mexico-based companies, including Arabela, Zermat and Lebasi. In 2003, there were approximately 1.9 million Mexicans associated with the direct selling industry: most of these are direct sellers who received compensation (commission, overrides or bonuses) from direct selling companies (Table II.2).

Direct selling is a growing industry in Mexico. Sales have increased by 29 percent over the past three years, from 25.5 billion pesos in 2000 to 32.9 billion pesos in 2003 (Figure II.2).

Direct selling offers a wide variety of products, ranging from food to services. The largest categories of product sales are personal care products (18.4 billion pesos of sales),

followed by health products (5.9 billion pesos) and household products (4.2 billion pesos) (Table II.4).

More than ninety percent of direct sellers are women: most are married with four or more people in the household (Table II.5). Some married couples (30 percent) 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 Mexican families. The direct selling industry provides entrepreneurial opportunities for individuals that may have been previously unavailable.

Economic Contributions of the Direct Selling Industry in Mexico

Direct selling contributes significantly to the Mexican economy both financially and in terms of quality of life. The average annual compensation of self-employed direct sellers in 2003 was 1,978 pesos; the average earnings of employees of direct selling organizations were 117,003 pesos (see page 10). These earnings, while important, represent only a portion of the economic and social contributions the industry makes to the Mexican economy.

Beside salaries paid to employees and the compensation of 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 stated above, there were approximately 1.9 million Mexicans associated with the direct selling industry in 2003 – of these most were direct sellers that received compensation and 17,000 were permanent employees of the direct selling companies. They earned an estimated 5.7 billion pesos 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 III.2).

The direct selling industry makes an additional contribution to Mexican employment. The industry buys products and services from other Mexican companies (suppliers), supporting additional Mexican jobs. This effect is referred to as the “indirect employment contribution.”

Based on our analysis of the income multiplier for the Mexican direct selling industry, Ernst & Young estimates that an additional 2.2 billion pesos in Mexican personal income was created through the indirect income impact (Figure ES.1).

Figure ES.1: Total Personal Income Contribution of the Mexican Direct Selling Industry, 2003 (Pesos in millions)

Total Personal Income Impact:	7,873	
	2,185	<p>Indirect economic activity: Personal income due to purchases from suppliers to the direct selling industry and increased consumption expenditures by direct sellers, direct selling company employees, and supplier company employees</p>
	5,688	<p>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.</p>

Fiscal Contributions of the Direct Selling Industry in Mexico

The direct selling industry’s contributions to jobs, income, investment and research and development also result in increased tax collections for the Mexican government. The economic activity generated by the direct selling companies resulted in an estimated 3.5 billion pesos in total national and local taxes to the Mexican government in 2003 (Table III.3).

The direct selling organizations, their employees and direct sellers are estimated to pay 3.5 billion pesos in tax payments. The combined total contribution of additional tax payments resulting from indirect employment, investment, and research and development activity is estimated to be 4.3 billion pesos in 2003 (Table III.3).

Social Contributions of the Direct Selling Industry to Mexico

The direct selling industry makes a substantial economic contribution to the Mexican economy. While economic contributions are more easily measured, the industry also contributes considerably to the quality of life enjoyed by many Mexicans. The survey of direct sellers sheds light on the social contributions of the industry. Extra income, possibilities for entrepreneurship, schedule flexibility, and opportunities to develop personal business skills are some of the major benefits cited by direct sellers. These

social contributions are no less important than the economic contributions discussed above.

Benefits of Direct Selling to Direct Sellers

Opportunity to Improve Financial Status

Direct selling provides an alternative income source. That is the primary motivation for direct sellers entering the industry. It's also the main benefit cited of being a direct seller, as shown in Figure IV.5. Seventy-five percent of respondents cited "Earn more money" as a benefit of being a direct seller. Seventy-four percent use this money on 'Daily expenses' and 66 percent use it to 'Improve quality of life'. (Figure IV.6)

Development of Entrepreneurship

Though earning more money is the main reason for entering the industry, other benefits accrue to direct sellers. In particular, they 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, 71 percent cited the ability to "Own my own business" as a benefit; 71 percent cited 'I am my own boss'; and 58 percent cited "Having independence." Significantly more people cite these as benefits to being in the industry than cited them as reasons for entering the industry. As direct sellers continue in the profession, they find benefits that may not have been apparent to them when first starting in the business. (Figure IV.5).

Development of Flexible Business Opportunities

The flexible nature of direct selling provides expanded business opportunities for many individuals. Sixty-six percent of direct sellers report spending less than 20 hours per week on direct selling activities, and 43 percent spend less than 10 hours (Figure IV.4). 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. Of those responding to the survey, ninety-two percent of direct sellers are women; 60 percent have four or more persons in the household (Table II.5). Three percent of survey respondents have a disability, but are able to participate in the direct selling industry.

Development of Increased Personal Business Skills

A significant percentage of direct sellers listed personal skills development that they attribute to their participation in direct selling. Ninety-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).

Satisfaction of Direct Sellers

With these benefits, it's not surprising that direct sellers indicated they are generally pleased with their experience in the industry. Over 91 percent described themselves as either "somewhat satisfied" or "very satisfied." with direct selling activities (Figure IV.7).

