

Promoting the economic and consumer benefits of the direct selling channel

ANNUAL REPORT 2010-2011

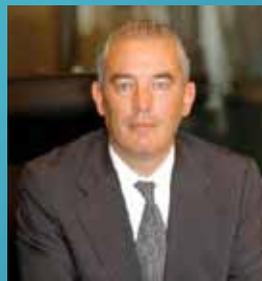
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The European
Direct Selling Association

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Chairman' Statement



This will be the first Annual Report published under the name Seldia. The name change – from Fedsa to Seldia – has been without any doubt one of the most remarkable events of our association this year. It has only been the second time in our 43 years of existence that we changed our name and this time it was very special. Seldia is more than a new name; it is brand for those with highest standards in business and ethical trading. It is up to us to promote it in Brussels and the EU capitals.

In addition, and perhaps more importantly, Seldia also marks the renewal of our association that started with the adoption of revised statutes in November 2009. Seldia re-organised its structure by strengthening the role of its Member DSAs whilst maintainng a strong corporate membership.

During that period, the association focused much of its attention on horizontal issues, such as the new EU Consumer Rights Directive, contract law or self-regulation. On the other hand, issues affecting companies were closely monitored as well: modification of direct sellers' status in several countries, trade barriers in the Single Market and with third countries, tax issues. This has worked very well. The key advocacy programme for the last twelve months has without any doubt been the adoption of the Consumer Rights Directive by the European Council of Ministers and European Parliament. This new legislation will replace the 1985 Direct Selling Directive and will have an important impact on our businesses. The good news is that we will see further harmonization of regulation in our sector, although many trade barriers remain. The bad news is that we have been put at one level with e-commerce.

“The best way to predict the future is to create it.”

colleagues – starting at delivery and not at the moment of placing the order. It challenges the logic of direct selling and shows that politicians and regulators need more education about our industry.

In March 2011, Seldia held its annual CEO Council meeting, the vehicle that allows companies to set the priorities of the association. This year’s edition was a great success due to the splendid hospitality received by Stanhome/Yves Rocher at their headquarters in Paris.

There was reason enough to celebrate because of the excellent economic prospects of our industry. In this Annual Report, you will find detailed statistics, which were elaborated with the World Federation of Direct Selling Associations. Despite the general economic downturn, direct selling sales have shown a growth of over 6% in the EU market! Sales, tax contributions and employment are all up. I urge you to endlessly educate your politicians and other stakeholders about the value of direct selling and the need for better regulation.

At the time of publishing this Annual Report, Seldia will host its first Round Table on the Future of Direct Selling. This conference serves different purposes. It aims at highlighting the importance of Direct Selling to the rotating Presidency of the European Union, hence the location of our event in Warsaw, Poland. The Round Table will also allow all European actors of our sector to come together and discuss issues of common interest and

This has led to the right of withdrawal – cooling-off period for our American

exchange views with representatives of other industries having concerns similar to ours.

In addition to the name change, the members approved a new Code of Ethics in May 2011. The Code aims at implementing the 2008 Code by the World Federation of Direct Selling Associations, of which Seldia is a member, and put it into a European Union context. A key feature of the new Code is the appointment of a Code Administrator, or Ombudsman if you like, who will deal with some cross-border complaints for which there were no remedies before. I hereby call upon associations and companies to implement and apply the new Code, because ethical trading should be at the heart of our strategy.

I would like to close this statement with an appeal to the leaders of our industry. The existing division in the representation of our industry, in both Brussels and some EU member states, is short-sighted and will not lead to benefits for anyone. Direct selling is much too small for a division, we only represent between 1 and 2 % of total retail trade. We will only have a chance to be heard if we are able to speak with one voice. It is up to our leaders to act now and work towards the creation of a single representation. Under my leadership, Seldia’s main objective will be to achieve this as soon as possible.

I wish you all much success in the coming year.

Philippe Jacquelinet
Chairman



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The European
Direct Selling Association

Mission Statement

Seldia shall represent and promote, at European level, the interests of national Direct Selling Associations and of their members engaged in direct selling.



This mission will be achieved, in particular:

- Maintaining contacts with relevant EU officials and with other relevant business organisations and consumer interest groups in Brussels;
- Lobbying EU officials in defence of its members' interests with regard to any European legislative development that presents, as indicated by its members, any threat to the efficient operation of their direct selling businesses;
- In consultation with its members, determining and advocating new EU legislation in the interest of the efficient operation of pan European direct selling businesses;
- Promoting the economic and consumer benefits of the direct selling channel;
- Promoting a proper understanding of the way in which direct selling businesses are organised;
- Setting high standards, through a European code, for acceptable practices in selling methods and treatment of direct sellers;
- Disseminating to its members, legislative and other information of use in the efficient operation of its member associations.

Organisation



Activity Report

General Assembly & Annual Conference

The General Assembly is composed of all Full, Associate, Corporate and Honorary Members and has all powers to achieve the objectives of the association other than the general management, which is the competence of the Board of Directors. It is chaired by Seldia Chairman Philippe Jacquelinet and has 40 members.

Actions 2010/2011

Since the last Annual Report, the General Assembly met three times, on 14 September and 24 November in 2010 and on 10 May 2011. The latter was an extraordinary General Assembly convened to adopt the name change of the association. As from 2011 onwards, Seldia will only have one Annual General Assembly, which is meant to take all the institutional decisions, like appointment of officers, approval of accounts, accepting new members, etc. This Annual General Assembly or AGM will be followed by an industry conference. The first AGM/conference of this kind will be organised in Warsaw, Poland on 21 September 2011 in conjunction with the Polish EU Presidency.

