

Unfolding the Rise of Direct Selling Formats in India: An Explanatory Analysis

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ABSTRACT

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The Indian direct selling industry has been analysed using a framework developed from the environmental theory of retail evolution, relationship marketing theory, and Porter's five forces model. The developed heuristic framework provides a basis as to how retail institutions adapt to changes subject to the changes occurring in the firms' environment subject to the constraint that firms in the long run earn profits by maintaining long-term relationships with the consumers such that the so-called consumers turns into the patrons of the company. The identified factors in the firms' environment are consumers, competitors, suppliers, public policy factors and information technology factors. Through the descriptive analytical analysis, it has been found that direct selling in the Indian context has evolved due to the changes happening in the direct selling's operational milieu wherein these firms adapt to changes that happening in India's macro and microenvironment. The opening up of the economy, and changing consumer demographics have been the driving force behind the direct selling industry in India. However, the public policy factors through the enactment of regulations have been a key catalyst that helps the business in protecting consumers' interest, warding off illegal competition, with the support of MSME coupled with advancements in information technology that transformed the business operation whilst ensuring transparency. Though the environment has been conducive to the growth of the direct selling industry, the industry has faced huge setbacks in terms of litigation.

Keywords: Direct selling, evolution, Porters five forces, Environmental theory of retail evolution, and Relationship marketing.

INTRODUCTION

The transformation of India's retailing landscape has been driven by several factors, including increased consumerism, foreign investment, economic growth, and a large population demanding better services (Malyadri and Rao, 2011, Mukherjee et.al, 2014, Mukherjee and Patel, 2005, Madan and Kumari, 2012). The advent of the Internet has further expedited business operations, leading to enhanced productivity and performance in the retail sector (Doherty and Ellis-Chadwick, 2010). India's impressive ranking as second among emerging economies in the 2019 Global Retail Development Index¹ underscores the sector's considerable potential, making it an attractive prospect for major retail corporations. Unlike its Western counterparts, India's retail sector is predominantly unorganized, with the level of organization being the primary distinction, comprising street vendors, mom-pop stores, and local stores that coexist with organized retailing formats (Sangvikar, Kolte, and Pawar, 2019 & Joseph, 2008). Even within newer retail formats, non-store retailing has gained traction either independently or in conjunction with physical stores ²(Gehrt, 1991). Non-store retailing encompasses various methods such as direct selling, mail order, catalog sales, telemarketing, and e-commerce (Kotler 1999). Despite a significant portion of the population being directly or indirectly involved in the retail sector, the growth of non-store retailing, particularly after the pandemic, has been remarkable. This is evidenced

¹ <https://www.middle-east. Kearney.com/global-retail-development-index>

² https://www.business-standard.com/article/companies/indian-shoppers-turning-hybrid-with-mix-of-online-offline-purchases-criteo-122040601147_1.html

by the increased sales turnover of e-commerce giants like Flipkart³ and Amazon⁴, as well as the direct selling industry⁵.

The true essence of satisfying consumers and needs and wants has been a concern for marketers, retailers, and producers alike. One such retailing formats, namely direct selling involves face-to-face selling away from a fixed retail location that provide benefits in the form of convenience and service, better quality goods and services, serve as an alternative to traditional employment, additional income, lower start-up costs and risks. The Indian direct selling Industry at 11th position and retail sales estimated to be at Rs. 19,020 crores (IDSA, 2021-22). The primary motivation behind examining the direct selling sector with an evolutionary perspective is as follows: the direct selling industry which has made a distinctive mark is a specialized form of retailing that has changed the recent scenario. Hence, an analysis of the evolution of direct selling would provide the required understanding of how direct selling came into prominence in the Indian market and what factors contributed to the growth of direct selling. Using the developed heuristic framework, we analyze the evolution of the direct selling industry from a historical perspective, a cross-country comparison, and an India-specific case of direct selling.

