

Representing direct selling in Europe

ANNUAL REPORT 2012-2013



The European
Direct Selling Association

Contents

Chairman's Statement	02
Mission Statement	04
Organisation	05
Activity Reports	06
▪ General Assembly & Annual Conference	06
▪ Board of Directors	07
▪ Legal & Government Affairs ' Committee	08
▪ Companies' Committee	10
▪ Non-EU DSAs' Committee (NED)	12
▪ Ethics' Committee (EC)	14
▪ Communications	16
Appendices	20
▪ Socio-Economic Report	20
▪ Statistics	24
▪ Member DSAs	27
▪ Corporate Members	31
▪ Services Providers	32
▪ Membership of Committees	34
▪ Staff	34

Chairman's Statement



It is a pleasure to write my first opening statement for the Seldia Annual Report after being elected as Chairman in October 2012. At the time, I felt privileged to have been elected and I was full of high expectations. We are now one year later and I must say that I have not been disappointed. Seldia has proved to be a dynamic organization that creates great initiatives to improve the operating environment for our industry.

A discussion that I personally followed with great interest is the one on the size of our industry and the sales force within it. We have all read about the large US investors that took short positions in some of our listed member companies. They undermined our image by questioning the size of our sales force and by doing so the strength of our companies. Although initially this strategy did some harm, it also proved our strength when these attacks were reversed. This episode illustrates the need for us to continue explaining the way we operate our business and, more importantly, how we differ from the rogue sellers. Opposing those and finding effective ways to prevent their harmful activities is in the interest of our industry and we fully support any action by the authorities in that respect.

This issue will also be discussed at the 3rd Annual Round Table on the Future of Direct Selling to be held in October 2013. The participation of US DSA President Joe Mariano shows the importance of this issue and further illustrates the good transatlantic cooperation between our DSAs.

In addition to this event, Seldia continues to organize events to promote our industry among European policy makers. The most impressive was without doubt this year's 3 -day exhibition in the European Parliament devoted to the theme of women entrepreneurship. The

“Seldia creates great initiatives to improve the operating environment for our industry”

event was supported by dozens of Members of the European Parliament and European Commissioners Viviane Reding of Justice and Gender Equality and Michel Barnier of Internal Market. It has increased the image of our sector and I hope to see more of this in the coming year.

“As over 79% of our direct sellers are women, we have another good story to tell”

As a result of our exhibition, we have launched this year a Women Entrepreneurship Platform which will link us with business communities around the EU and provide us with access to policy makers. As over 79% of our direct sellers are women, we have another good story to tell and I support future action around this theme.

Seldia has also been very proactive on ethical trading. The new EU law on self-regulation will enter into force in 2014 and we have therefore taken steps to comply and continue our position of leadership with our Code of Ethics and Code Administrator. The most remarkable step was the inclusion of a representative of a consumer organization in our European Code Administration Body. This will certainly bear fruit in the coming years.

Our Code Administrator has also dealt with a few complaints, mainly about new companies in the EU market that struggle to comply with our rules on ethical trading. Our approach has been open but vigilant. We will not make any concession on ethical trading rules, but will always give the opportunity to companies to look into the matter and make the necessary adjustments. I am hopeful that this approach will be to the benefit of all and that it will offer the opportunity to broaden our corporate membership.

The core of our activities remains of course the advocacy of our businesses' interests towards the EU regulator. In the last year, the focus has been on the adoption of a favourable law on self-regulation

and Seldia has been successful in a law that allows our Code Administrators to continue their good work. We have also been successful in ensuring a good outcome on the review of the Unfair

Commercial Practices Directive. The Directive includes a clause on pyramid schemes and we are pleased that this clause will not change. National advocacy also becomes increasingly important with several countries considering restrictions on direct selling. Seldia will continue to support national DSAs as may be relevant, for example by putting pressure on the European policy makers in Brussels to act against national restrictions which violate EU rules. In that respect, Seldia has lodged a formal complaint against the restriction on selling of cosmetics via direct sales in Austria and I am hopeful that we will soon see some action taken against the Austrian government.

I am pleased to extend a warm welcome to two new Corporate Members, Morinda Bioactives and Kÿani which joined Seldia earlier this year. None of our activities would have been possible without the help of our member companies that make resources available for our common goal, both in terms of finances and human resources. The involvement of the member DSAs is also paramount for the proper representation and lobbying by Seldia. I express my gratitude to all our members and in particular want to thank all the individuals that have contributed to our activities over the last twelve months. I also thank Seldia's staff for their initiatives and enthusiasm.

I wish you all every success in the coming year.

Magnus Brännström
Chairman

“We will not make any concession on ethical trading rules”



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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.

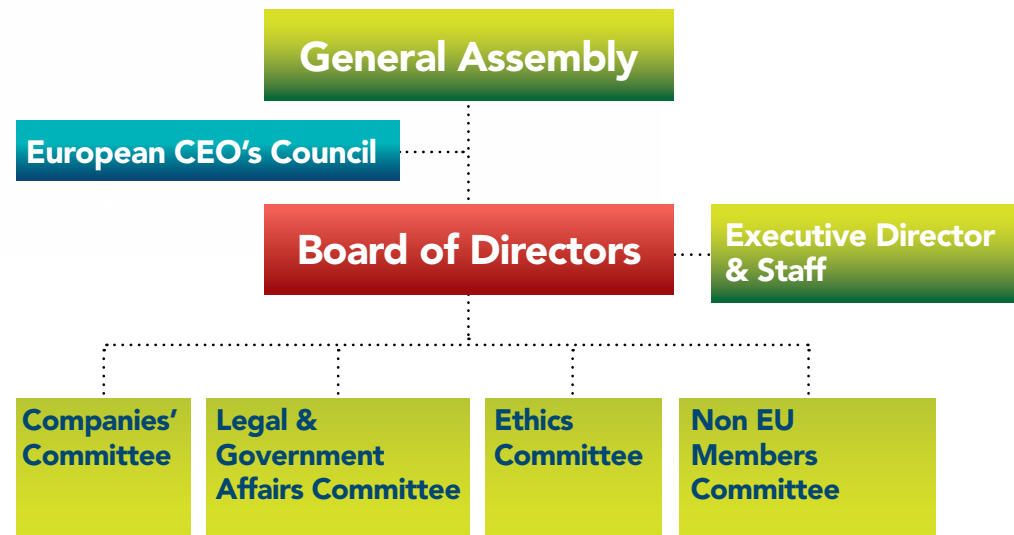


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This mission will be achieved, in particular:

- 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 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's Chairman.