The most remarkable decision taken by the AGM has been the change of the association's name from Fedsa to Seldia. This has been the second time that members decided to change the name and this time it was particularly special. The new name, adopted by unanimity, illustrates a renewed European direct selling association with a proper balance of interests of associations and companies. Seldia is more than a new name; it is a brand for those with highest standards in business and ethical trading.

Other important decisions taken by the AGM:

- Approval of the Italian DSA Avedisco as Seldia Member and appointment of Giorgio Giuliani as its representative in the Board of Directors
- Adoption of a new Code of Ethics

Objectives 2011/2012

The main objective is to create a successful new format for the AGM and conference. The first of this kind will be held in cooperation with a member DSA (PBBS of Poland), in conjunction with the Polish Presidency of the EU. The 2012 AGM/Round Table will be held during the Cypriot EU Presidency and a decision will have to be taken on whether to organise the event in Cyprus, a country in which Seldia has no member DSA.

Board of Directors

The Board of Directors defines the general policy direction of the Association, fixes the level of annual contribution, drafts the annual budget and holds responsibility for the good management of resources. It also convenes the Annual Conference. The Board is chaired by Seldia Chairman Philippe Jacquelinet and has 6 to 8 members.

Actions 2010 / 2011

The Board of Directors met three times in the last 12 months. It welcomed two new members; Giorgio Giuliani representing new member DSA Avedisco from Italy and Paul Southworth of the UK DSA, who replaced Richard Berry.

The Board agreed a new category for Corporate Membership at an annual fee of 10,000€, which would apply for companies with a sales turnover below 50 million€/year.

The Board selected the Belgian communication agency “PageInextremis” to propose a change of name and corporate identity. The agency was selected from 5 different agencies in a competitive tender procedure. PageInExtremis was selected on the basis of a convincing methodology, a variety of European references, creativity, responsiveness and price. Considering the end result and the complexity of the matter, the Board made a good decision.

The Board decided on the recruitment of Noelia Souque Caldato as a new junior staff to support the activities of the association. Noelia has a degree from the prestigious College of Europe, has four working languages and already made a great contribution to Seldia.

The Board decided that Seldia would become member of the American European Community Association (AECA), a high-level networking group that will allow the association to increase its visibility in Brussels and to establish valuable contacts.

Objectives 2011/2012

▪ Action Programme

The Board will develop a new Action Programme, which was dominated until mid 2011 by the restructuring, the name change and the adoption of a consumer rights directive. Since these issues have come to a close, resources can be reallocated. Likely priorities include: the promotion of the Code



of Ethics and the Seldia ombudsman; the advocacy for a fair fiscal and social treatment of direct sellers throughout the EU and in surrounding countries; the representation of the industry interests in new legislative initiatives, such as the proposal for a European Contract Law, media relations and promotion of the industry, and various other matters.

▪ Services Providers’s Programme

In 2011, eight companies providing services and products to the direct selling industry in Europe joined Seldia as Services Providers. Several companies showed their interests to this programme and it is expected to increase the number of Service Providers by end of next year.

Legal & Government Affairs Committee



The objective of the Legal & Government Affairs (LGA) Committee is to monitor and analyse European legislation related to direct selling, internal market, consumer protection, social affairs and international

trade to protect and support the interests of the industry at European level. The Committee meets on a trimestral basis and will meet in September 2011 in Warsaw, Poland in honour of the Polish Presidency of the European Union. The LGA Committee is chaired by Imelda Vital (Amway).

Actions 2010/2011

Members of the Legal & Government Affairs Committee are representatives of member DSAs and Corporate Members active in the assessment of European legislation related to the Direct Selling distribution model.

The LGA Committee has been in the centre of the lobbying campaign on the Consumer Rights Directive this year, with a constant monitoring task to follow negotiations among each European Institution. The impact of this piece of legislation on the Direct Selling Industry is important as it is replacing the vertical Directive on Direct Selling enforced in 1985.

The second priority of the Committee concerns the Internal Market and the focus on the retail market in which Direct Selling is a remarkable actor. The European Parliament responded to the Commission Communication on “A fairer and more efficient retail market” to underline the remaining issues in the retail sector in Europe. Among these issues, trade barriers were emphasised as a remaining obstacle for the establishment of a real single market. The LGA also monitored the developments of the Single Market Act published by the European Commission that identified the retail sector as a lever for growth in the Internal Market. These developments will constitute a solid basis for the LGA to fight the remaining trade barriers for Direct Selling.

The Committee is also launching a complaint against selected European legislation that establish barriers to free trade in the European Union; the Austrian legislation regarding cosmetic is a clear example.

The LGA Committee also followed the initiative on European Contract Law that aims at creating a second regime in each Member State on an optional basis. Seldia, as a member of the Sounding Board of Stakeholders of the European Commission, contributed to the developments of a technical basis. Under the auspices of the LGA Committee, Seldia responded to the Commission’s public consultations on several issues related to Direct Selling such as Alternative Dispute Resolution, Collective Redress, European Contract Law and Added Value Tax.

Finally, Seldia visited numerous Members of European Parliament in Brussels and in Strasbourg as well as Commission officials and members of Permanent Representations in Brussels to advocate the industry’s positions. Seldia works closely with EuroCommerce’s Internal Market Committee to monitor food and food supplements issues as well as cosmetics legislation.