1. Towards an analytical framework

The traditional cyclical theories namely McNair's wheel of retailing⁶, retail accordion theory⁷, and the retail life cycle theory⁸, cannot be used to substantiate retailing in the developing economies as these theories have been formulated in the developed economies wherein retailing is organized. Moreover, these theories have been developed considering the store retail formats in advanced economies (Dholakia et.al, 2018). Markin and Duncan (1981) criticize these theories as they are speculative, mechanical, and unexplainable in different contexts. Hence, the evolution of non-store retailing formats needs to be substantiated using an alternate theory of retail evolution, namely the environmental theory. Brown (1987) states that as per environmental theory, changes in retailing are a function of development in an institution's operational milieu which, however, has limited scope and needs to be supplemented.

Those who don't adapt to the changes happening in the environment are least likely to survive (Brown 1987). In the race for survival of the fittest, firms are required to devise their competitive strategies, such as relationship marketing (Hunt, 2010), that would translate in terms of higher profits (Porter, 2008) by maintaining relationships⁹ with the buyers, suppliers, and competitors¹⁰ (Gilaninia et.al. 2011, Hunt et.al,2006) such that it creates value for them, namely consumers, and profit for the organization (Kanagal, 2009). The relationship should, therefore, be reciprocal and interactive between institutions and the environment (Barth,1966) and serve as resources that improve the firm's marketplace position and performance (Hunt, Arnett, and Madhavaram, 2006).

The changes in the marketing practice occur due to the development exogenous to the particular industry, which they impact upon and to the marketing function itself (Tedlow, 2014). One of the exogenous changes includes the advancement in technology resulting in greater interaction between the producers and the final consumers, overcoming communication and logistics barriers, and facilitating greater growth in relationship marketing concepts (Palmatier 2008). On the other hand, public policy factors such as antitrust laws and regulations, can significantly influence the success of relational exchanges between firms through increased transparency in operations (Hunt, Arnett, and Madhavaram, 2006). Therefore, firms that compete in more than one

³<https://timesofindia.indiatimes.com/business/india-business/flipkart-posts-strong-revenue-growth-in-fy21-on-covid-push/articleshow/88701129.cms>

⁴<https://in.fashionnetwork.com/news/Amazon-india-reports-steep-growth-during-pandemic-has-created-over-a-million-jobs-in-a-decade,1293500.html>

⁵ https://www.business-standard.com/article/economy-policy/india-s-direct-selling-industry-bucks-pandemic-to-grow-10-in-fy21-121082001267_1.html

⁶ McNair's wheel of retailing suggests a cyclical pattern of entry, upgrading, market saturation, and the emergence of new low-end competitors repeats itself over time, leading to ongoing evolution and innovation within the retail industry (Hollander, 1996).

⁷ The retail market, under the retail accordion theory expands and contracts in response to the changes changing market conditions, and is cyclically driven by macroeconomic factors, consumer behavior, technological advancements, and competitive pressures (Hollander, 2002).

⁸ The retail structure passes through distinct stages of introduction, growth, maturity, and decline, and therefore is cyclical, thus restarting the cycle (Davidson, Bates, and Bass, 2002).

⁹ "The process of identifying, developing, maintaining, and terminating relational exchanges with the purpose of enhancing performance.", Palmatier (2008)

¹⁰ Derived from the Porters five forces and the competitors have been combined to include entrants, substitutes and existing competitors.

environment that lie outside their control, wherein the knowledge of these environments helps them to change and adapt and influence their competitive position, leading to retail transformation and hence, become successful (Keri, 2011, Hunt, Arnett, and Madhavaram, 2006).

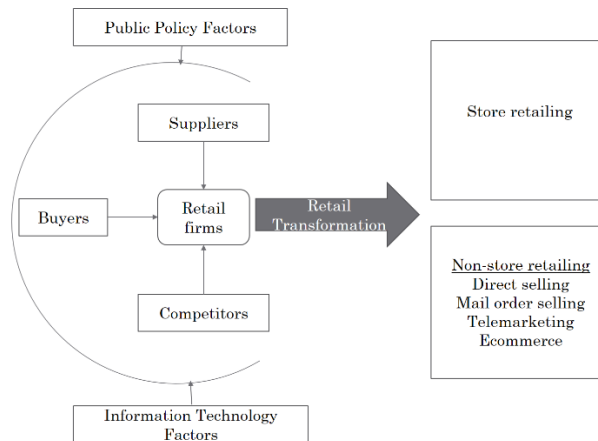


Figure 1-Retail Transformation framework

In comparison to other non-store retailing formats, direct selling is a specific form of relationship marketing such that long term profits are derived through establishing strong relationships (Constantin, 2009) and the consumers receive utility maximisation not only from the product, but an additional incentive to participate in multilevel marketing, providing an opportunity to earn income outside traditional full-time labour (Liu, 2018) and is more pronounced in a developing country like India.