Actions 2012-2013

The General Assembly meets once a year and takes institutional decisions such as appointment of the Board members. It approves the annual operating budget and the annual accounts, application of new members, as well as the annual Action Plan of the association proposed by the Board of Directors.

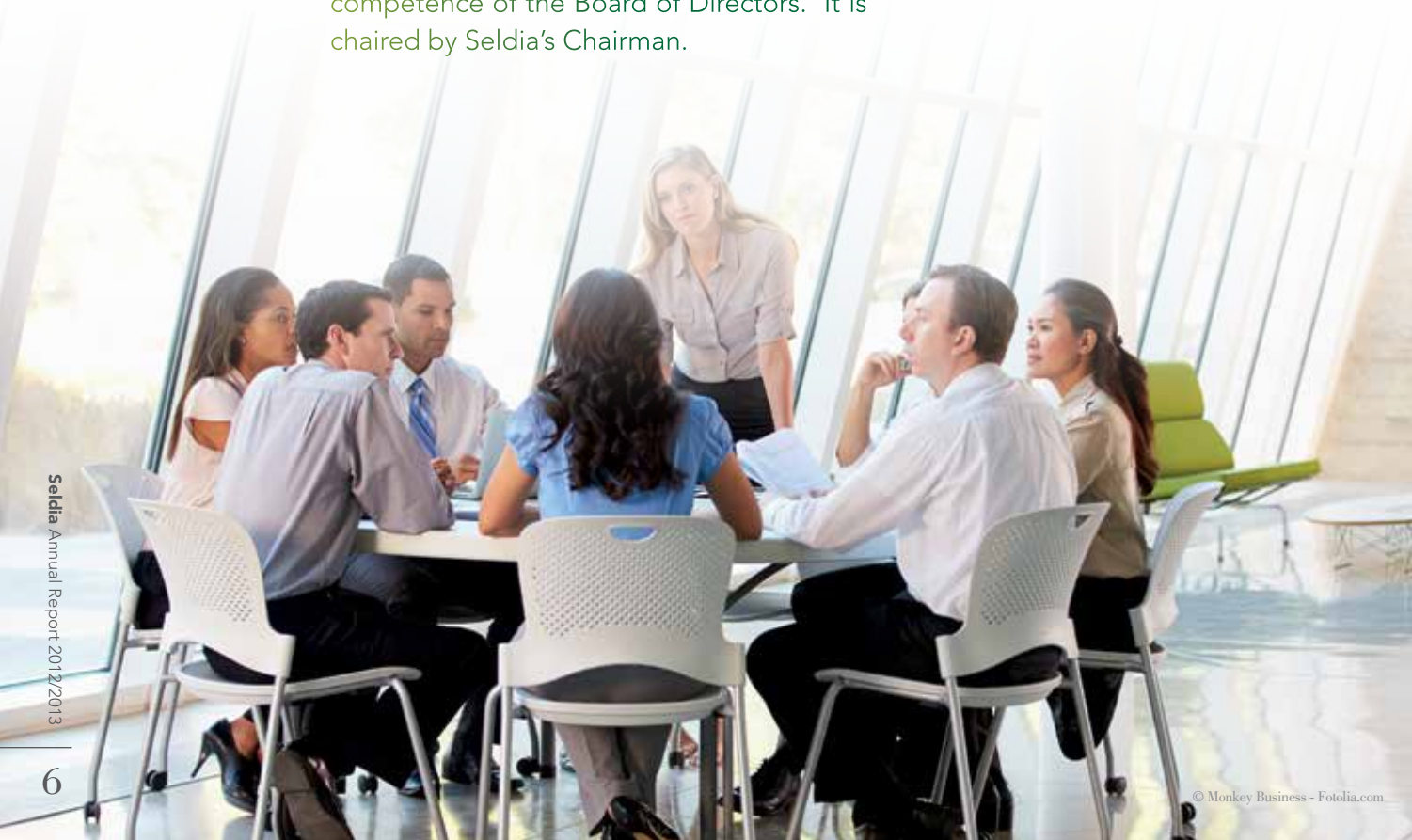
In 2012, the General Assembly held its meeting on the 3rd of October in Milan and took important decisions. It elected a new Chairman, Magnus Brännström, and a new Board of Directors for a two years' mandate. CEO of the Swedish company Oriflame, Magnus Brännström joined Oriflame in 1997 and became its CEO in 2005. The General Assembly meeting of 3 October 2012 also approved the admission of the company Morinda Bioactives (formerly known as Tahitian Noni International) as Corporate Member.

In February 2013, the General Assembly approved by written procedure the admission of the company Kÿani as Corporate Member. Seldia counts today 27 Member DSAs (Direct Selling Associations) and 16 Corporate Members.

In 2013, the General Assembly will meet on the 1st of October in conjunction with the 3rd Seldia Annual Round Table on the Future of Direct Selling and the Seldia Awards Dinner. The meetings will take place in Brussels.