Benefits of Direct Selling to Consumers and Society

Serving 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 serves hard to reach consumers: it increases access to retail markets in rural areas, generally underserved by traditional retail channels. The industry provides consumers with access to additional goods they might not otherwise be able to find. Sixteen percent of direct selling consumers live in rural areas while 8 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).

Contributions from Charitable Giving

Direct selling organizations gave an estimated 9.6 million pesos to charitable causes in 2003. When asked if they contribute any money, goods or services to social programs, of those responding to the survey, 72 percent of respondents said they contributed to human services and charities, and 34 percent of direct seller respondents contributed to education (Figure IV.8).

Conclusion

The direct selling industry in Mexico is a growing, vibrant part of the Mexican economy and community. Its contributions to Mexican families and the Mexico 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 Mexican direct seller put it:

...I can get far with effort and I can improve my economic and work situation without having to depend on someone else.

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I. Introduction

Purpose and Scope of Study

Ernst & Young was commissioned jointly by the Mexican Direct Selling Association (AMVD) and the World Federation of Direct Selling Associations (WFDSA) to conduct a study of the socio-economic impact of the direct selling industry in Mexico. The objective of this study is to present the direct and indirect social and economic impact of the Mexican 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 40 member companies of the AMVD received a survey questionnaire asking about matters such as sales, organization, investment, and charitable activity. Twenty-four company surveys were returned for a 60 percent response rate. A random sample of 2000 direct sellers were selected to receive 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 608 direct seller surveys completed and returned¹. Of these, 519 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 Mexican input-output tables and developed by Minnesota IMPLAN Group, Inc., was used 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. The economic model estimates the combined nationwide economic impact (initial and multiplier effects) of direct selling activity in Mexico. *Unless stated otherwise, all currency in this report is reported in Mexican Pesos (pesos).* The exchange rate as of June 2005 is 1 peso = .092 US\$.

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

¹ Because each company mailed its own direct seller survey questionnaires, we have been unable to determine the exact number mailed. Hence, we are unable to report an accurate response rate.

The direct selling industry in Mexico 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 Mexican economy and society.

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

WFDSA's code of conduct defines direct selling as:

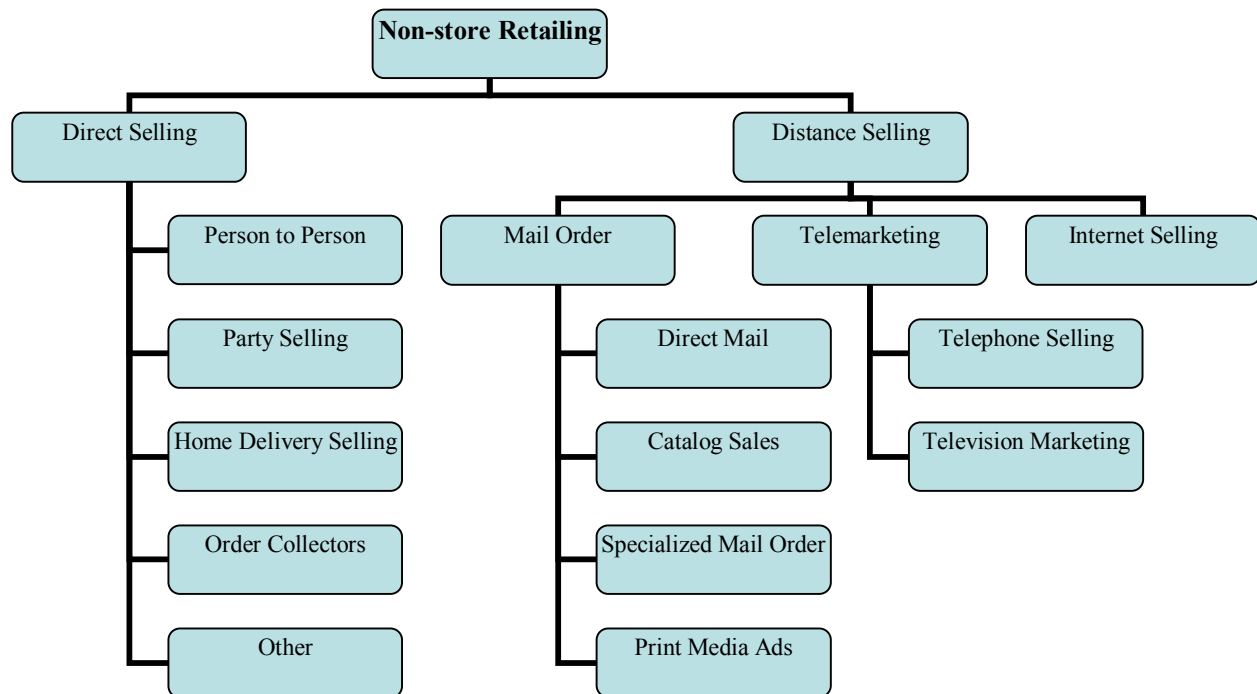
the marketing of consumer products directly to consumers generally in their homes or the homes of others, at their workplace and other places away from permanent retail locations, usually through explanation or demonstration of the products by a Direct Seller.

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 in order to connect with customers. These include person-to-person, party plan, and home delivery selling. The two most common methods used 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 Mexico's direct sales organizations (63 percent of those surveyed) are structured for multi-level compensation.

As described above, direct sellers are not employees of the direct selling organization – they don't receive traditional wages and salaries for their direct selling activities. 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 Mexico based on the two surveys described above. An overview of the Mexican 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 Mexican population. The appendices contain information regarding data sources and methodological descriptions.