Dependent on each of the factors a retailing firm undergo transformation into store and non-store retailing. Using the developed framework, we analyse the factors that have led to such transformation. As the focus of our study is direct selling we limit ourselves to the direct selling industry.

3. An overview of the direct selling market in the world and India.

The world direct selling market was valued at USD 172,891 million in 2022 with 114.9 million direct sellers employed in this sector (WFDSA report, 2022). The countries with the largest market share namely the United States and China have been contrasted with developed economies, like the Korea and Germany, and developing economies, India, Malaysia, and Brazil.

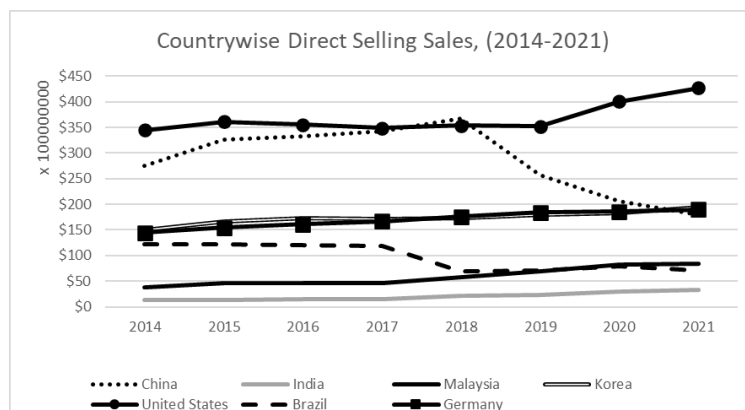


Figure 2-Countrywise direct selling sales, (2014-2021)

The figure represents the country-wise retail sales from direct selling for the period from 2014 to 2021. The figure depicts, the United States and China as the major market leaders. The sales in China plummeted after 2018, despite having a slight increase as compared to the United States in 2018. WFDSA 2019 reports the change attributable to the Chinese government's implementation of a 100-day review of the nutrition supplement industry, during the Q1 of 2019, which had an impact on the direct selling industry. Another major impact could be due to the US-China trade war, wherein several tariffs have been imposed by either party on the direct selling industry. The predominant number of DSE in the Chinese market are US companies, that have faced the burn as a result of the sanctions. The next major contributors to global direct selling market, Germany and Korea

have been substantially growing with a CAGR¹¹ of 3.8% and 2.6 % respectively. The sales of Malaysia, India, and Brazil¹² are substantially low but Brazil faced a dip in sales due to trucker strike losses as a result of rising diesel and oil prices, and Avon¹³ share, a major share in the Brazilian direct selling industry, being reduced.

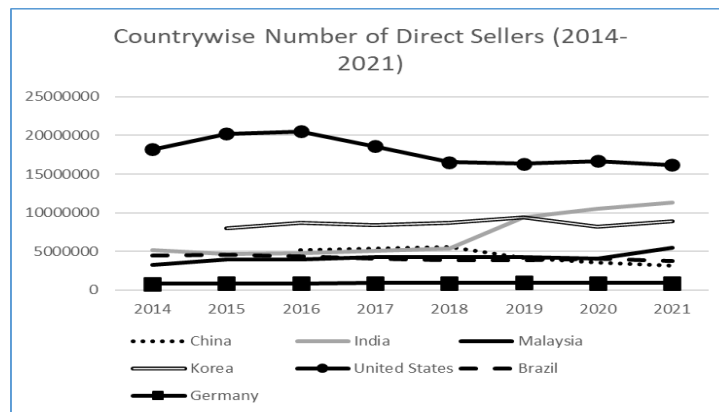


Figure 3- Countrywise number of direct sellers (2014-2021)

The figure depicts the number of direct sellers, wherein the United States leads with the maximum number of sellers. However, the figure shows Indian direct sellers' growth showing a positive trend probably due to large scale population, unemployment, and larger consumer base. This boost is rampant after 2018, that is after the implementation of the central guidelines in various states. Almost all the countries that have higher retail sales than India have a lower number of direct sellers except for Korea, that performs both in terms of the retail sales and the number of direct sellers. This clearly highlights that India's direct selling affects large number of people.