Objectives 2011/2012

▪ **Implementation of the Consumer Rights Directive**

The first priority of the LGA Committee remains to follow the last steps of the adoption of the text by the European Parliament and the Council of the EU. The LGA Committee will then monitor the implementation and transposition in national legislation. This advocacy remains a crucial action to avoid negative provisions in National laws affecting the direct selling distribution model.

Meeting each Presidency of the European Union is also a priority to be able to interfere positively in the EU decision making. Seldia visited the Hungarian and Polish Presidencies and is planning to visit the Danish and Cypriote Presidencies successively.

▪ **Legal status of direct sellers**

The LGA will pursue its initiative to centralise information on the status of direct sellers in European countries as well as harmonise the status of independent direct sellers through the EU. Among social affairs, the LGA will also pay a particular attention to female entrepreneurship and empowerment in the EU.

▪ **European Contract Law**

The Committee will continue monitoring the development of the contract law initiative while protecting the interests of the industry.

▪ **Alternative Dispute Resolution / Collective Redress**

The Committee will support the Ethics Committee and promote Seldia's European Codes of Conduct. The LGA will monitor the EU Commission's initiative on Alternative Dispute Resolution to be introduced at the end 2011.

▪ **Increased visibility among European Institutions**

The objective is a broader presence and representation of the Direct Selling sector towards the European Institutions and European media. With its new identity, Seldia will pursue the campaign for more visibility and credibility for Direct Selling.



For the online version of
this document please visit:
www.seldia.eu

Companies' Committee

The Companies' Committee promotes the interests of multinational direct selling organizations in relation to regulatory, trade, commercial, marketing and other direct selling business matters. It is composed by representatives of Direct Selling Companies and meets in average three times a year.

It monitors issues and legislative initiatives taken in EU Member States and in neighbouring markets of interest, including issues not directly related to direct selling. The Companies' Committee works in cooperation with the Legal & Government Affairs Committee, reviewing specific issues directly influencing direct selling businesses.

The Companies' Committee is chaired by Jaroslaw Mulewicz (Avon).

Actions 2010/2011

The main priority of the Committee for 2010/2011 was to identify trade barriers in national legislation and to evaluate which type of actions should be undertaken to remove these trade barriers. A matrix of trader barriers existing in EU Member States' legislation and preventing direct selling businesses to develop was established. Specific attention was paid to trade barriers existing in Austria (cosmetics) and in Greece (food supplements). The Companies' Committee supported the Legal & Government Affairs Committee in drafting a complaint to the European Commission against Austria and its legislation which prohibits the marketing of cosmetics through direct selling.

Another key issue monitored by the Companies' Committee was the Single Market Act published by the European Commission. Among the fifty proposals contained in the Act, the Committee identified the main priorities for direct selling companies. Amongst others, the Committee supported initiatives on enforcement of EU legislation, review of VAT legislation, recognition of skills and training, international trade and review of the Small Business Act. The Committee also supported the inclusion of the retail market among the twelve levers of Commissioner Barnier for Internal Market to encourage growth in the Internal Market.

The Companies' Committee monitors all issues having an impact on direct selling businesses

Regarding direct selling and international trade, the Companies' Committee supported Amway's proposal to seek for recognition of the Direct Selling sector in global trade agreements. The Committee is currently defining a wording to be promoted on a global level.

Finally, the Companies' Committee also intervened in several countries with high potential for direct selling such as Ukraine, Turkey, Romania, Croatia, Kazakhstan and Moldova, in collaboration with the Non EU-DSA Committee. Specific taxation issues were identified in many of these countries and targeted solutions were defined to tackle them.



Jaroslaw Mulewicz (Avon),
Chairman of Companies' Committee

Objectives 2011/2012

▪ **Abolition of remaining trade barriers**

Upon the matrix realised by the Committee, Seldia will pursue its efforts to succeed in the complaint against the Austrian ban to distribute cosmetics via direct selling. The Committee will also define other cases in national legislation hampering direct selling and tackle these legislations.

▪ **Recognition of Direct Selling in global trade**

The Committee will support Seldia's initiative to insert a reference to direct selling in national commitments of members of the WTO as well as in Free Trade Agreements concluded by the European Union with third countries. The objective is to obtain recognition of direct selling as distribution model in global trade agreements such as the GATS on services. Seldia will promote this concept towards members of the WTO and will also cooperate with the European Commission to obtain recognition in bilateral free trade agreements.

▪ **Harmonisation of the definition of self-employed**

The Committee in cooperation with the LGA Committee will advocate a harmonised definition of self-employed persons towards European Institutions as well as Member States in view of facilitating recruitment of sales forces throughout Europe.

▪ **Tackling taxation issues**

The Companies' Committee will continue to assist Member Direct Selling Associations and Companies to deal with taxation issues in certain countries.

▪ **Support national DSAs in non-EU countries**

The Committee will continue to support the staff of Direct Selling Associations in their endeavours to lobby national authorities on various issues and in their contacts with the local media. The Companies' Committee will work together with the Non-EU DSAs' Committee on defining and implementing an advocacy program in problematic countries.



Non-EU DSAs' Committee

The objective of the Non-EU DSAs' Committee is to promote the interests of Direct Selling and Direct Selling Associations in European countries that are not member of the European Union. The Committee monitors all areas related to the regulation of our markets such as trade law, taxation issues, social affairs issues, as well as horizontal regulation.