II. The Mexican Direct Selling Industry

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

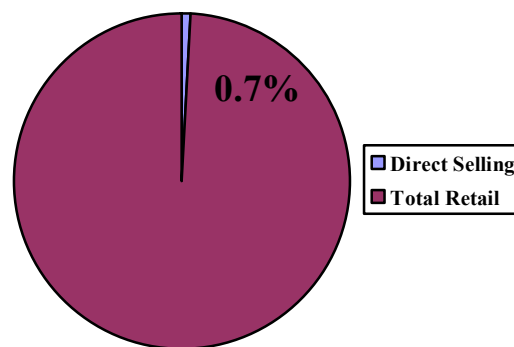
Size of the Industry

As of March 2004, there were 65 direct selling companies in Mexico. The industry includes a number of global companies with household names, such as Avon, Mary Kay, Tupperware, Jafra, Stanhome and Herbalife. There are also a number of Mexico-based companies, including Arabela, Zermat and Lebasi.

There are 40 AMVD members accounting for approximately 85 percent of total direct selling revenues in Mexico. Of the companies responding to the survey, Stanhome had been in the direct selling business the longest in Mexico – 52 years. There is a list of AMVD members in Appendix A.

Direct selling industry revenues in Mexico totaled 32.9 billion pesos in 2003 and represented a 0.7 percent share of the total retail market (Figure II.1). This percentage may seem low, which could stem from the fact that the retail sales data provided by INEGI includes revenues of the hotel and restaurant industries².

Figure II.1: Direct Selling Share of Retail Sales



Source: Retail sales from INEGI, Direct Selling Revenues from WFDSA

Over 1.9 million Mexicans were associated with the direct selling industry as of 2003. In 2003, it had a sales penetration rate of 56.7 – there is one direct seller for every 56.7 people in Mexico. This is a much higher rate of penetration than other countries in the region, as shown in Table II.1.

² Efforts by Ernst & Young and AMVD to separate the revenues of these industries and/or to use a defensible alternative data source were unsuccessful.

Table II.1: Direct Sales Penetration Rates – Latin America, 2003

(thousands)

Country	Population	Direct Sellers	Penetration Rate
Mexico	104,900	1,850	56.7
Argentina	39,538	683	57.9
Colombia	42,954	650	66.1
Chile	15,981	213	75.0
Brazil	186,113	1,539	120.9
Ecuador	13,364	85	157.2

Source: Direct sellers from WFDSA, Country population from CIA Factbook

Mexico has 1.9 million people associated with the direct selling industry. Table II.2 has data on the size of the Mexico direct selling industry relative to the Mexican population as a whole.

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

(millions)

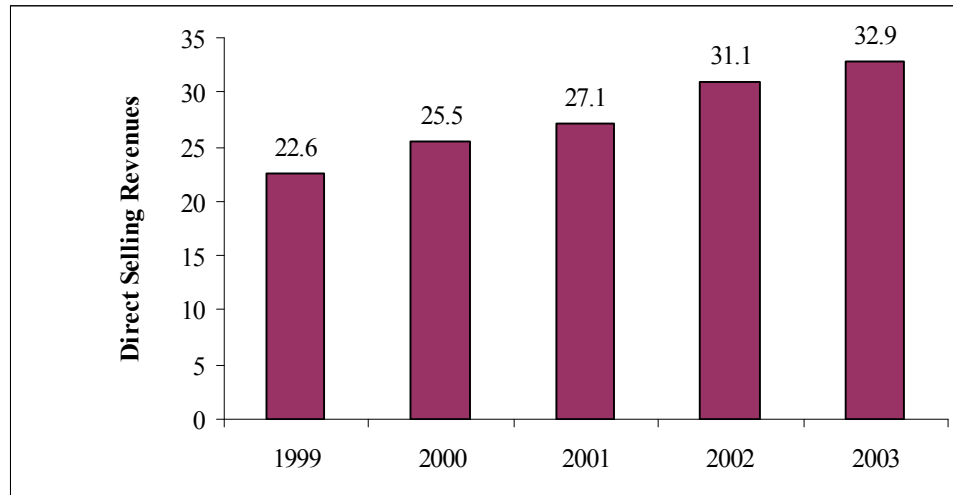
Category	Population
Total Population	104.9
Total Population 12 years or older	74.0
Total Labor Force	40.0
Total Employed	39.0
Total Direct Sellers Receiving Compensation	1.9

Source: Macroeconomic Data from Banco de Información Económica (BIE), INEGI and Secretaria del Trabajo y Previsión Social Mexico, Direct Selling data from WFDSA and AMVD

Growth of the Industry

Figure II.2 shows the recent growth trends in Mexico's direct selling revenues. Growth in the past three years has been strong, from 22.6 billion in 1999 to 32.9 billion in 2003 – a nearly 46 percent increase.

Figure II.2: Mexico Direct Selling Industry Revenue Growth
(pesos in billions)



Source: AMVD

The number of people associated with direct selling has grown moderately – by nine percent since 1999.