4. Comparative analysis of the evolution of direct selling: India and the world's major players

Even during medieval times, the Indian market had a fairly high degree of sophistication characterized by the number of institutions, mechanisms, and consumer goods that have evolved (Sreekumar and Varman, 2016). The colonial rule had resulted in widespread illiteracy and poverty among the Indian people. Markets were being characterized by heavy bargaining instead of a one-price policy, and followed an orthodox manufacturer-wholesaler-retailer-consumer distribution channel, with minimal selling effort, and no self-service. The consumer demand was very low, the marketing system was in its infancy and there was minimal effort in demand creation (Westfall and Boyd 1960). Though the Indian marketing system was in the dormant phase, the period from 1910-40 saw the emergence of agricultural marketing boards and marketing officers in the public sector and the growth of Indian and multinational advertising agencies. This was followed by the establishment of a management and advertising association and business school during 1940-1970 with close involvement of American Players. As a result, marketing grew to incorporate discourse and it was not until the 1990s during the economic reforms phase that marketing became fully evident in both public and corporate discourse alongside the consumption boom in India (Tumbe and Ralli 2018). In the period from 1970 to 2001, there has been an evolution from the traditional counter format retail to modern format self-service retail (Sengupta 2008). Given all that has been mentioned so far, one may suppose that the evolution of the retailing formats has been recent, especially after independence and more prominent after the 1990 reforms. However, academic literature has been silent on the evolutionary phase of modern retailing formats namely direct selling in India. Here, we analyse the evolution of direct selling using the developed retail transformation framework.

4.1. Buyers

The retail store is the direct link with the final consumer and hence the sociological environment is of prime significance as it determines the nature of retailing activities. The rising middle-income class with a higher disposable income, has necessitated trade to be carried out through the newer formats of retailing. Different consumers, have differing lifestyle patterns and the increase in the use of smartphone applications has transformed the way trade is carried out (Wallström, et.al, 2017). The buyers command higher power as they can demand reduced prices, higher quality, and better services which can in turn raise the costs for the firms (Porter, 2008). Porter further states when the industry product has little effect on the buyers other than cost, then the buyers are interested in quality and not its price. That is, loyal consumers are less price sensitive

¹¹ Three year compound annual change (% change)

¹² <https://www.theguardian.com/world/2018/jun/05/brazil-truckers-roads-president-temer-economy>

¹³ <https://www.reuters.com/article/uk-avon-prdcts-results/avon-posts-surprise-loss-as-brazil-truck-strike-bites-shares-fall-idUKKBN1KN1LM/>

(Krishnamurthi and Raj, 1988, Kumar and Ruan 2006), wherein trust reinduces a consumer to repurchase from direct selling (Poon, Albaum and Chan, 2012).

If the sales volume is to be considered an indication of the consumption of the direct selling goods, the United States tops with \$ 42.67 billion, followed by Korea's 19.42 billion and Germany's 18.60 in 2021, however, China dominated a major portion of their market share serving as the next in line after the United States up to the year 2020. Malik(2012) states, in a cross-examination of collectivistic and individualistic countries, the success of direct selling in Japan, Korea, Brazil, and China is attributable to being collectivistic countries as against being individualistic nations like the United States, Germany, and other European nations. Korean consumers are literate, wealthy, and urbanized well informed providing a venue for retail markets (Jin and Sternquist, 2003), however, the 2013 slow growth and personal debt crisis have pushed the consumers to price-conscious (Lek, 2013). Biggart (1990) states that the success of direct selling in Asian nations is different from the success in the United States, as their success is attributable to differences in the social institutions and cultural values robust traditional mercantilism, and the gradual liberalization of its distribution system as seen in China (Chan 1999). The United States consumers are wealthy and demand is very high (Biggart, 1990 and Prahalad and Hammond, 2004), wherein these retailing formats have originated keeping these wealthy consumers in mind. However, German consumers are brand-conscious, impulsive, variety-seeking. (Walsh et.al, 2001). The Chinese have been known throughout the centuries for their *Quanxi*¹⁴ which influences referral behavior thus prompting word-of-mouth marketing, like direct selling, wherein the Chinese consider product and relationship value at par, but this is not the case with the West where the product has a higher value than personal relationships (Merrilees and Miller 1999). As per Asenshia¹⁵, single-level marketing is surpassing that of MLM in Korea. In China too, the sales from direct selling are predominantly SLM. The gradual liberalization of China's distribution system since the adoption of its open-door policy led to the rise of the private sector (Chow and Tsang, 1994) and made the market more accessible and responsive, with a growing emphasis on consumer goods and services (Luk, 1998). Though the Brazilian consumer have lower confidence and private consumption have deterred due to economic woes, consumer companies find opportunities in Brazil (Donatelli, et. al, 2006). The demand for direct selling products is triggered by the change in the lifestyle of the consumers, from just necessities to consumers being conscious of health and wellness as a result of Chronic illness because of covid-19, sedentary lifestyle pushed them to take extra supplements, demand for higher quality products, and demand to earn income this trend is more in the Asia-pacific region (*Grand view Research, 2023*).

