

U.S. Direct Selling in 2016

Direct Selling Association, January 9, 2017

Benefits of Participation	The Direct Selling Association's annual <i>Growth & Outlook Survey</i> is the major tracking study for the U.S. As a benefit of your participation you will receive the 2017 Growth & Outlook Report (Calendar year 2016 data) enabling you to benchmark against your peer groups and the industry and help you plan for your company's future. Your response will help us provide credible, current information on the state of the Direct Selling industry to regulators/legislators, media, and other audiences that affect the industry's future. The aggregated data will also be included in the World Federation of Direct Selling Association's annual statistical survey to provide a global picture of the direct selling industry.	
2017 Objectives	 This Survey is shorter than last year's and is streamlined to achieve the following objectives: Quantify the size of the direct selling industry Quantify independent salesforce overall head count Research the socio-economic impact of direct selling Segment the people involved in direct selling Announce results at DSA's 2017 Annual Meeting in Orlando, FL (June 4-6) 	
Confidentiality		
Your Data	 If your company cannot respond to all questions, please respond to as many as possible and submit. Best estimates are significantly better than no answer at all. We realize that your company's 2016 tax returns may not be completed yet. For the <i>Growth & Outlook</i> survey, we can work with your preliminary figures. So please, provide us with your good-faith estimates. Upon completion of the questionnaire, indicate whether you would like Nathan Associates to confidentially send your completed survey to you for your records. As an additional service, Nathan Associates can deliver custom cross-tabs with your company's info included for easy comparisons to peer groups/industry averages. 	
Due Date	Please complete and return by <u>Friday, March 10, 2017 - latest.</u>	
How to Respond	Online at: www.dsa.org/GO2017 . Or send completed questionnaire to Paul Bourquin of Nathan Associates: • by email to pbourquin@nathaninc.com. • by fax to 703-351-6162. • by mail to 1777 North Kent Street, Suite 1400, Arlington, Virginia 22209.	
Informational	You will be invited to join a <u>DSALive!</u> webinar in mid-January, during which process and	
Webinar Questions?	objectives of the survey will be outlined and all your questions answered. Contact Paul Bourguin of Nathan Associates at 703-516-7776 or at pbourguin@nathaninc.com.	
Questions:	Contact I adi Bodi quili di Natriali Associates at 703-310-7770 di at puddi qui ilenatriali ilic.com.	

2017 Growth & Outlook Survey

United States Direct Selling in 2016

A Guide to Completing This Survey

- The requested information refers to calendar year 2016 (January-December).
- To ensure consistency of definitions, please refer to the *Glossary of Terms* provided on page 12 of the survey.

Company:	
Name of Person Completing Form:	
Email Address:	
Phone:	
Section A — Your Company's Di	rect Sales
were generated via direct selling for the	of consumer products and services in the United States that following calendar years? [Definition: Net Sales = The amount e deduction of returns, allowances for damaged or missing
<u>Exclude</u>	
	aged/missing goods, any discounts allowed I commission [Definition: The difference between Distributor tail Price]
a. 2015 \$	b. 2016 \$
1c. If there is a big change between 2015	sales and 2016 sales, please explain here:
at which your company's independent se the total estimated retail sales of those p total aggregated amount paid by the ultin	rovided in answer to question 1 and thinking about the value ellers sold the products/services to their customers, what are products and services? [Definition: Estimated Retail Sales = The mate consumers of the products and services. If your company etail sales, feel free to use the DSA standard formula:
Net Sales/Revenue divided by 0 .7 [Example: \$100 in Net Sales / 0 .7	75 = Estimated Retail Sales 75 = \$133 in Estimated Retail Sales]
a. 2015 \$	b. 2016 \$

3. Thinking about your company/direct salesforce and what sales method best describes the primary
approach to the ultimate retail customer, please provide a percentage breakdown of your company's
2016 net sales, as provided in question 1b.

•	Person-to-person (In-person or online)a.	%
•	Party plan selling/group selling/classes, including online parties b.	%
•	Other sales approachc.	%

TOTAL SHOULD BE 100%

3c. If you entered a percentage for "Other sale	es" in the preceding question, please describe
what "other" sales methods are included:	

4. Products/Services: What percentages of your 2016 U.S. net sales dollars (as provided in question 1b) were accounted for by each of the following products/services? If a product or service of your company is not listed, please describe it in "Other" and provide the percentage; we will classify it into a product/service category. Total of percentages should equal 100%.