Table II.3: Mexico Direct Selling Sales Force Growth, 1999-2003
(thousands)

Year	Direct Sellers
2003	1,850
2002	1,820
2001	1,820
2000	1,766
1999	1,700

Source: AMVD

Breadth of the Industry

Direct selling organizations sell a wide variety of consumer products and services. Table II.4 lists product categories and associated revenues. 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
(pesos in billions)

Product Categories	Revenues	Percent of Revenues
Personal Care Products	18.4	55.8
Health Products	5.9	18.0
Household Products	4.2	12.9
Family-related Products	1.5	4.6
Food Products	1.4	4.2
Other	1.5	4.4
Total	32.9	100%

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

In the Mexico direct selling industry, the largest categories of product sales are personal care products (18.4 billion of sales), health products (5.9 billion) and household products (4.2 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, direct sellers are predominantly women (92 percent). Most direct sellers are married (77 percent): many married couples (30 percent) tend to do direct selling together. 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. The direct selling industry provides entrepreneurial opportunities for individuals that may have been previously unavailable.

The direct sellers primarily reside in urban areas (78 percent); nearly 60 percent have not graduated college.

Direct selling offers substantial flexibility and independent business opportunities 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, improved earning power, and more entrepreneurial opportunities for Mexican families.

Table II.5: Characteristics of Direct Sellers

Demographics	Category	Percent of Respondents
Gender	Male	8
	Female	92
Age	18 - 34	23
	35 - 49	47
	50 - 65	26
	> 65	4
Marital Status	Single, never married	11
	Married / Co-habitant	77
	Divorced/Widow	12
Total # in Household	Two or less	21
	Three	19
	Four	30
	Five	17
	Six or more	13
Area of living	Urban	78
	Suburban	11
	Rural	11
Education	Below high school	31
	High school graduate	28
	College degree	26
	Graduate degree, i.e., Masters, Ph.D.	14
	Professional degree, i.e., MBA, MD	1

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

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

Direct selling contributes significantly to the Mexican economy both financially and in terms of quality of life. Direct selling companies generate employment, personal income and taxes. The direct selling industry provides wages and salaries to the employees of the direct selling companies plus compensation to its self-employed direct sellers. In addition, the direct selling industry's purchases of goods and services from other Mexican 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 Mexican economy.

The sources of all data in this section are:

- The Ernst & Young survey of direct selling organizations in Mexico (see Appendix B),
- Mexico Direct Selling Sales from Euromonitor, and
- Ernst & Young economic modeling (see Appendix D).

Direct Economic Contribution of Direct Selling Organizations

In 2003, an estimated 1.9 million direct sellers were associated with the direct selling industry. Direct Sellers, Direct Selling Organizations and their employees earned an estimated 5.7 billion pesos from the direct selling industry, for an average annual direct seller compensation of 1,978 pesos. Since for most direct sellers it is a part-time activity, direct selling compensation is a helpful supplement to the household's other income. Also, average compensation does not include discounts on products enjoyed by direct sellers. As shown in the next chapter this is a very valuable and appreciated benefit of direct selling for participants.

Direct selling organizations' employees involved in administration, production, logistics and research and development earned an estimated 2.0 billion pesos in 2003, for an average salary of 117,003 pesos.

Direct sellers, direct selling organizations and their employees earned an estimated 5.7 billion pesos 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, interest and dividends). This amount is often called the "direct employment contribution."

Figure III.1: Total Personal Income Contribution of the Mexican Direct Selling Industry, 2003
(Pesos in millions)

Total Personal Income Impact:	7,873	
	2,185	Indirect economic activity: Personal income due to purchases from suppliers to the direct selling industry and increased consumption expenditures by direct sellers, direct selling company employees, and supplier company employees.
	5,688	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

Supplier (Indirect) Contributions

In addition to the direct contributions of the direct selling industry listed above, the direct selling industry contributes to Mexican employment when the industry buys products and services from other Mexican companies (suppliers). This effect is referred to as the “indirect employment contribution” (2.2 billion pesos, 2003). Table III.1 shows the distribution of the types of expenses incurred by direct selling companies.

Table III.1: Distribution of Operating Expenses by Category

Category	Percent
Telecommunications	39.6
Machinery and Equipment	33.0
Packaging Expenses	10.1
Postal Expense	5.0
Vehicle Lease Expense	4.0
Printing and Publication Expense	3.0
Advertising	2.1
Other Expenses	3.2
Total Expenses	100

Source: Unweighted results from direct seller survey, 2004

The additional income from indirect jobs results in an income *multiplier* of 1.4. Based on this multiplier, an estimated additional 2.2 billion pesos in Mexican personal income was created through the indirect income impact. This means that the total impact on income of the industry in Mexico is 7.9 billion pesos.

Similarly, additional revenue from indirect jobs results in a revenue *multiplier* of 1.4. So, while direct selling companies directly produce 32.9 billion in sales revenue their total impact on sales in the economy of Mexico is 45.5 billion pesos.

As noted previously, 1.9 million 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 717,000 jobs. Thus, the total job generation attributable to the direct selling industry is 2.6 million.

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

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

Personal Income	Direct Impact	5.7
	Indirect Impact	2.2
	<i>Total</i>	<i>7.9</i>
Employment	Direct Impact	1,867,337
	Indirect Impact	717,305
	<i>Total</i>	<i>2,584,642</i>
Sales	Direct Impact	32.9
	Indirect Impact	12.6
	<i>Total</i>	<i>45.5</i>

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 Mexican government. Total national and local taxes generated in 2003 were an estimated 3.5 billion pesos, as shown in Table III.3. When combined with the indirect taxes generated, the economic activity generated by the direct selling industry resulted in an estimated 4.3 billion pesos in total national and local taxes in 2003.