The shift in Indian consumer lifestyle patterns, fuelled by increased urbanization, has spurred a demand for a diverse range of products to meet evolving needs. Despite India's substantial population size, with 1.4 billion inhabitants as of 2023, its growth rate has plateaued at 0.81% over the past four years. This demographic shift, characterized by smaller family units, has translated into a transition from necessity-driven to desire-based consumption (Gopal and Srinivasan, 2006). Consequently, Indian consumers have transitioned from a spiritual orientation to a more materialistic mindset, marking a shift towards a higher consumerism society (Gopal and Srinivasan, 2006). This transformation is underscored by a changing perception favouring Indian companies over foreign counterparts. This trend reversal, termed "Indiansing," reflects a newfound confidence in domestic products (Gopal and Srinivasan, 2006). Furthermore, the surge in consumer demand is being met with increased convenience and choice, primarily facilitated by the burgeoning online shopping sector. This trend caters to time-pressed consumers, complemented by options such as buyback and cash-on-delivery services (Sinha, Gokhale, and Rawal, 2015). Unlike the pre-independence era, where consumption primarily served basic sustenance needs, contemporary Indian consumers, often referred to as the "new middle class" (Mathur, 2010), exhibit conspicuous consumption patterns, exacerbated by economic liberalization, stands in contrast to erstwhile ideals of self-sufficiency and anti-materialism. Notably, the middle class plays a pivotal role in driving consumer demand and marketing goods and services. While income disparities persist, absolute poverty rates in India have declined over the past two decades as many individuals hover just above the poverty line, facing challenges in sustaining economic stability (Aslany, 2019). According to Aslany (2019), approximately 28.05% of India's urban and rural population belong to the middle class, with significant occupational diversity. Meanwhile, a substantial portion of the population resides in rural areas, contrary to prevailing assumptions. Factors contributing to increased consumption include urbanization, improved infrastructure, and rising household spending capacity, particularly in rural areas (Krishnan and Hatekar, 2017). Despite employment challenges stemming from declining employment elasticity, the direct selling industry offers a competitive and distinctive "business opportunity," accommodating the evolving workforce and reshaping traditional labor market dynamics.

¹⁴ The *Quanxi* is a holistic concept that literally signifies relationship. (Luk et al,1996) Chinese are embedded in a relationship society.

¹⁵ <https://www.asenshia.com/expertise/direct-selling-old/direct-selling-in-korea/>, Korean DSA

4.2. Competitors

Competition within an industry significantly impacts its profitability, influenced by factors such as the intensity of rivalry among competitors, power of substitutes and power of entrants¹⁶ (Porter, 2008). High rivalry prevails in industries with numerous competitors, lack of clear market leaders, slow growth rates, high exit barriers, and aspirations for market leadership among incumbents. Both price and non-price competition contribute to this rivalry, with non-price competition potentially raising entry barriers and substituting products. Substitutes, as defined by Porter, pose a threat when they offer attractive pricing and low buyer switching costs. Furthermore, new entrants introduce additional capacity and can erode incumbents' market share, with the threat of entry influenced by entry barriers and expected retaliation from established players. Porter identifies seven sources that can advantage incumbents over entrants, including economies of scale, customer switching costs, capital requirements, and government policies.