The Committee counts as members the representatives of the non-EU DSAs, namely Russia, Ukraine Turkey, Croatia and Norway; as well as representatives of the main Direct Selling Companies having interests in these countries. Meetings are scheduled depending on major developments. Michaela Beltcheva (Oriflame) chairs the Committee.

Actions 2010/2011

The Committee has been initially created to support non EU-DSAs members of Seldia in their advocacy towards national authorities. The Committee held several conference calls, set up a new organisation frame and working basis. It is a platform to discuss issues affecting the markets in question.

Members have as much calls as necessary in order to keep a smooth dialogue and establish a living platform to exchange information. The Committee will have its first meeting in September 2011 in Warsaw.

Objectives 2010/2011

▪ **Assisting DSA's of accession countries**

NED Committee will assist DSAs of countries that are preparing for accession to the EU to familiarise with the EU legislation and target remaining points of adaptation.

▪ **Assisting Non-EU DSAs**

The Committee will assist non-EU DSAs to tackle internal issues affecting Direct Selling. The issues can vary from taxation and customs legislation, labour and trade law to specific cases that member companies have where regulatory support is required.

▪ **Improving regulation in Kazakhstan**

The Committee will support Direct Selling Companies established in Kazakhstan to tackle issues of concern in that country.

▪ **Improving trade in Russia and Ukraine**

NED Committee will pursue, in cooperation with the Companies Committee, its assistance to local DSAs in view of obtaining removal of trade barriers and improve trade conditions in these countries.

▪ **Obtaining clear legislative provisions for direct selling businesses in Turkey**

The Committee will support the local DSA in its efforts to lobby for a clarification of existing regulations affecting direct sales.

The Committee supports DSAs of non-EU Member States.

Ethics' Committee (EC)

The objective of the EC is to review, update and interpret the European Code of Conduct where necessary; to support independent Code Administrators of national DSAs in the interpretation of the Code; help national DSAs implementing them and; to propose ruling on complaints. The Committee is chaired by Prof. Jules Stuyck and has 5 members.



Professor Jules Stuyck,
University of Leuven, Belgium

Actions 2010/2011

The Ethics Committee met twice during the last twelve months and held various conference calls to ensure a smooth progress of its work in between meetings.

The main achievement of the Committee has been without doubt the creation of a revised Code of Ethics, which was adopted by the General Assembly on 10 May, 2011. The revised Code aims at implementing the new Code of the WfDSA, albeit taking into account the particular requirements for a multi-national DSA operating in a multi-country jurisdiction.

The most characteristic feature of the European Code is the creation of a European Code Administrator, or ombudsman, to deal with specific cross-border complaints in the EU Internal Market. According to the Seldia statutes, the ombudsman is not an individual, but the Ethics Committee. However, the independent Chairman, Prof. Jules Stuyck, is expected to become Seldia's spokesperson on this matter.

Since his establishment, the Ethics' Committee handled a few complaints and was able to solve them to the satisfaction of all parties involved.

The Committee also created its own Terms of Reference, which were adopted by the Board, and a Glossary of Terms for interested parties.

Objectives 2011/2012

▪ Promotion

With the help of the Seldia secretariat, the Committee will develop and implement a plan to promote the Code among Seldia members and stakeholders in general. This includes the presentation of the Code and the work of the Committee at the 2011 Seldia Round Table.

▪ Complaints

The Committee will deal with any complaint for which it is asked to deal with and for which it has competence according to the Code.



Communications

The communications programme aims to promote the Association's work and direct selling in general and addresses both internal and external audiences. Internal communications aim to inform members about key regulatory and political developments affecting direct selling. External communications aim to inform policymakers, media and other interested parties about direct selling in general and our positions on policy developments in particular.

Actions 2010/2011

The name change has been the most prominent communication event for the association. The procedures did not allow for a great communication exercise on the day of the General Assembly where the decision was taken. Instead, Seldia is step-by-step rolling out the name and will create a special celebration at the first Round Table in Warsaw.

Seldia has made an agreement with the online publication The World of Direct Selling, according to which the latter will upload regular news on the Seldia website. The publisher, DS Consultancy, has become an official Seldia Service Provider.

Both the statistics and the annual report have received renewed attention in order to further improve quality and consistency. Seldia continues to work closely with the WfDSA and the statistics consultant.

The change of name and visual identity made it necessary to update the website, quarterly newsletter, business cards and stationary, hand-out material, banners, PowerPoints and other forms of visual presentation.

For outside communication, Seldia issued four quarterly newsletters and various press releases. Seldia started with the creation of a media list and development of a media action plan. Seldia attended various DSAs events in Europe and the US.

For internal communications, Seldia continued its communications through technical notes for committee members, while offering improved resources at the members section of the Seldia website. Seldia also made various presentations at its members' association events and assisted in advocacy when asked for.