Objectives 2013-2014

Under the chairmanship of Magnus Brännström, the General Assembly will carry on its mission to consider recommendations made by the Board of Directors to ensure that Seldia efficiently achieves its objectives to the best interest of its member DSAs and Corporate Members.



Board of Directors

The Board of Directors defines the general policy of the Association, drafts the annual budget and Action Plan to be approved by the General Assembly and is responsible for the management of the association's resources and for the implementation of the Action Plan. The Board has six to eight members and meets three times a year. It is chaired by Seldia's Chairman.

Actions 2012-2013

The Board of Directors met in Milan in October 2012, in Warsaw in February 2013 and in Stockholm in June 2013.

In October 2012, the Board reviewed the application for Corporate membership of three companies and agreed to recommend one of them to the approval of the General Assembly. The Board also agreed to recommend to the approval of the General Assembly the 2012-2013 Action Plan of the association, the proposal to organize a major event in the European Parliament in February 2013, as well as the 2013 operating budget.

The Board convened in Warsaw on 18 February 2013 for the first of its 2013 meetings. It monitored the

implementation of the 2012-2013 Action Plan and agreed on two modifications of the Seldia Codes of Ethics proposed by the Ethics Committee in order to comply with new EU rules in the area of self-regulation. The Board supported a one year Communication Action Plan proposed by the Executive Director to further develop the association's connections in the European Parliament, to better promote the industry's Code of Ethics in the light of the new EU rules and to develop a new media strategy.

The Board met in Stockholm in June 2013 and received a progress report on the implementation of the 2012-2013 and Communication Action Plans. The Board agreed on having a new website for consumer complaints as a support to the work of the European Code Administrator. It approved the organization of a second event in the European



Parliament in September 2013 on the theme of women entrepreneurship and analyzed the 2013 statistics of the industry collected by Seldia and WFDSA¹.

Objectives 2013-2014

The Board will continue to monitor the implementation of the Associations' Action Plans by the staff. It will strive at ensuring that Seldia has all adequate tools to maintain a high level presence within the European Parliament and other key EU institution to advocate our positions with key stakeholders, whilst assisting DSAs and companies whenever necessary in local actions to defend the interests of direct selling businesses.

¹ World Federation of Direct Selling Associations | www.wfdsa.org

Legal & Government Affairs Committee



Imelda Vital (Amway),
Chairwoman of the 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 in order to protect and support the interests of the industry at the European level.

Members of the LGA Committee are representatives of member DSAs and Corporate Members active in the assessment of EU legislation. The Committee meets three times per year and is chaired by Imelda Vital, Amway's EU Affairs and Corporate Affairs Area Manager.

Actions 2012/2013

The LGA Committee monitors upcoming EU proposals that could affect the direct selling industry and actively follows European Union legislative developments on important dossiers such as the Consumer Rights Directive, the directive on Alternative Dispute Resolution, the Unfair Commercial Practices Directive, the Misleading and Comparative Advertisement Directive, e-Commerce, food & supplements, cosmetics, as well as EC proposals on the Common European Sales Law and the general Data Protection review.

In maintaining an own Consumer Redress – or – “Alternative Dispute Resolution” (ADR) scheme in the form of code-administrators that enforce the international Direct Selling Code of Conduct in each member country, Seldia and its Member DSA's are in the process of re-adapting to the new requirements set out in the ADR directive which came into force in June 2013. For the direct selling code administrators to be officially recognized by the European Union, the new directive requires them to be nominated by both the DSA's and a consumer body. To this end, Seldia and the French consumer Federation Léo Lagrange are in the process of finalizing such an agreement.

The Consumer Rights Directive, having been adopted in 2011, is expected to be translated into national law

by the end of 2013. The LGA committee monitors the process of transposition in each member country through surveys and correspondence with national authorities. Apart from consumer related policy, the committee also focuses on social and employment issues by promoting entrepreneurship in the EU, particularly female entrepreneurship and the benefits of direct selling for entrepreneurial culture.

With a mission to increase the association's visibility in the EU institutions, in 2012 and 2013 Seldia organized several events in the European Parliament through which it introduced direct selling to numerous Members of the European Parliament as well as Commission and Council officials. Seldia delegations visited the incoming presidencies of Ireland (1 January 2013) and Lithuania (1 July 2013) and met with a range of ministry, consumer and civil society stakeholders to educate them on direct selling, meet key officials on relevant dossiers to the industry and to learn about the priorities they set during their presidency term. Seldia also works closely together with the Internal Market Committee of EuroCommerce, the Brussels lobby for retail, wholesale and international trade in Europe.

Objectives 2013/2014

▪ Meeting the EU Council Presidencies

Meeting EU Council Presidencies of the European Union is important to assess and prepare EU decision-

making priorities in a timely fashion. Seldia will be travelling to Greece and Italy in preparation of the 2014 EU Council presidencies and meet with stakeholders from government, consumers, business and commerce.

- **Implementation of the Consumer Rights**

- **Directive**

- The LGA Committee continues to closely monitor the implementation and transposition in national legislation in order to avoid negative provisions in National laws affecting the direct selling distribution model.

- **Alternative Dispute Resolution**

- The LGA committee will be involved in the re-adapting of Seldia and member DSA code administrators with the aim to have them fully recognized by the European Union.

- **European Sales Law & Data Protection**

- The Committee will continue monitoring developments on the European Sales law initiative and the Data Protection revision.

- **Promoting Entrepreneurship**

- The LGA committee will continue to educate on the benefits that direct selling has for encouraging entrepreneurial activity and will support measures so that female entrepreneurship is more efficiently promoted on a European level and easier to engage in.

- **Increased visibility among European Institutions**

- Seldia will continue to pursue and implement its campaign in the EU institutions for more visibility and credibility for Direct Selling through events and media strategies.