Non-store retailers have greater potential to earn a profit like in Sinha, Gokhale, and Rawal (2015) the increased real estate prices resulting in higher operational costs put restrictions on the growth of physical stores and paved the way for the growth of newer formats of retailing that can better serve the customer and reduce the operational cost of the business. Also, within the non-store retailers, the switching cost of direct sellers is lesser from the existing company to another direct selling company as they identify themselves as patrons of the company. However, the major competition that direct selling firms' faces is from illegal counterparts who operate under the disguise of genuine direct selling firms. This is a loss to genuine practitioners and the gullible consumers, thereby hampering the growth and survival of the business. Moreover, the recent enactment of the Consumer Protection Act 2019, made all the newer formats of trade under the ambit of the Consumer Protection. Government restrictions concerning FDI were in place but this was in general to all retail firms, foreign direct selling firms had earlier difficulties in entering the market as FDI was allowed up to 51% in single-brand retail. This has subsequently been revised.

Legitimate Direct-selling enterprises face competition from pyramid and Ponzi schemes, as regulators pursue the direct-selling enterprises as an illegal pyramid scheme disguised as MLM (Jain, 2021). Many of the court cases in India have been viewed as the same as PCMCS was used to govern them (Babu and Anand, 2015). The US landmark case, Amway vs. FTC, 1978 highlighted the retailing function of MLM as opposed to the pyramiding nature. This lack of clear demarcation has seen illegitimate enterprises eating away the share of genuine business, illegitimate enterprises require the supply of the recruits which fail to meet the expectations of the majority of investors (Akinladejo and Akinladejo, 2013).

4.3. Suppliers

Supplier power in the direct selling industry can significantly impact profitability and industry dynamics. Suppliers can capture more value by charging higher prices, limiting quality or services, or shifting costs to industry participants (Liu, Gilbert, & Hotkar, 2021). A supplier is considered powerful if it is more concentrated than the industry, does not heavily depend on the industry for revenue, industry participants incur heavy switching costs, offers differentiated products with no substitutes, or poses a threat of forward integration (Liu, Gilbert, & Hotkar, 2021).

However, in the direct selling industry, suppliers, including manufacturers and wholesalers, have limited bargaining power. Direct selling companies have the flexibility to switch suppliers, reducing supplier power. Additionally, the diverse range of products offered in direct selling, such as health and wellness, cosmetics, home improvement, and groceries, ensures that suppliers do not have a monopoly or significant control over pricing or terms. Direct selling entities often collaborate with suppliers to develop customized products for their salesforce, further mitigating supplier power (Mukherjee et al., 2010).

In India, small and medium-sized enterprises (SMEs) play a crucial role in supplying products to the direct selling industry, alongside foreign companies in packaging technology and product branding. Around 30% to 35% of products in India's direct selling industry are manufactured by the industry's own manufacturing units, with the remainder produced by contract manufacturers, primarily SMEs (Mukherjee et al., 2010). The possibility of forward integration by SMEs is minimal due to their reliance on traditional practices (Singh and Mohanty, 2020) and the support provided by the direct selling industry, which boosts sales and facilitates market access for SMEs in India. This collaboration fosters a healthier and more balanced ecosystem within the supply chain, benefiting all stakeholders involved (Liu, Gilbert, & Hotkar, 2021).

¹⁶ Here, substitutes, competitors and entrants have been classified as one under the competitor, to highlight the interconnectedness of the three groups and their collective impact.

4.4. Public Policy Factors

Retail organizations are significantly influenced by the political systems of the countries they operate in, affecting their stability and business operations. Various governments implement different economic policies, some conducive to retail development by fostering new formats and growth, while others introduce regulations to prevent monopoly and control prices (Kalhan & Franz, 2009). For instance, in Brazil, direct selling companies must register with the Secretariat of Economic Law (SDE) of the Ministry of Justice. Malaysia imposes regulations such as a minimum registered capital requirement and a negative list of goods, with firms needing registration and licensing from the registrar of direct sales to operate. China, despite being a major player in the global direct selling market, has stringent regulations, initially banning direct selling due to concerns about pyramid schemes. Direct selling is regulated by specific laws and requires registration with the competent department of commerce (Mulky & Nargundkar, 2003). The growth of direct selling in China is attributed to cultural characteristics, institutional settings, and gradual market liberalization (Chan, 1999).