Objectives 2011/2012

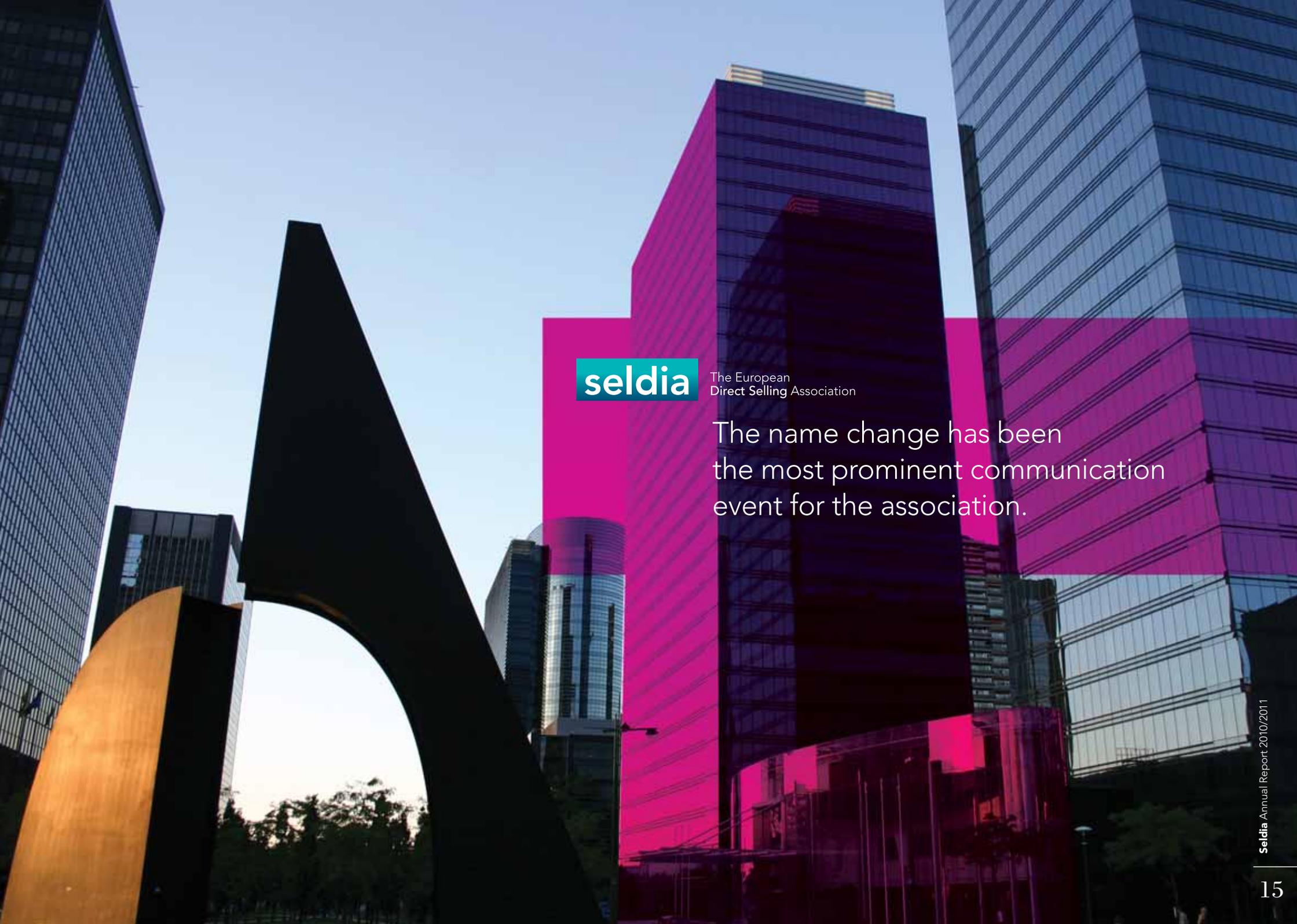
Further improvements of:

- **Quarterly Newsletter and consideration to higher frequency**
- **Website, both public and members' sections**

With respect to media relations, Seldia will:

- **Increase its media contacts database**
- **Create a media pack**
- **Implement a proactive media contact building action**

Regarding internal communications, Seldia will continue its members' outreach by making presentations and supporting of advocacy at national level.



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The European
Direct Selling Association

The name change has been
the most prominent communication
event for the association.

80%

of direct sellers
are women



2/3rd

of direct selling is
person-to-person

4^{1/2} million

direct sellers
in the EU

Double digit

growth in Central
European markets

Introduction

Direct selling continues to perform strong during the global economic crisis. Statistics compiled by Seldia and the World Federation of Direct Selling Associations (WFDSA) show a growth in sales in the European Union of 8.1 % in 2010. The total sales volume has increased from €10.7 to €11.6 billion.

Seldia and WFDSA continue their quality improvement programme to make the annual statistics even more reliable and consistent. The improved statistics will allow us over time to make detailed comparisons between different years and to identify trends. In this report, you will find only the detailed 2010 statistics.

Forms of Direct Selling

The 2010 statistics make the distinction between person-to-person and party-plan selling methods. Both selling methods can be done through single-level and multilevel marketing, for which there are no detailed statistics available at European level.

The share of direct selling through person-to-person is 70% and increasing

The EU average shows that around 70% of direct selling is done through person-to-person sales and 30% through party-plan, but there are great

deviations from the average. Among the large EU markets, party-plan selling seems notably less popular in Poland and the UK. The same applies for non-EU markets, namely Russia and Turkey.

Compared to 2009 sales, party-plan has lost 2% of the EU market compared to face-to-face, although the development may be different in individual markets. Germany and France for example have seen a slight increase in party-plan share of the market.

The Direct Sales Representatives

More than 4 ½ million people in the European Union are direct sellers. Only 20,000 people are employees of Direct Selling companies. In other words, the direct selling activity is largely done on a self-employed

basis. This does not exclude the possibility that individual sales men and women have other forms of income elsewhere, including as employees.

The self-employed status is in most cases the logical consequence of the distribution model. It attracts those individuals, who have a drive and ambition to start a business or earn extra income without necessarily having to make much initial investment.