Companies' Committee



Jaroslaw Mulewicz (Avon),
Chairman of Companies'
Committee

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

It monitors issues and legislative initiatives taken in EU Member States, including issues not directly related to direct selling. The Companies' Committee works in cooperation with the Legal & Government Affairs Committee and the Non-EU Member DSAs' Committee. It is chaired by Jaroslaw Mulewicz, Avon's EMEA Director for Government Affairs.

Actions 2012/2013

The main priority of the Committee for 2012/2013 was to identify trade barriers in national legislations and to evaluate and implement actions to remove such barriers. A comparative study conducted with corporate members in 2011 allowed Seldia to analyse the diverse national provisions on Direct Selling that represent remaining barriers. As a result, in 2011 the Companies' Committee filed a complaint to the European Commission on Austrian national legislation prohibiting the marketing of cosmetics via direct selling. Throughout 2013, Seldia identified further national barriers which do not comply with EU law and will be tackling them through further complaints and advocacy strategies.

The Companies' Committee is instrumental in defining lobby campaigns as it is the logical platform through which corporate members can coordinate their efforts. In 2011, members agreed on a initiative to promote direct selling in multilateral trade agreements. In 2013, Seldia started an advocacy campaign on including a more specific recognition of direct selling within the upcoming international trade agreements (i.e. GATS and TTIP). The Committee also cooperates with the Legal & Government Affairs Committee in reviewing specific regulatory issues directly influencing direct selling business and monitors legislation on the EU's

proposal for a Common European Sales Law, collective redress, e-commerce, VAT legislation and Data Protection, as well as on the national implementation of the Unfair Commercial Practices Directive.

The Companies' Committee also works on regulatory issues in countries outside the European Union in collaboration with the Non-EU DSAs Committee. With taxation issues arising in crucial direct selling markets in Albania, Croatia, Kazakhstan, Moldova, Ukraine and Turkey, the Committee identifies issues and proposes targeted solutions. In addition, Seldia corporate members cooperate to identify and establish new direct selling associations in European regions that lack such structures.

A special working group set-up through the Companies' Committee was instrumental in the preparation of Seldia's largest ever public affairs event, the European Parliament Exhibition on Women Entrepreneurship which took place on 19-21 February 2013. Through the organisation of the event, Seldia met with over sixty Members of the European Parliament and many other stakeholders, through which it successfully promoted the socio-economic benefits of direct selling. Featuring keynote speeches from EU Commission Vice-President Viviane Reding and EU Commissioner Michel Barnier and with over 350 participants, the exhibition was a huge success for Seldia and the industry.

Objectives 2013/2014

▪ **Abolition of remaining trade barriers**

Seldia continues to pursue its efforts to succeed in the complaint against the Austrian ban to distribute cosmetics via direct selling. The Committee identified and will file complaints on further cases identified in other Member States.

▪ **Tackling taxation issues**

The Companies' Committee will pursue its efforts to assist the Direct Selling Associations and Companies to deal with taxation issues in certain countries.

▪ **Advocacy on International Trade Agreements**

Seldia will engage in an active advocacy programme towards the key negotiators involved in the negotiations on significant international trade agreements with the aim to have a more specific language on direct selling included, in particular in the Transatlantic Trade and Investment Partnership (TTIP) and the Plurilateral agreement on Trade in Services.

▪ **Defining of lobby campaigns on EU regulatory issues**

The Committee will continue to be instrumental in identifying clear cut lobby strategies in defense of the industry vis-à-vis upcoming EU legislation.

▪ **Women Entrepreneurship and visibility among European Institutions**

Seldia will continue to promote Women Entrepreneurship and the socio-economic benefits of direct selling with a focus on women entrepreneurs. Seldia will organize further events to implement its campaign for more visibility and credibility for Direct Selling in the European Union institutions.

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

The Committee will support the local staff of Direct Selling Associations to contact national authorities to tackle taxations and legal issues encountered by Direct Selling Organisations in specific countries. The Companies' Committee will work together with the Non-EU DSA Committee on defining and implementing an advocacy program in problematic countries.



Non-EU DSAs Members' Committee



Michaela Beltcheva (Oriflame), Chairwoman of the Non-EU DSAs Members' Committee

The objective of the Non-EU DSA's Committee is to promote the interests of Direct Selling and Direct Selling Associations in European countries that are not members of the European Union. The Committees' members are the representatives of the non-EU DSAs, namely Russia, Ukraine, Turkey and Norway; as well as representatives of Member Companies with an interests in these countries. The committee meets three times per year and conference calls are scheduled on short notice to react to major developments. Michaela Beltcheva, Government and Legal Affairs Advisor for Oriflame chairs the Committee.

Actions 2012/2013

Initially created in 2010 to support non EU-DSA members of Seldia in their advocacy towards national authorities, the Committee has evolved to actively track worldwide activities affecting direct selling companies. The Committees' central purpose is to support efforts of Non-EU DSA members in their advocacy towards national authorities and to monitor all areas related to the regulation of their markets such as trade law, taxation issues, social affairs issues, as well as horizontal regulation.

The meetings of the Non-EU DSAs Committee allow Seldia members to be informed and re-act towards developments in countries that are either bordering the EU or are based in other continents. The Committee has a real added value to the work of Non-EU DSA members as developments within the EU are often considered as best practices and not only by the associations but also by governments. Non-member associations from other continents look for advice on the European Code of Conduct and the Non-EU DSA Committee supports their efforts through talks with the European Commission during their bilateral trade negotiations.



Objectives 2013-2014

▪ **Assisting Non-EU DSAs**

The Committee will assist non-EU DSAs in tackling internal issues affecting Direct Selling. The issues can vary from taxation and customs legislation, labour and trade law to individual company cases where government affairs support is needed. Seldia will assist Non-EU DSAs in lobbying and in proactively building relationships with Brussels stakeholders.

