



DIRECT SELLING ASSOCIATION

# The Direct Selling Business Model is Thriving

## CONTACT:

Amy Robinson  
(202) 452-8866  
arobinson@dsa.org

www.dsa.org  
www.directselling411.com  
@dsa411

Amidst rumors and misinformation being spread by some prominent hedge fund managers for their own personal enrichment at the expense of legitimate direct selling companies, it's important to remember a key central fact about direct selling; the business model is solid and strong.

### *U.S. and Global Retail Sales Have Grown the Past Two Years*

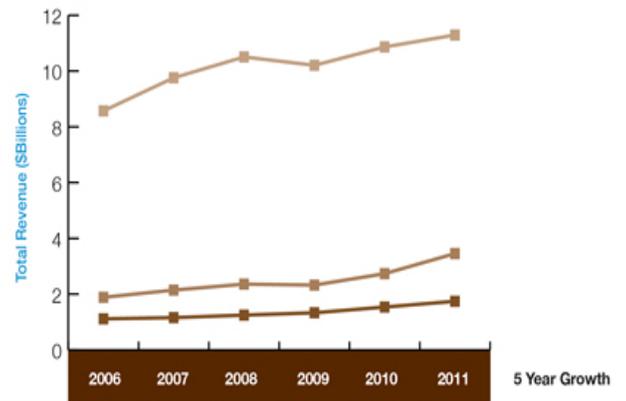
Despite a difficult economic climate, direct selling continues to be a source of income and support for millions of Americans. After falling slightly in the wake of the Great Recession, total industry sales have climbed for two consecutive years. Direct sales totaled \$29.87 billion in 2011, according to the DSA's Annual Growth & Outlook

Survey, a 4.6 percent year-over-year increase from 2010. This is in addition to an almost one percent increase from 2009 to 2010.

As illustrated by the table at right, many publicly traded direct selling companies have performed very well over the last five years.

Global growth was even more impressive, with direct sales increasing 10 percent from \$139.7 billion in 2010 to \$153 billion in 2011. The United States continues to be the largest direct selling market in the world, followed by Japan, China, South Korea and Brazil.

Direct Selling Growth (2006-2011)



Sources: Avon 2010 and 2011 Annual Reports; Herbalife 2010 and 2011 Annual Reports; Nu Skin 2010 Annual Report and Nu Skin Q4 2011 Quarterly Fact Sheet

### *The Facts about Internal Consumption*

Much of the hedge fund managers' self-serving criticism revolves around the issue of "internal consumption" – the products and services purchased by direct sellers for their personal use. All direct selling companies derive a certain percentage of their income from internal consumption, and that's perfectly legitimate. Regardless of income expectations, almost all direct sellers purchase and use the products they sell.

As the Federal Trade Commission (FTC) stated in a January 2004 Staff Advisory Opinion, internal consumption is not considered as a factor to indicate impropriety. Instead, "the critical question for the FTC is whether the revenues that primarily support the commissions paid to all participants are generated

from purchases of goods and services that are not simply incidental to the purchase of the right to participate in a money-making venture.” DSA believes the law, and resultant anti-pyramid enforcement, to be quite clear and settled on this issue compensation received by salespeople for products they themselves buy and use, and those bought and used by other salespeople within their organization, is a legitimate, legal and ethical practice and not evidence of any impropriety.

The direct selling business model is hundreds of years old. The Direct Selling Association is more than 100 years old. Many of DSA members have been in business for decades. Every year, millions of Americans, and millions more around the world, sell tens of billions of dollars worth of products and services to happy, loyal customers.

The track record shows how successful direct sellers have been, and how committed they are to growth and improvement in the future. Unfortunately, this legitimate business model has been disparaged by short sellers who have tried to manipulate the market for their own enrichment.