The evidence that direct selling attracts many people with another main activity is illustrated by the fact that 81% of the direct sellers in the EU do this on a part-time basis. The part-time employed can have different motivations: - the need for extra income at the end of the month to increase the living standard for them or their family; - the choice not to take full employment for family reasons or; - the social contacts that direct selling generates.

Direct selling is also accepted as a serious alternative for those who cannot find a full time job. In those cases, it allows him or her to develop professional skills and a job profile in general, which will improve his/her, chances to find full-time employment.

The ability to combine a professional activity and extra income with a family responsibility is one of the reasons why almost 80% of the direct sellers are women. The other reason is the suitability of cosmetics and personal care items for direct sales. In any case, direct selling allows women a

Low entry barriers encourage people to become direct seller

participation in economic life and an independence that would otherwise have been more difficult.

The social security and tax status of the direct seller is not provided for at European Union level. In other words, it depends on each individual Member State how the direct seller has to pay taxes and social contributions and what the associated rights are on issues like health care, pensions, unemployment benefits, etc.

The turnover of a direct seller is in most cases relatively small. The average annual turnover of a direct seller in the EU is €2,640, or €220 per month. Please note that this is not income for the direct seller, which is only a part of the turnover. The average turnover of a part-time direct seller in the EU fluctuates per country, depending on the economics and buying power in individual member states.

The part-time status and the low turnover normally allow the direct seller a simplified business regime in terms of registration, administration and bookkeeping. Indeed, the low-entry barriers are one of the key reasons why someone takes the step and becomes a direct seller. Many of those would otherwise not generate any income.

However, we notice a trend among member states to get closer involved in the business of the direct

seller. One of the main reasons for that is without doubt to increase tax revenues. Governments are also looking at other social aspects, like the level of social contributions and benefits.

Ethics

The direct selling distribution model promotes entrepreneurship because of its inherent ability to create sales with relatively low investment and its independence from existing distribution channels. The particular nature of direct selling also demands for a dedicated set of rules on proper and ethical trading. For this reason, both national governments and the European legislator have created specific rules and regulations for direct selling. In addition to obeying to the law, direct selling companies, direct sellers and consumers will also have to trade

Direct selling needs to comply with laws and strict ethical standards

according to voluntary codes of good conduct or ethics, which aim to provide the consumer with even higher levels of protection. The World Federation of Direct Selling Associations has issued a model code that is the basis of the national codes around the world. Most Direct Selling Associations in the EU have tailored this code to the needs and legal requirements of their country. Seldia has also adopted the world code as the basis for its European code.

The Seldia code covers both transactions with consumers as well as between economic operators (seller, company). The first addresses issues like the requirements for order forms, the provision of information to consumers, return of goods, proper promotion of products and services and others. The second addresses issues like recruitment practices, earnings projections, fees, buy back provisions and others.

Seldia has adopted a Code of Ethics and has appointed a European mediator for disputes. The Ombudsman accepts complaints from both consumers and stakeholders in cases where the national Codes in the EU would not provide an answer, for example because a company is not member of the national DSA.

The continuous growth of the sector cannot exist without consumer confidence. However, the sector has to remain vigilant against those who try to make rapid gains through illegal or unethical methods. Particular attention needs be given to the risk of pyramid schemes.

The Market

• Markets in Europe

As mentioned above, the top markets by in the European Union by turnover are Germany (€2,8 Billion), Italy (€2,4B) France (€1,8B) and the UK (€1.4B). There is some disparity between figures because they do not always include the same products and services in each country.

In the last two decades, direct selling has grown rapidly in Central and Eastern European countries. The poor existing distribution infrastructure and the desire by individuals to increase living standards have been decisive factors for growth in this part of Europe.

Direct Selling is among first sectors with a European mediator

• Products & Services

Some products and services are particularly suitable for direct selling. For example, many customers prefer an explanation or demonstration of products like cosmetics, kitchen utensils, home improvement products or dietary supplements to name just a few. In other cases, retail stores are located far away and it becomes more convenient to buy from a local direct seller. The ability to distribute products or services without a physical location makes direct selling the preferred option in remote regions. In addition to the various economic arguments, an important strength of direct selling, in particular party-plan selling is the pleasure it offer in socialising.

In view of the above, direct sales can be divided into five main categories. The largest percentage of sales are cosmetics and personal care items (38% of total), followed by household goods (24%), wellness (12%), clothing and accessories (7%), home improvement (6%) and others (13%).

Almost half of sales are cosmetics and personal care products

• Trends

Some of the trends have already been mentioned above: - strong growth in Central European markets; - focus on ethical trading; - important market shares for cosmetics and household goods or; - high participation of women. Other trends cannot yet be identified due to

the lack of consistent statistics over longer periods. However, one important trend can be identified without specific data and that is “convergence”.

Internet

Every economic sector has been changed due to the rapid developing technology, in particular the internet. It has had an impact in relations between direct seller and the direct selling company and between the direct seller and the consumer.

The Internet allows direct sellers to handle their orders online, which prevents much paperwork, speeds up the distribution process and saves costs. The internet has allowed direct sellers and customers to maintain contact outside the face-to-face meetings. Direct sellers have started blogs and social media pages and use electronic mailings, while customers have online access to product and services brochures. Some may even give follow-up orders by electronic means. However, despite this convergence of physical and electronic communications, the essential criteria for direct selling remain undisputedly the face-to-face relation and the demonstration of products and services out of business premises.

Vocational Training

Another trend is the further professionalisation of the direct seller. This will be the result of the increased availability and promotion of vocational training possibilities. The Direct Selling Associations play an important role in this process by initiating the development of such training and providing the required know-how. The government should play another important role by providing support in terms of funding and regulation that encourages vocational training.