▪ **Supporting Non-EU DSA's in achieving WfDSA membership standards**

Seldia supports non-EU DSAs in complying with the membership standards as set out by the World Federation of Direct Selling Associations (WfDSA).

▪ **Support for DSAs in EU accession process**

The Committee will assist DSAs of countries that are preparing for EU accession in interpreting and adapting to relevant EU legislation.

▪ **Monitoring and establishment of new DSAs**

The Committee will assist in conjunction with companies' interests the setting up of new associations in countries in which there is activity but no DSA yet established.

▪ **Improving regulation in Kazakhstan and Turkey**

The Committee will support Direct Selling Companies Established in Kazakhstan to tackle the remaining issues to the conduct of a direct selling business.

▪ **Improving trade in Russia and Ukraine**

The Non-EU DSA's Committee will pursue, in cooperation with the Companies Committee, its assistance to local DSAs to remove trade barriers and improve trade conditions in these countries.



Ethics' Committee



Professor Jules Stuyck,
University of Leuven,
Belgium

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

The Committee also acts as Code Administrator for the Seldia Code of Conduct towards Direct Sellers, between Direct Sellers and between Companies (B2B Code). The Code Administrator for the Seldia Code of Conduct towards consumers (B2C Code) is composed of the Chairman of the Ethics Committee, one member of the Ethics Committee representing a DSA and one representative of consumer organisation *Fédération Léo Lagrange*.

Action 2012/2013

The Ethics Committee met twice during the last 12 months and held one conference call to progress its work in between meetings.

The Ethics Committee proposed two major changes to the Code of Ethics, which were subsequently approved by the General Assembly.

1. European Code Administrator for B2B cases

Similar to the B2C Code of Ethics, the Seldia Code Administrator was allocated the competence to deal with certain cross-border B2B cases. It would allow the Seldia Ethics Committee to deal with complaints about companies that act against the Code of Ethics.

2. Consumer participation in European Code Administrator for B2C cases

As mentioned above, following an amendment to the B2C Code, the Code Administrator would consist of the Independent Chairman (J. Stuyck), the representative of the French consumer organisation and one of the members of the Seldia Ethics Committee, to be appointed by the Ethics Committee on a case-by-case basis. Seldia' Executive Director is the secretary to the B2C European Code Administrator.

The Ethics Committee dealt with several complaints about member and non-member companies. In each case, the Committee took a pragmatic and constructive approach, aimed at investigating the facts and establishing a dialogue were necessary to change companies' actions and policies.

The Ethics Committee decided to issue a Guidance Document for direct selling companies on how to ensure compliance with law and the Code of Ethics in Internet communications, in particular relating to the use of health claims.

In the absence of homogenous rules and/or interpretation of rules on ethical trading, Seldia would for the moment abstain from taking a position in relation to membership applications in national DSAs.

The B2C Code Administrator met for the first time in May 2013 at the offices of consumer organisation *Fédération Léo Lagrange* in Paris. A first step was made defining the workings of the committee, as well as some action points described below under 'objectives'.

The Seldia Board agreed with the Ethics Committee's proposal to develop a complaints website and standard online complaints form that would allow those DSA with small resources to adapt the site and complaint form to national language and format.

Objectives 2013/2014

▪ **Ethics Committee**

- Issue Guidelines for Communications on Internet
- Creation of an inventory of ethical rules in national Codes
- Issue guidelines for DSA's on handling membership applications.
- Handle complaints and support the setting up of the B2C Code Administrator

▪ **B2C Code Administrator**

- Development of a Code Administrator website
- Development of an online complaints form
- Creation of an 0800 complaint telephone number
- Issue Recommendation to companies on promoting Code Administrator

Seldia promotes
**highest
standards**
in business and
ethical trading.



Communications

The communications programme aims to promote direct selling and the Association's work by addressing both internal and external audiences. Internal communications aim to inform members about key regulatory and political developments affecting the industry and external communications aim to inform policymakers, media and other interested parties about direct selling, the industry's contribution to women entrepreneurship as well as Seldia's positions on specific policy developments.

Actions 2012/2013

As part of a renewed **external relations communication strategy**, Seldia has organized several conferences and debates in collaboration with the EU institutions as well as with other trade associations in order to raise the association's and the industry's visibility in the EU capital. The events focused on specific EU related issues and regulatory developments that are of importance to the industry:

- On 8 May 2012 Seldia together with EuroCommerce organized a breakfast discussion in the European Parliament on the topic of "Alternative and Online

Dispute Resolution". The event was hosted by MEPs Roza Thun and Othmar Karas and also attended by MEPs Andreas Schwab and Heide Rühle.

- On 12 July 2012 Seldia organized together with MEP Barbara Matera a lunch debate in the European Parliament on the topic of "Female Entrepreneurship". MEPs Malgorzata Handzlik, Lidia Geringer de Oedenberg and Teresa Jiménez also participated.
- On 19-21 February 2013, Seldia organized its largest public affairs event ever, "Women Entrepreneurs – Five Pillars for Growth" – a European Parliament exhibition which involved 28 partner organisations, over twenty Members of the EU Parliament, one EU Commission director and two EU Commissioners. The exhibition allowed Seldia to successfully present the benefits of direct selling by highlighting women entrepreneurship. The event involved Seldia corporate members and was also supported by WFDSA.

Seldia's external relations include continuous cooperation with the World Federation of Direct Selling Associations (WFDSA), participating in its Global Regulatory Committee, Association Services Committee, and Global Research Sub-Committees dealing with the collection of annual statistics on direct selling.

Seldia participated and attended several annual DSAs events in Europe and the US and actively participates in the Internal Market, the Supply Chain and the International Trade Committees of EuroCommerce.