In Germany, the Bundesverband Direktvertrieb Deutschland (BDD), a trade association regulates direct selling, with laws against unfair trade practices and specific requirements for marketing (Mukherjee et al., 2010). India experienced retail liberalization in the late 1990s, transitioning from socialist control to neoliberal policies. The government introduced reforms allowing foreign participation, albeit with restrictions. The debate over foreign direct investment (FDI) in retail reflects political concerns about the impact on small retailers (Joseph et al., 2008). Economic reforms are seen as crucial for improving the business environment, with infrastructure being a key focus area (Chibba, 2012). The government's promotion of a digital economy has bolstered non-store retailing but raised issues of unfair competition and livelihoods of small sellers (Dholakia & Dholakia, 2012).

Organized retail trade poses challenges to traditional retailers, but some view it positively as a source of competition and improvement (Chibba, 2012). However, regulatory frameworks may not adequately capture the rapid changes in the retail sector, leading to dominance by large-scale retailers and concerns about competition and monopolies (Kalhan & Franz, 2009). Recent enactments, such as the Consumer Protection Act of 2019, aim to address ambiguities and extend consumer protection to direct selling and e-commerce.

Factors driving modernization in Indian retail include economic development, changes in consumer behavior, and government policies (Mulky & Nargundkar, 2003). However, restrictions on FDI in multi-brand retail have led to foreign companies entering through alternative routes. Overall, the shift in FDI reflects positive growth in the retail segment, with direct marketing formats emerging as alternatives to traditional channels (Mukherjee et al., 2010). The foreign direct selling enterprises initially entered through the wholesale cash and carry format or through test marketing or sourcing from SMEs as FDI was allowed earlier only partially in the single brand and later expanded through allowing in the multi-brand retailing sector.

4.6. Information technology factors

The internet revolution has revolutionized the retail landscape, enabling small retailers to enter the market with ease and access potential consumers effortlessly. Reduced internet access costs and high-speed connections have spurred retailers to venture into the virtual arena, transforming traditional business practices. The adoption of artificial intelligence further enhances businesses' ability to promote sales effectively. The International Telecommunication Union (ITU) reports significant internet usage across various countries: 92% in the United States, 76% in China, 81% in Brazil, 46% in India, 92% in Germany, 97% in Malaysia, and 97% in Korea.

Sinha, Gokhale, and Rawal (2015) highlight the rapid penetration of information technology, particularly broadband and smartphones, prompting retailers to transition from physical to virtual stores to communicate with potential consumers effectively. According to Bennet, Litvack, and Singh (1998), retailers gain power through branding, technological advancements, and the need to innovate and market new products. Non-store retailing technology automates direct marketing practices, enabling efficient data collection, storage, and retrieval, and facilitating targeted marketing strategies.

The growth of newer retail formats is attributed to increased tele-density, particularly in wireless connections, with India ranking third globally in terms of the cheapest mobile internet and showing significant growth in internet speed, albeit slower than the global average. Despite direct selling traditionally being face-to-face, technological advancements have transformed trade dynamics. Pathan, Desai, and Tiwari (2023) discuss the evolving trade landscape in the digital era and the legal system's role in ensuring fair competition, consumer safety, and intellectual property protection. The high court verdict in Amway India Enterprises vs. Union of India in July 2019 exemplifies this, depicting direct selling firms carving distinct retail spaces amid competition from e-commerce giants.