Internationalisation

Further growth of the sector will depend on cross-border trade and harmonisation of rules and regulations in the Internal Market.

Legislation is currently being prepared in the European Union that will considerably harmonise direct selling rules. It is expected to enter into force in the coming years and internationalisation of companies will be the result.

Introduction

Direct selling provides low cost independent business opportunities to over 4 million people in the European Union.

Top 5 Markets in the EU

Top 10 World Markets

Profile of Directs Sellers

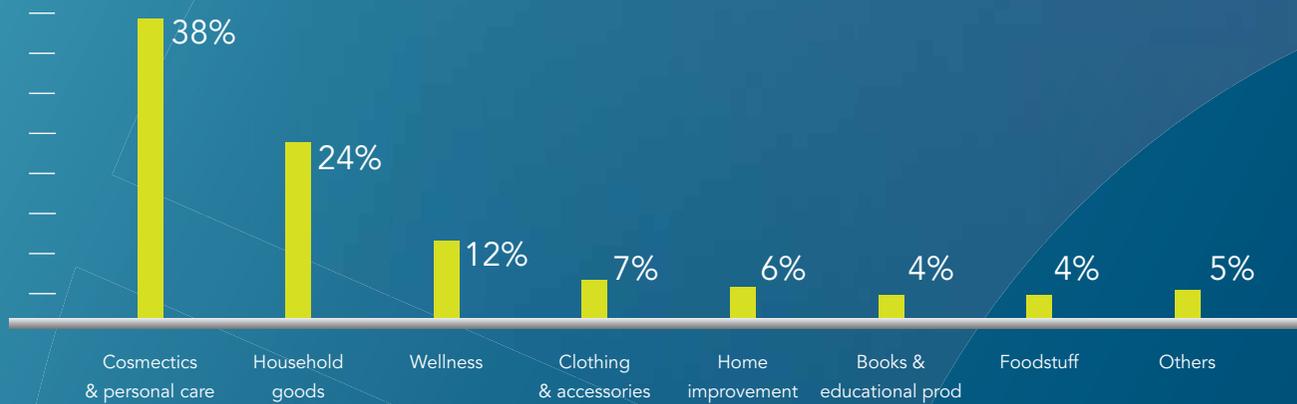
Direct Selling in Europe - 2010 Retail Sales

Statistics

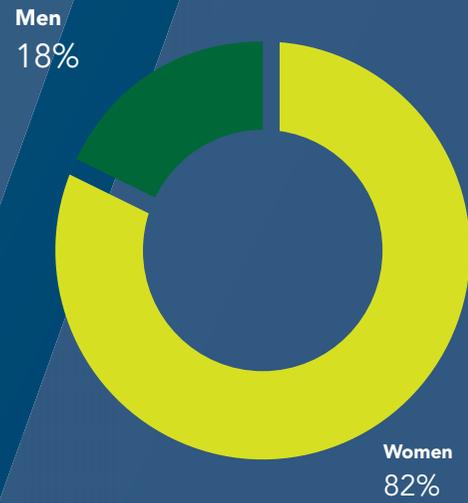
Top 5 Markets in the EU in billion/€



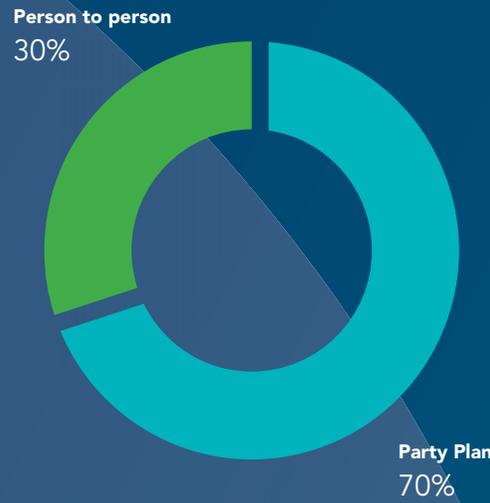
Market share per product categories in billion/€



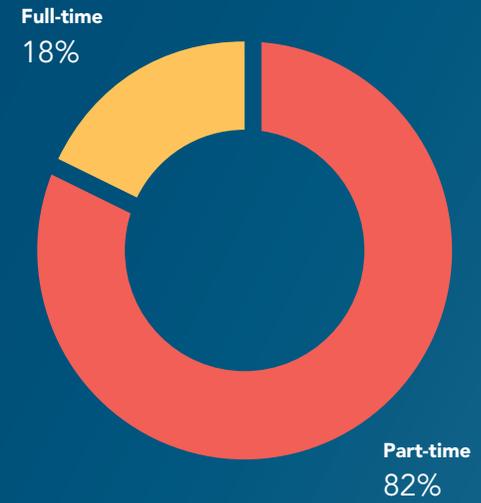
Profile of Directs Sellers



Gender in Direct Selling



Selling methods



Part-time

Direct Selling in Europe - 2010 Retail Sales (in million € - VAT excl)