Clothing, lingerie, sleepwear, shoes	1 Clothing & Accessories		(vitamins, minerals,		
Shoes			dietary supplements,		
Jewelry, fashion accessoriesb.		a %	herbals & specialty)	b	<u>%</u>
Subtotal Category 1 c. Personal Care Cosmetics Skin care Cosmetics Skin care Bair care, nail care Subtotal Category 2 f. Toiletries/dailycare/oralcare Bows Subtotal Category 5 i. Tows Subtotal Category 6 i. To			Sports/energy & body-		
Supplements, energy bars, soprits & protein drinks)			building (body-bldg		
Personal Care	Subtotal Category 1	c <u>%</u>	supplements, energy bars,		
Personal Care				C	%
Skin care	2 Personal Care		Health foods & beverages	d	%
Health/nutrition/fitness	Cosmetics	a. <u>%</u>			
Fragrances	Skin care	.b. %	Exercise equipment	f	%
Hair care, nail care					
Toiletries/dailycare/oralcaree.			instructional materials	. g	%
Subtotal Category 2 f. % Subtotal Category 5 i. % %	Toiletries/dailycare/oralcare		Essential oils	h	
Home care/cleaning products, auto care products			Subtotal Category 5	i	<u>%</u>
Home care/cleaning products, auto care products	3 Home & Family Care		6 Leisure/Educational Produc	ts	
auto care products			_		
Animal & pet care products		a %		a.	%
Computer software C. % Crafts d. % Subtotal Category 3 d. % Subtotal Category 6 d. % Subtotal Category 7 d. % % Subtotal Category 8 d. % Subtotal Category 9 d. % Subtotal Catego					
(excluding those categorized under Wellness Products) C. % Subtotal Category 3 d. % A Home Durables Sporting goods g. % Cookware a. % Cutlery b. % Crystal/china c. % House/kitchen wares d. % Tableware e. % Candles, gifts, decorative accessories, holiday decorations, collectibles, art/framing f. % Gardening g. % Home appliances i. % Home appliances i. % Water filters/air filtration systems. j. % Energy (gas, electric, etc.) d. % Water treatment systems/filters k. % Subtotal Category 7 h. % Subtotal Category 4 n. % Subtotal Category 7 h. % Subtotal Category 4 n. % Other (please specify) % Subtotal Category 4 n.		. U			
Toys and games					
Subtotal Category 3 d.		c %			
photography			, •		
Sporting goods	Subtotal Category 5	u <u>/0</u>		f.	%
Cookwarea.	1 Home Durables				
Cutlery		a %			
Crystal/china					
House/kitchen wares			<i>5 ,</i>		
Tablewaree.			7 Services		
Candles, gifts, decorative accessories, holiday decorations, collectibles, art/framing			Financial services (including		
accessories, holiday decorations, collectibles, art/framing		.e <u>/0</u>		a.	%
collectibles, art/framingf. % Gardeningg. % Furniture/furnishingsh. % Home appliancesi. % Air filters/air filtration systemsj. % Water treatment systems/ filtersk. % Vacuum cleanersl. % Bedding & linens					
Gardening					
Furniture/furnishingsh.					
Home appliancesi.		·		. C.	%
Air filters/air filtration systems j.			Energy (gas, electric, etc.)	d	 %
Water treatment systems/ Group buying clubs/servicesf. % filters					
filters		J			
Vacuum cleaners	filtare	k %			
Bedding & linens	Vacuum cleaners	l %	Subtotal Category 7	h.	
Subtotal Category 4 n	Redding & linens	m %	.		
5 Wellness Products b	Subtotal Category A	n %	8 Other (please specify)		
5 Wellness Productsb	Subtotal Category 4	11 <u>/0</u>		a.	%
J WCIIICOS I I Oddicto	5 Wellness Products				
Weight mgmt products/C%					
nrograms (weight mgmtd. %					<u></u>
supplements, meal replace- Subtotal Category 8 e			Subtotal Category 8	e	%
ment bars & drinks)a		a %	· .		
	Nutritional supplements	/u	Total (2016 net sales do	llars)=	100%

Section B — Your Company's Direct Salesforce

Please provide your best estimates of the number of independent salesforce members in the U.S. for the following items for calendar 2015 & 2016. Answers to #8 in 2015 and #5 in 2016 should be equal.