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

Type of Tax	Direct	Indirect	Total Taxes
Total Taxes	3.5	0.8	4.3

Source: E&Y calculations

The direct 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 value added tax and corporate income tax.

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

Type of Tax	Taxes Collected
Value Added Tax	1.07
Corporate Income Tax	0.85
Social Security Tax	0.67
Import & Export Tax	0.45
Other Taxes	0.49
Total Taxes	3.53

Source: E&Y calculations

The direct selling industry contributes significantly to the Mexican economy through both direct and indirect channels. The direct contribution includes personal income of 5.7 billion pesos to Mexican families, sales revenue of 32.9 billion pesos, employment of 1,867,000 and 3.5 billion pesos in tax revenues. In addition, indirect contributions through purchases of products and services from other Mexican companies and employee spending support an additional 2.2 billion pesos of personal income, sales revenue of 12.6 billion pesos, 717,000 Mexican jobs, and 0.8 billion in tax revenues.

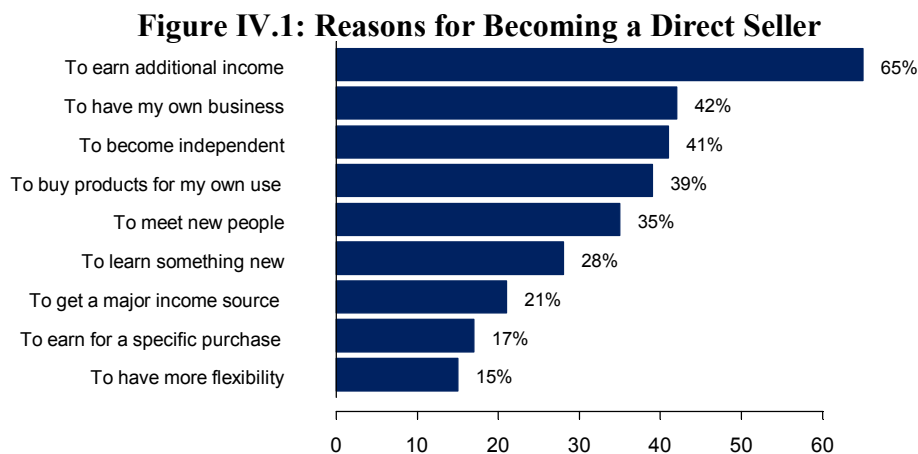
IV. The Social Contribution of the Mexico Direct Selling Industry

The direct selling industry makes a substantial financial contribution to the Mexican economy. While economic contributions are more easily measured, the industry also contributes considerably to the quality of life enjoyed by many Mexicans. Entrepreneurship, schedule flexibility, and opportunities to develop personal business skills are a few of the major benefits. The survey of direct sellers (detailed in Appendix C) sheds light on the social contributions of the industry. These contributions are no less important than the economic contributions discussed in previous sections.

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

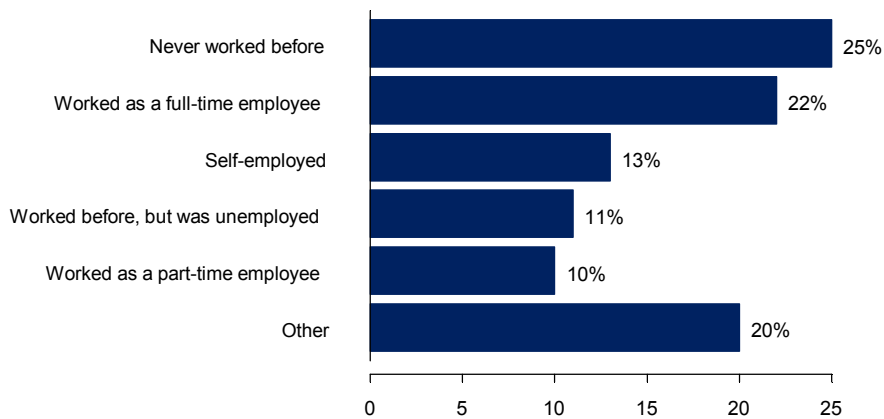
The primary reason given for becoming a direct seller is “to earn additional income” (65 percent, Figure IV.1). Other reasons cited include “to have my own business” (42 percent), “to become independent” (41 percent), and “to buy products for my own use” (39 percent).



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

As shown in Figure IV.2, before becoming direct sellers, 25 percent of respondents never worked before, and 22 percent worked as a full-time employee.