The **Internal communication** of the association is made up of regular committee meetings with subsequent international and national follow up actions, monthly newsletters, memos and other tools to regularly keep Seldia members up to date.

Objectives 2013/2014

The internal communications strategy envisages a new strategy to supporting certain Member DSA's in their lobbying approach towards policymakers and media, particularly in countries that currently face barriers to direct selling.

Externally, Seldia will continue to organize extensive meeting programmes with EU officials both in Brussels and Strasbourg and will look to organize further events in the EU institutions.





Seldia regularly organizes lively events in the European Parliament on the theme of Women Entrepreneurship.



Activity Report



2nd Annual Round Table on the Future of Direct Selling, Milan, 3rd of October 2012 & Seldia Awards

The 2nd edition of the Annual Round Table on the Future of Direct Selling took place on 3rd of October 2012 in Milan, in conjunction with internal meetings and the General Assembly meeting. Organized in cooperation with Avedisco, the Italian DSA, the conference gathered over 150 participants to discuss issues affecting direct selling in Europe and to hear from eminent speakers such as WFDSA Chairman Alessandro Carlucci, Seldia Chairman Magnus Brännström, Bottega Verde CEO Benedetto Lavino and NSA Italy CEO Alessandra Ghio.

The conference featured three workshops which addressed topics of interest to direct selling companies, DSA professionals and all those outside the sector with a particular interest in the Direct Selling industry. For its second edition, the conference was a huge success and offered participants unique opportunities to network and learn from high profile stakeholders and speakers.

The third edition of the Annual Round Table on the Future of Direct Selling will take place on 2nd of October 2013 in Brussels.

Seldia "Astra" Awards of the Year

The Seldia Annual Awards aim at honoring each year the member association and the member company that have made the best achievement in raising awareness of the direct selling method of distribution, promoting its socio-economic benefits and highlighting the advantages to consumers during the past year.

In 2012, The French DSA received the DSA Award for its successful promotion of direct selling at all levels and for engaging in groundbreaking PR and education projects leading to the recognition of the industry as a credible method of distribution. Oriflame was honored with the Best Company Of the Year Award for having helped to improve the image of direct selling in Europe and for its support to Seldia's work.



Jacques Cosnefroy & François Failliot receiving the DSA Award - Magnus Brännström receiving the Company Award

2012 ANNUAL
Round Table
On the Future of Direct Selling

Milan, Italy
3rd October 2012

Socio Economic Report 2012/2013

Introduction

Figures collected by Seldia and the World Federation of Direct Selling Associations (WFDSA) show that global sales volume increased by 5,4% in 2012. The top leading markets generated close to 60% of total global sales. France is the largest European market for direct selling with sales amounting to 3,8 billion€.

Cosmetics and personal care products stay at the top of products sold in direct selling (36,1%) whilst wellness products increased its market shares from 14% in 2011 to 17,1% in 2012.

You will find in the next page a detailed report on European and global figures.

70%
of direct selling is
person-to-person

EU sales

Up 2,2%

Cosmetics

Represent 36% of
total sales

Introduction

The economic hardship continues in Europe in an unprecedented way. In most countries, it has little effect on direct selling, while 7 out of the 27 EU member states show a decline in sales. As a whole, EU direct sales volume grew by 2.2% in 2012. Sales in surrounding countries to the EU show similar development of sales figures. These are published in the annual statistics compiled by Seldia and the World Federation of Direct Selling Associations (WFDSA).

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 2012 statistics.

Forms of Direct Selling

The 2012 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 65%

The EU average shows that around 65% of direct selling is done through person-to-person sales and 35% through party-plan, but there are great deviations from the average. Among the large EU markets, party-plan selling seems particularly popular in France and Germany. In most Central and Eastern European countries, person-to-person sales are dominant, including in neighbouring countries like Russia, Ukraine and Turkey.

The Direct Sales Representatives

Over 4,8 million people involved in direct selling in the EU

Over 4,8 million people in the European Union are involved in direct selling, while less than 20,000 people are employees of Direct Selling companies. In other words, the majority of the people involved in the direct selling sector are independent entrepreneurs. This does not exclude the possibility that these entrepreneurs 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 fact that direct selling attracts many people with another main activity is illustrated by the fact that 3/4th 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.

79% of direct sellers are women

The ability to combine a professional activity and extra income with a family responsibility is one of the reasons why 79% 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 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 general relatively small, but can be important in some cases. The average turnover of a part-time direct seller in the EU fluctuates per country, depending on the economics and purchasing power in individual member states.

Low entry barriers encourage people to become direct seller

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 to become a direct seller. Many of those would otherwise never generate any income.

However we note the increasing interest of member states in direct selling. 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.

Direct Selling needs to comply with laws and strict ethical standards

In addition to comply with the law, direct selling companies, direct sellers and consumers will also have to trade 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 such as recruitment practices, earnings projections, fees, buy back provisions and others.

Direct Selling is among first sectors with a European mediator

Seldia has adopted a Code of Ethics and has appointed a European mediator for disputes. This mediator 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.

The Market

• Markets in Europe

As mentioned above, the top markets by turnover in the European Union are France (€3.8 Billion), Germany (€3.0 B), Italy (€2,3B) and the UK (€2.0B). There is some disparity between figures because they do not always include the same products and services in each country.

Strongest growth in Central and Eastern European markets

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.

• **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, kitchenware, 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 opportunity it offers to socialize.

Over a third of sales are cosmetics and personal care products

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 (36% of total), followed by wellness (17%), household goods (14%), home improvement (10%), clothing and accessories (6%) and others (17%). The big riser in the statistics is the wellness category, which is up by over 3% market share compared to 2011. This trend is believed to continue in

2013. It is also interesting to note that the utilities sector takes 2.3% market share.

• **Trends**

Some of the trends have already been mentioned above: - strong growth in Central and Eastern 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 of different distribution channels.