[These are the people traditionally called Direct Sellers. Terms vary and often they are called distributors, associates, representatives, consultants or other terms. These are ALL the people who have signed an agreement with/applied for membership in/otherwise joined your company OR renewed any of the above in the past 12 months. They are eligible to pay wholesale or discounted prices for products; eligible to keep retail profit on sales to others if they opt to retail. This group does NOT include preferred or registered customers.]

		2015	2016
5.	Number of salesforce members		
	eligible to submit an order on January 1		
6.	+ Plus: number recruited/added during the year		
7.	- Less: number dropped during the year		
8.	= Equals: number of salesforce members		
	eligible to order on December 31		
9.	What percentage of your U.S. independent salesforce men following categories? (Please provide your best estimates.)		
	Percent that are women		a <u>%</u>
	Percent that are of Hispanic or Latino origin		.b <u>%</u>
10.	Please provide the percent of your U.S. independent salesf	orce members tha	t are:
	American Indian or Alaska Native a	%	<u>.</u> <u>)</u>
	• Asian b	9/	, <u>)</u>
	Black or African-American c	%	<u>!</u>
	White or Caucasiand	%	
	Native Hawaiian or Pacific Islander e	%	<u>.</u>
	Not Identifiedg g	%	<u>,</u> <u>)</u>
	Other (please describe):	%	
No	te: the total of all 7 lines above in 11 must equal 100% FSTIM	IATES ARE WELCOM	<i>AFD</i>

Note: the total of all 7 lines above in 11 must equal 100% ESTIMATES ARE WELCOMED.

11. What is the percent breakdown of your U.S. Salesforce at the end of 2016 across the following age categories?

•	Under 18	a	<u>%</u>
•	18-24	b	%
•	25-34	C	<u>%</u>
•	35-44	d	%
•	45-54	e	%
•	55-64	f	%
•	65+	g.	%

The total should equal 100%. ESTIMATES ARE WELCOMED.

12. Based on the total count of your company's U.S. independent salesforce members (as entered in #8) at the end of 2016, please estimate percentage breakdowns, by segment/group listed below: The total should equal 100%. ESTIMATES ARE WELCOMED.

- a. Business Builders FULL-time _____% of the TOTAL count on December 31, 2016 [Defined as:
 - Those who have signed a direct seller agreement with your company OR renewed in the past 12 months
 - Those who are eligible to purchase your company's products/services at wholesale price; they are eligible to sell products to consumers and eligible to sponsor new people to join their team
 - Those who are purchasing at levels beyond consumption for their own personal household ... as defined by your company
 - Those who are eligible to sell and to keep retail profit on sales to consumers
 - Those WORKING <u>FULL-TIME</u> AT THEIR DIRECT SELLING ACTIVITIES, that is an average of 30 or more hours per week
 - These are likely the people your company considers to be Leaders, Executives, careerminded. They are likely to earn income from direct selling that <u>can substitute</u> for income from their previous employment].
- b. Business Builders PART-time _____% of the TOTAL count on December 31, 2016 [Defined as:
 - Those who have signed a direct seller agreement with your company OR renewed in the past 12 months
 - Those who are eligible to purchase your company's products/services at wholesale price they are eligible to sell products to consumers and eligible to sponsor new people to join their team
 - Those who are purchasing at levels beyond consumption for their own personal household ... as defined by your company
 - Those who are eliqible to sell and to keep retail profit on sales to consumers
 - Those WORKING <u>PART-TIME</u> AT THEIR DIRECT SELLING ACTIVITIES, that is an average of less than 30 hours per week ... These are likely the people your company considers to be small retailers
 - They may/may not have an additional job in addition to their direct selling activities and do not earn enough income from direct selling to substitute for income from their main form of employment].
- c. Wholesale Buyers _____% of the TOTAL count on December 31, 2016 [Defined as:
 - Those purchasing at levels for consumption in their own personal households...as defined by each company
 - While these people are eligible to sell and sponsor, they choose not to do so; instead they are purchasing the products/services at a discount.
- d. Unengaged _____% of the TOTAL count on December 31, 2016 [Defined as:
 - Those who are neither actively purchasing nor sponsoring
 - While they are eligible to purchase, sell and sponsor, they choose not to do any of these.