Figure IV.2: Previous Work Status of Direct Sellers

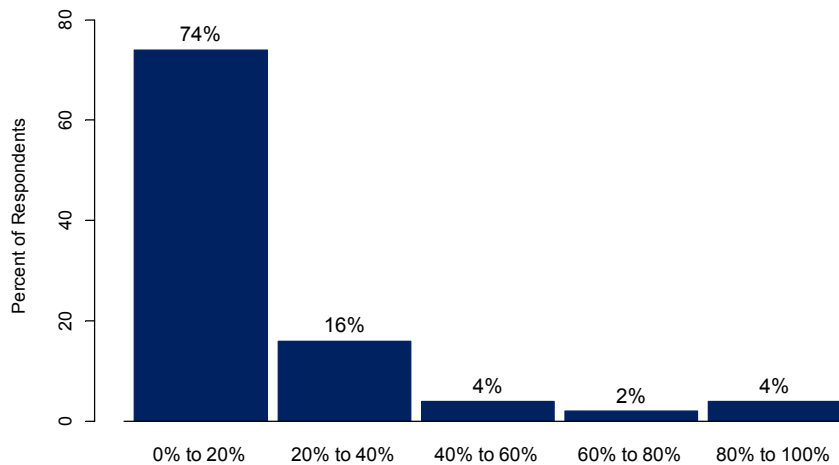


Source: E&Y Survey of Mexican Direct Sellers, 2004

Most direct sellers have received some form of training (74 percent). About 48 percent of the direct sellers received their training from the direct selling companies, and 26 percent of them received the training from their up-line direct sellers.

Nearly half (42 percent) of direct sellers represented more than one direct selling company at the same time during the past two years. Often, direct sellers participate with companies from whom they purchase products for personal consumption. Still, the survey respondents are very serious about direct selling as a business opportunity. The majority (74 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 Mexican Direct Sellers, 2004

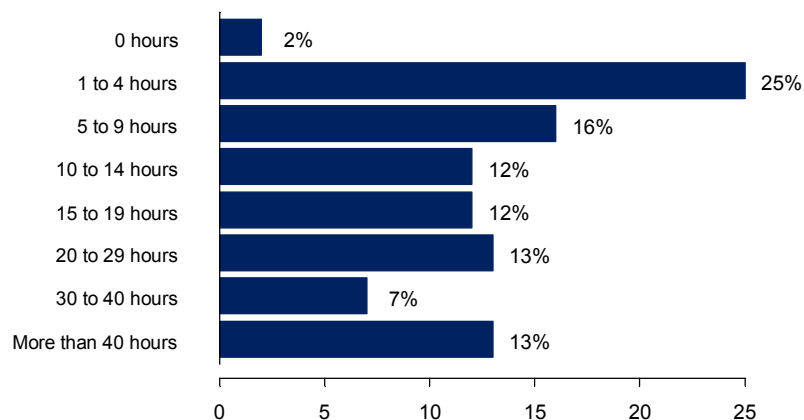
Time Devoted to Direct Selling

A unique feature of the direct selling industry is that it provides a flexible schedule. The majority of direct sellers who responded (92 percent) participate 12 months per year. However, the time devoted to direct selling varies widely. Though direct sellers may participate throughout the year, some devote 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. Sixty-seven percent of direct sellers report spending less than 20 hours per week on direct selling activities, and 43 percent spend less than 10 hours. This opens up alternative or 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. Thirteen percent of direct sellers dedicate more than 40 hours per week (Figure IV.4). Development of entrepreneurship is an important motivating factor for those who devote significant time to direct selling activities. Among those who spend more than 40 hours a week, 59 percent cite 'to have my own business' as a reason for becoming a direct seller.

Figure IV.4: Time Devoted to Direct Selling



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

Direct Selling Approaches

Direct sellers use various approaches to sell their products. Most direct sellers use contacts through other people (97 percent, Table IV.1). Some use home parties, advertisements or simply knock on doors.

The Internet also is used in direct selling, with about 24 percent of direct sellers indicating use of 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 males, and those with higher levels of education.

Table IV.1: Direct Selling Approaches

Approaches Used	Percent of Respondents
Contacts through other people	97
Friends	94
Home parties	81
Advertisements, flyers	74
Telephone	70
Knocking on doors	58
Internet	24

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

Benefits of Direct Selling to Direct Sellers

Opportunity to Improve Financial Status

Direct selling provides an alternative or supplementary income source. As noted earlier, that is the primary motivation for direct sellers entering the industry. It's also the main benefit cited of being a direct seller, as shown in Figure IV.5. Seventy-five percent of respondents cited "Earn more money" as a benefit of being a direct seller. Seventy-four percent use this money on 'Daily expenses' and 66 percent use it to 'Improve quality of life' (Figure IV.6).

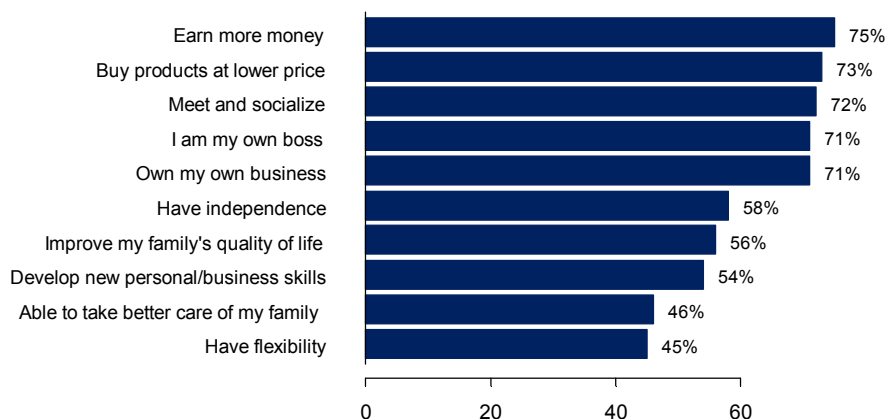
Development of Entrepreneurship

Though earning more money is the main reason for entering the industry, other benefits accrue to direct sellers. In particular, they 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, 71 percent cited the ability to "Own my own business" as a benefit; 71 percent cited 'I am my own boss'; and 58 percent cited "Having independence." These percentages are higher than the percentages of those citing these reasons for entering the industry. As direct sellers continue in the profession, they find benefits that may not have been apparent to them when first starting in the business.