Internet

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

Internet allows direct sellers to handle their orders online, and avoid much paperwork, speeds up the distribution process and saves costs.

Internet has enabled 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 products 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.

Harmonisation of rules

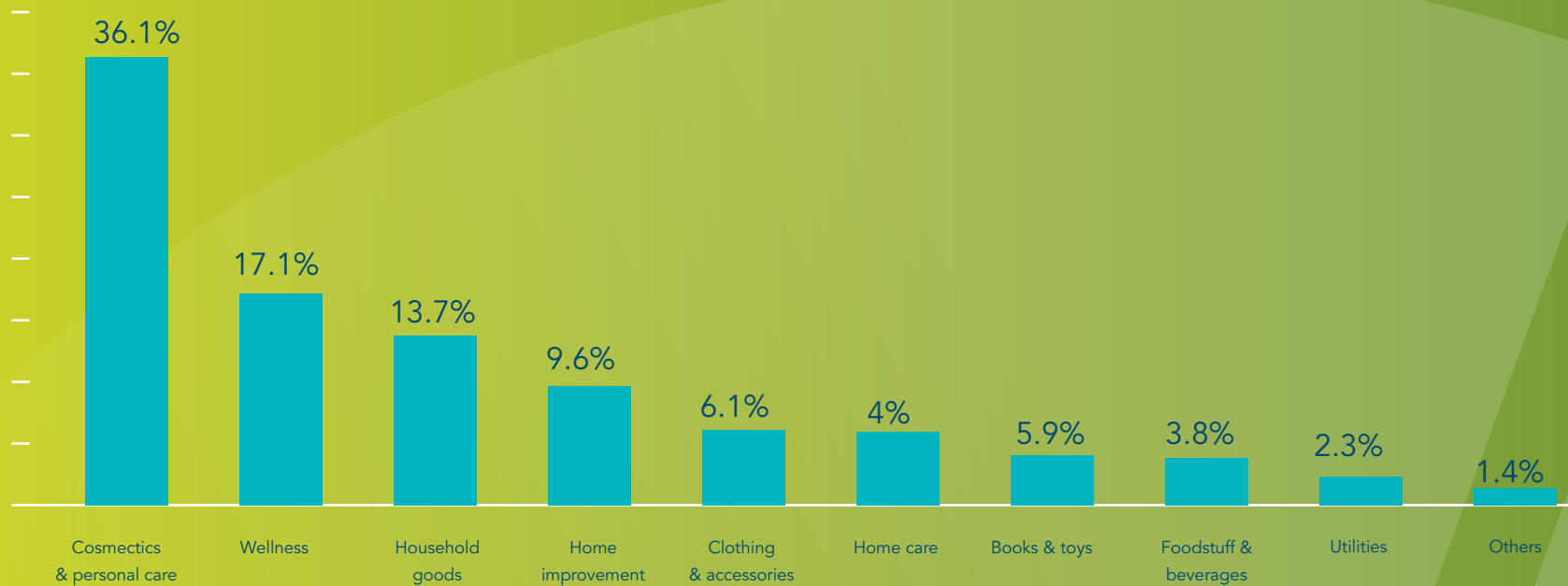
Further growth of the sector will depend on cross-border trade and harmonisation of rules and regulations in the Internal Market.

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.

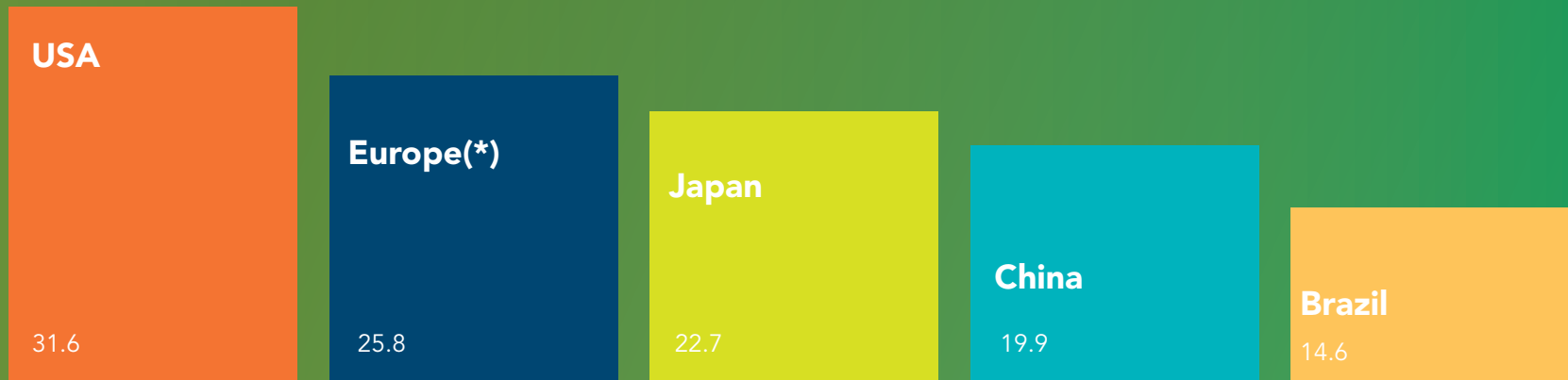
Statistics

Direct Selling is the largest provider of independent business opportunities in Europe.