13. In this question, we are interested in knowing how many people (*SEPARATE* from salesforce members listed above) have signed a preferred customer agreement or registered as customers with your company in the United States in 2016

Preferred Customers / Registered Customers

[NOTE: THESE ARE <u>NOT</u> TO BE INCLUDED IN THE PERCENTAGE BREAKDOWN FOR THE GROUPS/SEGMENTS ABOVE]. This group/segment is defined as:

- Those who have signed or renewed preferred customer / registered customer agreement with your company in the past 12 months.
- They may or may not be eligible to pay wholesale prices for products, depending on your company's program
- They are NOT eligible to sell products/services to others

Does your company have a Preferred or Registered Customer Program?

• They are not eligible to earn

a.	Yes	
c.		tell us the NUMBER who have signed or renewed a preferred customer agreement or red as customers with your company in the United States as of December 31, 2016:
This se econoi	ction will	— Your Company's Socio-Economic Impact help DSA demonstrate the full social and economic impacts that direct selling has on the US ill allow us to educate key audiences including the media, government, financial community, and
14. In	what ye	ar did your company first start direct selling in the United States?
	a.	Year:
	b.	Month (only if company started direct selling business operations in 2015 or 2016):
	-	U.Sbased employees (<u>NOT</u> independent salesforce members) did your company have mber 31, 2016?
Nı	umber of	total employees:

a.	Research & Development	%
b.	Manufacturing / Quality Assurance	%
c.	Supply Chain/ Distribution	
	(purchasing, warehousing, shipping, & logistics)	%
d.	Marketing	%
e.	Sales	%
f.	Customer Service/ Salesforce Training	%
g.	Information Technology (IT)	%
h.	Administration (Including human resources,	legal,
	finance, & executive management)	%
i.	Other	%
	The t	total should equal 100%.

State Level Impact

- 17. Please provide USD and headcount breakdowns by state of your:
- a. 2016 U.S. net sales derived from direct selling, as provided in question 1b
- b. U.S. independent salesforce members as of December 31, 2016, as provided in question 8b

State	Net Sales	Ind. Salesforce Mbrs
Alabama	\$	#
Alaska	\$	#
Arizona	\$	#
Arkansas	\$	#
California	\$	#
Colorado	\$	#
Connecticut	\$	#
Delaware	\$	#
Florida	\$	#
Georgia	\$	#
Hawaii	\$	#
Idaho	\$	#
Illinois	\$	#
Indiana	\$	#
Iowa	\$	#
Kansas	\$	#
Kentucky	\$	#
Louisiana	\$	#
Maine	\$	#
Maryland	\$	#
Massachusetts	\$	#
Michigan	\$	#
Minnesota	\$	#
Mississippi	\$	#
Missouri	\$	#
Montana	\$	#
Nebraska	\$	#
Nevada	\$	#
New Hampshire	\$	#
New Jersey	\$	#
New Mexico	\$	#
New York	\$	#
North Carolina	\$	#
North Dakota	\$	#
Ohio	\$	#
Oklahoma	\$	#
Oregon	\$	#
Pennsylvania	\$	#
Rhode Island	\$	#
South Carolina	\$ \$	#
South Dakota		#
Tennessee	\$	#
Texas	\$	#
Utah	\$	#
Vermont	\$	#
Virginia		#
Washington	\$	#
West Virginia	\$	#
Wisconsin	\$	#
Wyoming District of Columbia	\$	#
District of Columbia		#
Guam Duarta Rica	\$	#
Puerto Rico	\$	#
U.S. Virgin Islands		#
N. Mariana Islands	\$	#
American Samoa Total	\$	#
IUlai	7	т