	India	China	United States	Germany	Malaysia	Brazil	Korea
Buyers	Rising consumerism, new middle class, urbanisation	Collectivist, Quianxi	Individualistic	Individualistic	attracted to product, benefits and credibility (Kiaw and Run, 2007)	Rely on communities and social networks	Collectivist
Suppliers	foreign firms or MSME				sourced from foreign or local factories		
Public Policy Factors	Consumer protection direct selling rules, 2021	MLM is banned	Regulated by Federal Trade Commission, independent regulator for consumer protection	No specific regulation Allied regulation, on contract and sales representative (civil and commercial code), competition law under unfair competition	Direct selling and anti-pyramid schemes act, 1993	No regulation specific to direct selling, regulated through self regulatory authorities	industry standard (DSA) that stipulate membership fees and derived must not exceed 35% of sales, door to door sales act, FTC act as an independent regulator
Information Technology Factors	46% internet users	76% internet users	92% internet users	92% internet users	97% internet users	81% internet users	97% internet users
Competitors	Ecommerce giants, illegal competition	only SLM	Exclusive territories by early disallowed prevented competition (Keep and Nat 2014)				SLM performance better than MLM

5. Discussion

Unlike e-commerce platforms sales are initiated at the hands of the consumer, however, in the case of direct selling the sale is initiated in the hands of direct sellers. That is producer is assured of the sale of the product but in the case of e-commerce the option to buy a particular product or to not purchase a product lies with the consumer. New facets of the external environment, namely telecommunication, transportation, or relevant

technology of households, may provide opportunities for new forms of retailing to reduce the costs of retailing or relevant distribution costs of households to reciprocate structural changes in retailing such that these external alterations (Betancourt and Gautschi, 1986). The cross country examination illustrates that direct selling though in terms of sales has not been very high in the Indian context, the number of direct sellers is higher as compared to that of the top performing countries. This could be a possible indication that the operations of direct selling are not sales oriented but rather recruitment oriented which in fact demands further investigation.

To summarize, the advent of non-store retailing formats in the Indian context was due to the opening up of the Indian economy in the 1990s which had paved the way for FDI in the retail segment. The initial formats of non-store retailing were introduced in the Indian economy by foreign players, which opened up the platforms for indigenous retail companies. Of the major non-store retailing formats used in the analysis, direct selling still is the oldest and most dominant form of retail trade that still exists today in comparison to telephone shopping, television shopping, catalog shopping. This is due to factors such as the large level of human resources employed to execute the sale, the experience of a store is brought out to the consumer wherein the consumer can feel the product and the direct selling formats have adapted to the changes happening in the environment such that they are not being kicked out due to the competition from e-commerce platforms. Also, much of the forces that impact the direct selling evolution differs across countries on the basis of the public policy factors. This factor is specific to direct selling, wherein countries exercise differing regulatory strategy that consequently affect the growth of the direct selling mechanisms.

However, though direct selling has entered into the retail marketing arena, all has not been so well with this trading platform as it has been subjected to criticism for its alignment being in a similar nature with the pyramid and Ponzi scheme. This trend is though not only visible in the world market but also in the Indian market scenario. This has resulted in not-so-rosy venture^{17,18,19} wherein the direct selling firms have faced endless legal battles harming their reputation and goodwill. The arrest of Amway India CEO, William Scott Pinckney, and other key managerial personnel on charges of cheating and financial fraud under the guise of direct selling was a much talked about issue regarding the legitimacy of the business. The Qnet financial scam wherein is known by many such as Vihaan, Gold Quest has lured thousands of gullible people under the banner of a legitimate direct selling business, giving them false return sums of money when a certain amount of money is invested in the company or when a certain amount of product is being purchased.

“Scheme cannot work unless more and more subscribers join and the amount paid by them as unit price is made use of to pay the previous subscribers.....The system and the law has a duty to protect such victims of crime also²⁰.”

From this, it is clear that the state has a crucial role to check in the overall well-being of the nation such that people are not being robbed of their money at someone else profit. Such illegal activities would result in resentment and loss to the general public, deprive them of their savings and overall hamper the economic stability of the country.

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¹⁷ <https://www.moneylife.in/article/qnet-ed-freezes-36-bank-accounts-connected-to-vihaan-direct-selling-in-a-money-laundering-case/69559.html>

¹⁸ <https://www.hindustantimes.com/india-news/ed-attaches-757cr-amway-india-assets-in-fraud-case-101650309013001.html>

¹⁹ <https://www.hindustantimes.com/brand-post/indusviva-permitted-to-resume-operations-interim-order-by-telangana-high-court-101637154950346.html>

²⁰ Amway India Enterprises vs Union Of India (UoI), 19 July, 2007

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