Other Benefits

Seventy-one percent of respondents cited the ability to meet and socialize as a benefit – direct selling can be a very social profession. In fact, direct sellers indicated that being a direct seller brought many benefits. When asked to choose benefits, the majority (57 percent) chose six or more of the ten benefits listed in the questionnaire.

Figure IV.5: Benefits of Being a Direct Seller



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

As noted in Figure IV.5, 54 percent of respondents cited the development of new personal/business skills as a benefit of being a direct seller. Table IV.2 lists some of the specific skills that direct selling enhances. For example, Ninety one percent of direct sellers cited “Building business management skills” as a benefit; 91 percent cited “Building better sales skills”; 87 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 can help serve as role models for their children, friends and neighbors.

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

Improved Professional Skills	Percent of Respondents
Build self esteem and confidence	94
Build better sales skills	91
Build business management skills	91
Take more initiatives	90
Feel more at ease in front of an audience	87
Better organize your agenda	82
Improve performance on other jobs	77
Work better with others	71

Source: E&Y Survey of Mexican 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, 94 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, 93 percent of respondents indicated that the benefits carried over to their private lives, and 19 percent of respondents indicated the benefits carried over to another job.

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

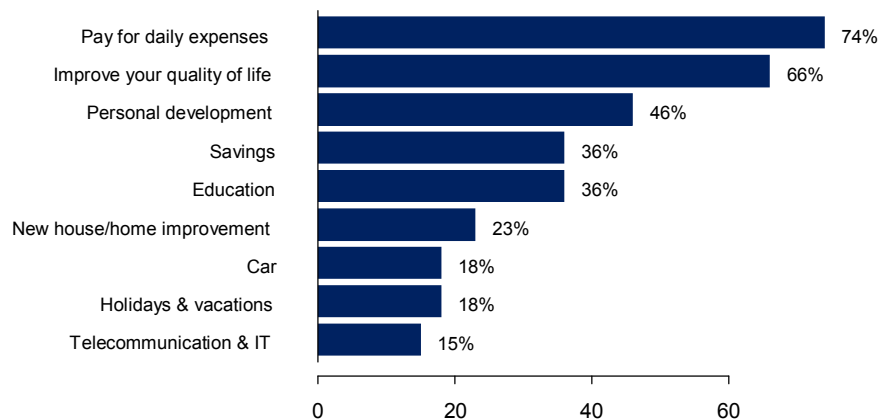
Benefits Carried Over	Percent of Respondents
In private life only	81
In another job only	7
In both private life and another job	12
Total	100

Source: E&Y Survey of Mexican 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 (74 percent) and to improve their quality of life (66 percent) (Figure IV.6).

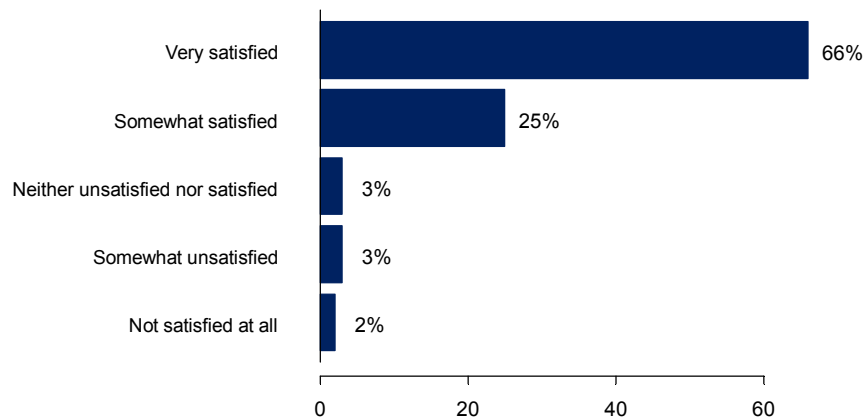
Figure IV.6: Financial Benefits of Being a Direct Seller



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

Satisfaction of Direct Sellers

Most direct sellers pleased with their experience in the industry. Over 91 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 Mexican Direct Sellers, 2004

Testimonials of Direct Sellers

Here is a select sample of verbatim comments from Mexican 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.”