18.		es your compa	ny manufacture, assemble or generate any of its products and services in- TED STATES?
	a.	YES	
	b.	NO _	
19.			ny outsource the manufacturing / assembly/ generation of any of its vices to manufacturers or vendors located in the UNITED STATES?
	a. b.	_	
20.	Wh	at was the US	D value of all U.S. exports for your company in 2016?
		\$	
21.	Wh	at was the US	D value of all U.S. imports for your company in 2016?
		\$	
22.	sepo loca ente	arately count i ition in your lo	tes, how many of the following facilities does your company have? [Please, multiple facilities at one location. For example, if your company has only one ecal country, and it has offices, a laboratory and a distribution center, then es, -1- for laboratory, and -1- for distribution center. If none for a particular type enter -0]
	7	ype of Facility	# of Facilities
	a.	World	
		Headquarter	'S
	b.	Other Office	
		Buildings	
		Laboratories Manufacturi	
	u.	Plants	"6
	e.	Distribution	
		Centers/	
		Warehouses	
	f.	Retail Shops	
	g.	Other Types Facilities	of
	_	-	ed a number for "other facilities" in the preceding question, please describe ties" you have included:
23.	Wh	at is the total	cost of Research & Development your company incurred in the U.S. in 2016?
	\$		

Section D: Your Company's Charitable Giving/ Corporate Social Responsibility

In 2016, what was the total amount contributed by your company to its philanthropic and corporate social responsibility initiatives? Please include in this amount funds contributed by directly affiliated foundations or other charitable entities.

24.		your company make any donations in 2016 in the U.S? YES
	b.	NO
	c.	If yes, what is the total dollar amount donated?
25.	U.S	your company contribute any in-kind (company product/services) donations in 2016 in the .? YES
		NO
	c.	If yes, what is the total dollar amount donated?
26.	. Does your company have any programs for employees to volunteer in the U.S.?	
	a.	YES
	b.	NO
	c.	If yes, what is the total number of volunteer hours for 2016?
27.		ich of the following areas does your company currently support through financial/in-kind nations or volunteer participation? Please check all that apply. a Arts and culture b Health and human services c Environmental protection/conservation d Education e Economic development f None g Other (please specify):

Survey Complete!

Please complete and return by Friday, March 10, 2017.

You may complete this questionnaire online at: www.dsa.org/GO2017 or send your completed questionnaire to: Paul Bourquin of Nathan Associates

by email: pbourquin@nathaninc.com

• by fax: 703-351-6162

by mail: 1777 North Kent Street, Suite 1400, Arlington, Virginia 22209.

Thank you for participating!

Glossary of Terms

Below are updated definitions for terms as we are using them in the 2017 Growth & Outlook Survey. Terms appear roughly in the same order as they appear in the survey.

Direct Selling:

• **Direct selling** is a business model that offers entrepreneurial opportunities to individuals as independent contractors to market and/or sell products and services, typically outside of a fixed retail establishment, through one-to-one selling, in-home product demonstrations or online. Compensation is ultimately based on sales and may be earned based on personal sales and/or the sales of others in their sales organizations.

Direct sellers (referred to as independent salesforce members in this survey) may be called distributors, representatives, consultants or various other titles. They may participate in various ways, including selling the products themselves or through their sales organizations, providing training and leadership to their sales organizations, referring customers to the company and purchasing products and services for personal use.

• Independent salesforce member: To avoid any confusion with the traditionally used term, "direct seller," (because of those who are not actively selling), we now refer to these people collectively as "independent salesforce members." These people may also be called distributors, representatives, consultants or various other titles. They may participate in various ways, including selling the products themselves or through their sales organizations, providing training and leadership to their sales organizations, referring customers to the company and purchasing products and services for personal use.

Net Sales: The amount of sales generated by a company after the deduction of returns, allowances for damaged or missing goods and any discounts allowed. [Source: www.investopedia.com on 1/25/2012]

Estimated Retail Sales: The total aggregated amount paid by ultimate consumers of the products and services.

<u>Please, note that</u>: Estimated Retail Sales is NOT the same as Net Sales / Revenue / Wholesale Price / Distributor Price. For your information: For DSA research purposes, retail sales are estimated from net sales using the following formula: estimated retail sales = net sales \div 0.75

Sales Method or Approach: The means by which an independent direct sales member approaches his/her customer, the ultimate consumer. This may be through:

- **Person to Person Sales (in-person or online):** The one-to-one sale of a product or service between the independent salesforce member and a single customer/consumer. This can be done in-person or online via distributor websites, mobile, etc...
- Party Plan / Group Selling / classes, including online parties: The sale of a product or service by an independent salesforce member in a small group, class or party setting, often in the home of a hostess.