Countries	Sales (in million €)	Salesforce			Nr. of employees in DS companies	Selling methods	
		Nr	% women	% part-time		Person to Person	Party Plan
Austria ⁽²⁾	199,700	14600	55%	75%	na	na	na
Belgium	158,858	17548	72%	64%	801	12%	77%
Bulgaria	49,120	130136	85%	80%	152	91%	9%
Czech Rep ⁽¹⁾	300,000	221000	92%	94%	301	99%	1%
Denmark	46,960	72583	60%	93%	na	50%	50%
Estonia	12,862	21000	95%	na	68	95%	5%
Finland	174,000	80000	80%	92%	200	62%	36%
France	1809,000	300000	78%	80%	3286	64%	36%
Germany	2840,000	660968	73%	90%	4746	62%	37%
Greece	163,574	154846	na	na	400	na	na
Hungary	98,840	239024	78%	86%	559	97%	3%
Ireland	54,300	22000	75%	85%	347	82%	18%
Italy ⁽¹⁾	2421,311	390482	75%	94%	1490	64%	36%
Latvia	17,187	25900	94%	na	90	81%	19%
Lithuania	23,632	30500	94%	na	244	75%	25%
Luxembourg	10,000	600	100%	100%	na	na	na
Netherlands ⁽¹⁾	94,923	30489	80%	83%	557	81%	17%
Poland	577,790	875600	90%	85%	1608	95%	5%
Portugal	125,980	76101	na	na	129	na	na
Romania	177,127	272724	82%	11%	497	97%	3%
Slovakia	71,710	98980	na	na	140	90%	10%
Slovenia	19,000	30000	65%	80%	90	15%	85%
Spain	447,000	202000	86%	86%	1700	na	na
Sweden	293,483	84175	77%	92%	500	57%	43%
UK ⁽¹⁾⁽³⁾	1397,400	442000	91%	94%	2000	86%	14%
Total EU	11583,757	4493256	82%	82%	19905	70%	30%
Croatia	80,783	7670	60%	95%	60	85%	15%
Norway	91,492	81000	85%	10%	65	85%	15%
Russia	2465,655	4403104	91%	65%	5853	82%	18%
Switzerland	334,545	10151	53%	60%	na	na	na
Turkey	387,935	680656	90%	na	745	98%	2%
Ukraine	421,760	1352778	87%	na	na	na	na
Total	15365,927	11028615	87%	73%	26628	73%	27%

⁽¹⁾ Associations' members and non members

⁽²⁾ Source : Euromonitor 2010

⁽³⁾ Home improvement products included.

Euro exchange rate applied: European Central Bank 4.1.2011

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“Thriving on projects where we learn from the people we’re working with”

Services Provider Program

The Services Provider Program is designed for companies which provide products and/or services to the direct selling industry and would like to offer their services to direct selling businesses in Europe.

Objectives

- Facilitate contacts and exchange of information between Seldia’s Services Provider and direct selling companies entering one or more European markets;
- Develop a database of contacts amongst European suppliers of products/services to the direct selling industry;
- Increase Seldia’s visibility by enlarging the scope of its services;

How it works

▪ Procedure

Companies interested to become Services Provider of Seldia will submit an application to Seldia; this application will be reviewed by the Board of Directors at one of its meetings, or by written procedure.

The decision will be taken according to the rules prescribed in the Seldia Articles and Seldia Bye-Laws.



Meridian Deutschland

Meridian Deutschland GmbH & Co. KG is the largest direct selling consultancy in Europe. Based in the area of Frankfurt in Germany, it offers its services exclusively to direct selling companies. Its areas of expertise include executive search, sales and marketing strategies as well as merger and acquisition. Comprehensive insight, years of experience, international direct sales contacts and a wide European network of contacts are Meridian Deutschland's key features. www.meridian-deutschland.com



Meridian Associates

Meridian Associates is a network of reputed consultants in direct selling and offers a large panel of services exclusively dedicated to the Direct Selling industry in Germany, UK, Spain, France and Italy. www.meridian-associates.eu



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Sidley Austin LLP

Sidley Austin LLP is one of the world's largest law firms, with approximately 1700 lawyers across 17 offices. Our lawyers provide a broad range of services to meet the needs of large and small businesses across a multitude of industries, including the direct selling sector, as well as financial institutions, governments and individuals around the globe. In Europe, Sidley is a leader in helping clients to navigate and shape EU rules, to structure complex commercial transactions, and to resolve cross-border disputes. www.sidley.com



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ByDesign Technologies

ByDesign Technologies is a dynamic, client-focused direct sales, MLM, and party plan software provider with a reputation for successful projects across the direct sales industry. Its technology-focused approach delivers outstanding results, with start-to-finish communication from qualified project managers who will see project through to fruition. www.bydesignrevolution.com



Jenkon In

Web based software solutions for direct selling and party plan companies with solutions that include sales force performance and compensation management, online sales tools and corporate back-office administration tools. www.jenkon.com



DS Consultancy

Publisher of the online publication and blog "World of Direct Selling", DS Consultancy is a consulting firm providing specialized services for expansion and growth in the direct selling industry. www.ds-consultancy.com

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The Executive Director, Maurits Bruggink, is an ex-officio member of all Committees

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Anders Berglund, <i>Treasurer</i>	Swedish DSA
Giorgio Giuliani	Italian DSA
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Juan Turró	DSA of Spain
Patricia Van Oertzen	Nu Skin
Raymond Verbeurgt	NL International

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Philippe Jacquelinet	Captain Tortue Group
Göran Nordh	GNL
Tamara Shokareva	Mary Kay
Tomasz Stanislawski	PartyLite
Kerry Tassopoulos	Mary Kay
Joris Vanden Berghe	Nu Skin
Raymond Verbeurgt	NL International
Imelda Vital	Amway

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Tamara Shokareva	DSA of Russia

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Anders Berglund	Swedish DSA
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