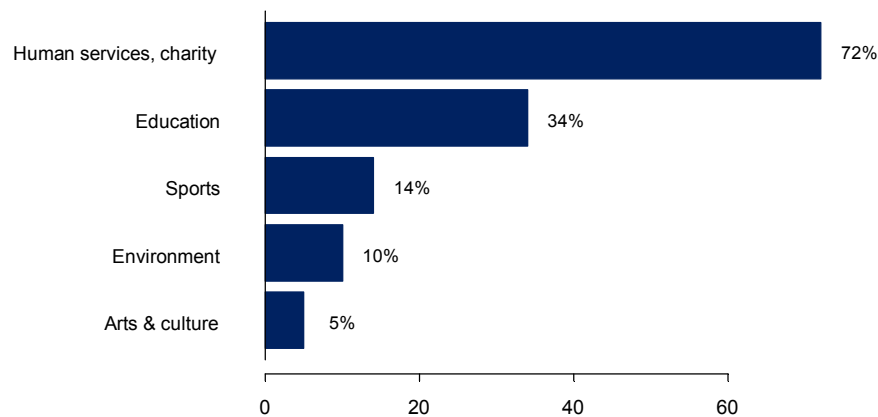
- *With my participation in direct selling I have helped other people start their own business and become independent.*
- *Thanks to [direct selling] I could overcome losing my husband... I did not have time during the day to think about my pain, that way I was able to overcome my loss. Today I am very happy because I have the support of [my direct selling company], my children, and all the people who [are] near me. Thanks.*
- *Two young ladies in particular: one did not know how to read or do basic math and she became so enthusiastic to participate with us that she did her schooling and now she is [the] leader; the other one had never been to a bank or filled out a deposit form and now she has the opportunity to do the accounting and have control of her own business.*
- *I met the man who is now my husband.*
- *It helped me when my son died, both economically and emotionally.*
- *I convinced my husband to allow me to do sales, he did not want me to do it, and now he helps me.*
- *I listen to people tell me about their lives...I share with my clients their joy and their sadness.*
- *Thanks to [direct selling] I am an independent woman and I take better care of my family.*
- *To demonstrate that I can get far with effort and I can improve my...situation without having to depend on someone else.*
- *To learn to listen and to be able to give solutions for my clients.*

Social Benefits of Direct Selling to Society

Contributions from Charitable Giving

Direct selling organizations gave an estimated 9.6 million pesos to charitable causes in 2003. When asked if they contribute any money, goods or services to social programs, 72 percent of direct seller respondents said they contributed to human services and charities, and 34 percent contributed to education (Figure IV.8).

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



Source: E&Y Survey of Mexican 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 serves hard to reach consumers: it increases access to retail markets in rural areas, generally underserved by traditional retail channels. The industry provides consumers with access to additional goods they might not otherwise be able to find. Of the survey respondents, 16 percent of their customers live in rural areas while 8 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 Mexico Direct Selling Association (AMVD) is the official direct selling association of Mexico and is a member of WFDSA. AMVD provided invaluable support and collaboration in conducting the research. The current members of the AMVD are:

AMWAY	NATURE'S SUNSHINE
ARABELA	NEWAYS
AVON	NIKKEN
BARSA PLANETA	NU SKIN
BETTERWARE	ORIFLAME
C.CISNEROS	PARTYLITE
CREATIVE MEMORIES	PRINCESS HOUSE
CRISTIAN LAY	SHAKLEE
D. TUPPERWARE	STANHOME
FOREVER LIVING	SUNRIDER
FREDERICK	SWISSJUST
G. NEOLIFE	TAHITIAN NONI
G. FORTOUL	TIANSHI
HERBALIFE	TRANSBEL
HOME INTERIORS	USANA
HOMEMATE	XANAX
HOUSE OF FULLER	YANMEX
JAFRA	YVES ROCHER
JOIELLE	ZERMAT
LEBASI	
MARY KAY	
NATURA	

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 associated with 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?

- | | |
|--|---|
| <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 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 represented more than one company at the same time in the past 2 years?

Yes

No

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

Yes

No

Demographics

Finally, we are asking a few questions about you.

25. Your gender

Male

Female

26. Your age

Younger than 18

50 – 65

18 - 34

Older than 65

35 - 49

27. 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

28. Do you have any kind of disability?

Yes

No

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

30. What type of area do you live in?

Rural

Suburban

Urban

31. 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

The Mexican Direct Selling Association (AMVD) supplied Ernst & Young with a current list of AMVD members. The list was comprised of 40 members, 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 40 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 AMVD members. For example, a member that had 10 percent of the total wholesale revenues for all AMVD members would receive 10 percent of the total surveys distributed, or 200 surveys ($2,000 * 10\% = 200$ Surveys). In other words:

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

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. Fifteen 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. Because each company mailed its own direct seller survey questionnaires, we have been unable to determine the exact number mailed. Hence, we are unable to report an accurate response rate.

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

The AMVD supplied Ernst & Young with information regarding the entire direct selling industry for Mexico 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:

$$\text{Sales Weight} = \frac{\text{Total Wholesale Revenues for the Industry}}{\text{Total Wholesale Revenues for Respondents}} = \frac{32.9 \text{ B pesos}}{16.5 \text{ B pesos}} \approx 2.0$$

Thus each Mexican peso in the respondents estimate represents approximately 2.0 Mexican pesos 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 AMVD – these include total revenue and the number of direct sellers receiving compensation.

The information was supplemented with a survey of the Mexico Direct Selling Association members regarding their employees, production facilities, expenses, and taxes. The E&Y survey had 23 responses from AMVD members representing 28 percent of the direct selling industry's revenue.

The Mexican input-output matrix was used to establish the relationships between the direct selling industry and the rest of the Mexican economy. The input-output matrix is compiled by the Consultoria Internacional Especializada, SA de CV, using a product called Stata Matrix.

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 AMVD. The direct selling industry then had a weighted average relationship with other industry sectors.

An economic model, based on the Mexican input-output model and developed by Minnesota IMPLAN Group, Inc., was used 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. The economic model estimates the combined nationwide economic impact (initial and multiplier effects) of direct selling activity in Mexico.

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 and suppliers. The taxes for the latter activity are based on the average relationship between taxes and national income in Mexico.

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.