Direct Seller: may be called direct seller, distributors, representatives, consultants or various other titles. They may participate in various ways, including selling the products themselves or through their sales organizations, providing training and leadership to their sales organizations, referring customers to the company and purchasing products and services for personal use.

Individual direct sellers make up the salesforce of a direct selling company and sell in many untraditional ways. [See definition of Direct Selling, above.] A direct seller may be either:

- An independent salesforce member: Unlike an employee, an independent contractor does not work
 regularly for an employer, but works as and when required. Contractors often work through a
 company which they themselves own ... or may work through an umbrella company. Generally,
 independent contractors retain control over their schedule, number of hours worked, jobs accepted,
 and performance of their work. Direct Sellers are sometimes called consultants, distributors or other
 titles. The majority of direct sellers are independent sales people.
- An Employee: A person who is hired (full or part-time) to become part of the staff and to provide services or do a particular job for a company on a regular basis in exchange for compensation. Only a small percentage of direct sellers are employees of the Direct Selling company with which they work.

Recruit: Any activity conducted for the purpose of offering a person the opportunity to become a direct seller. For purposes of this survey, "recruited" refers to all those direct sales people ADDED to a company's rolls during the year.

Dropped: Those direct sales people that have dropped out or been purged from a company's roll.

Business Builder – Full-Time:

- Those who have signed a direct seller agreement with your company OR renewed in the past 12 months
- Those who are eligible to purchase your company's products/service at wholesale prices; they are eligible to sell products to consumers and eligible to sponsor new people to join their team
- Those purchasing at levels beyond consumption for their own personal households as defined by each Direct Selling company
- Those who are eligible to sell and to keep retail profit on sales to consumers
- And those WORKING <u>FULL-TIME</u> AT THEIR DIRECT SELLING ACTIVITIES, that is an average of 30 or more hours per week.
- These are likely to be Leaders, Executives, career-minded. They are likely to earn income from direct selling that <u>can substitute</u> for income from their previous employment.

Business Builder - Part-Time:

- Those who have signed a direct seller agreement with your company OR renewed in the past 12 months
- Those who are eligible to purchase your company's products/service at wholesale prices; they are eligible to sell products to consumers and eligible to sponsor new people to join their team
- Those purchasing at levels beyond consumption for their own personal households as defined by each Direct Selling company
- Those who are eligible to sell and to keep retail profit on sales to consumers
- Those WORKING <u>PART-TIME</u> AT THEIR DIRECT SELLING ACTIVITIES, that is an average of less than 30 hours per week
- These are likely to be considered as small retailers. They may/may not have an additional job in addition to their direct selling activities and <u>do not earn enough income from direct selling to</u> substitute for income from their main form of employment.

Wholesale Buyer:

 Those purchasing at levels for consumption in their own personal households...as defined by each company • While these people are eligible to sell and sponsor, they choose not to do so; instead they are purchasing the products/services at a discount.

Unengaged:

- Those who are neither actively purchasing nor sponsoring
- While they are eligible to purchase, sell and sponsor, they choose not to do any of these.

Preferred or Registered Customer:

- Those who have signed or renewed as a preferred customer or registered customer with your company in the past 12 months.
- They can purchase company products / services and may or may not be eligible to pay wholesale prices, depending on each company's program.
- They are NOT eligible to sell products/services to others.
- They are NOT eligible to earn.

Employment:

- **Full-time:** For the purposes of this survey, full-time is considered permanent, short-term, and seasonal employees working 30 or more hours per week. [Source 1; retrieved on 12/16/2011; Source 2; retrieved on 1/14/2016]
- **Part-Time:** Workers are considered to be part-time if they work fewer than 30 hours per week. [Source; retrieved on 1/15/2016]

Customer: Those who purchase the products or services offered by a direct selling company. They can be either inside the network of Direct Sellers, or outside. They can be either registered or unregistered with the company.