Breakdown of sales percentage per products categories - 2012

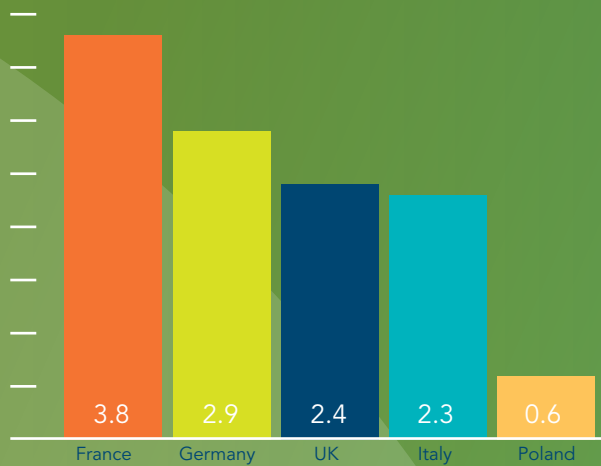


Top 5 markets in the world (in bn. US\$)

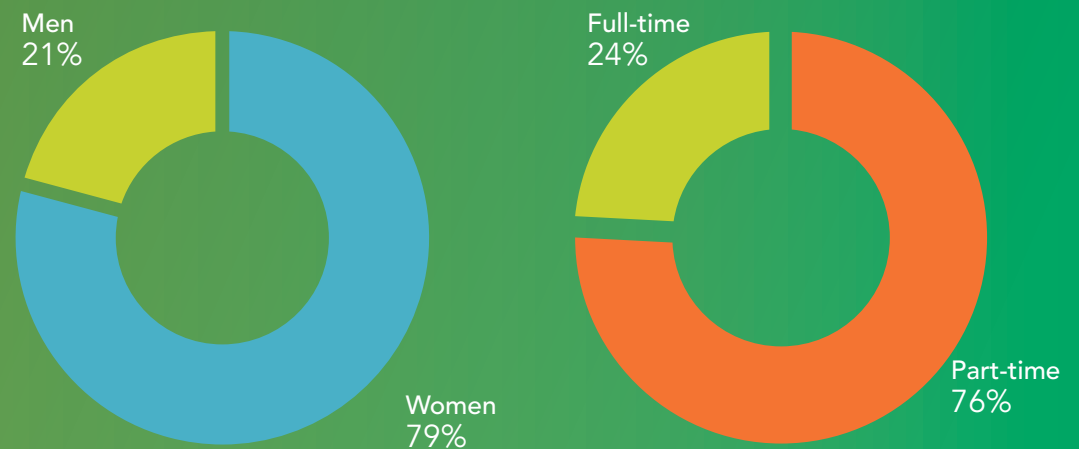


(*) EU Member States & non-EU countries

Top 5 markets in the EU (in bn. €)



Profile of direct sellers in the EU



Direct Selling in Europe - 2012 Retail Sales (in million € - VAT excl)

Total sales in the EU :14.9 billion € - Total sales in Europe : 20.1 billion €

Countries	2012 Sales			2012 Nr of Direct Sellers ⁽⁵⁾			Selling methods			
	Local currency (millions)	EURO (millions)	% Sales change (YOY) in constant €	Nr	% women	% part-time	%Person to Person	%Party Plan	Other	
Austria ⁽²⁾	182.00	182.00	-3.2%	▼	14162	na	na	na	na	na
Belgium	133.00	133.42	4.0%	▲	17239	67%	72%	27%	73%	
Bulgaria ⁽¹⁾	129.00	65.70	11.2%	▲	134501	86%	84%	92%	8%	
Czech Rep ⁽¹⁾	5974.00	237.53	1.8%	▲	255786	92%	88%	90%	10%	
Denmark ⁽²⁾	305.00	40.97	-7.0%	▼	64449	60%	93%	50%	50%	
Estonia ⁽¹⁾	29.00	28.88	35.6%	▲	22000	90%	95%	95%	5%	
Finland	178.00	178.00	7.7%	▲	78100	87%	90%	70%	27%	3%
France	3850.00	3850.00	4.1%	▲	521000	79%	75%	61%	39%	
Germany ⁽²⁾⁽³⁾	2975.00	2975.00	3.8%	▲	287185	80%	91%	48%	52%	
Greece ⁽¹⁾	136.00	135.83	0.1%	▲	270301	81%	54%	95%	3%	2%
Hungary	52.23	180.58	26.2%	▲	479964	73%	49%	88%	9%	3%
Ireland	53.00	53.00	5.2%	▲	20150	77%	80%	83%	17%	
Italy	2304.00	2304.37	-4.9%	▼	473718	71%	96%	72%	28%	
Latvia ⁽¹⁾	19.00	27.70	18.7%	▲	31200	95%	95%	92%	8%	
Lithuania	291.00	84.13	12.6%	▲	75500	90%	95%	99%	1%	
Luxembourg	42.00	41.50	3.7%	▲	2700	na	na	na	na	
Netherlands	102.00	101.75	3.1%	▲	46120	77%	na	85%	15%	
Poland	2650.00	633.28	9.9%	▲	897500	83%	60%	95%	5%	
Portugal ⁽¹⁾	100.00	99.97	-3.1%	▼	85620	83%	na	60%	9%	31%
Romania ⁽¹⁾	970.00	217.51	9.2%	▲	303542	80%	na	97%	3%	
Slovakia ⁽¹⁾	108.00	108.36	16.3%	▲	137441	94%	na	93%	7%	
Slovenia	14.00	13.50	-20.6%	▼	16642	70%	30%	80%	20%	
Spain ⁽⁴⁾	493.00	493.00	-8.9%	▼	72258	85%	na	na	na	
Sweden	2370.00	272.28	-8.8%	▼	88800	85%	95%	70%	30%	
UK	2000.00	2466.39	7.2%	▲	420000	75%	80%	70%	30%	
Total EU		14924.65			4815878	79%	76%	65%	34%	1%
Croatia	261.00	34.72	-48.8%	▼	32650	95%	90%	75%	5%	20%
Norway	815.00	109.00	13.7%	▲	100000	80%	20%	60%	40%	
Russia	131.516	3293.96	4.1%	▲	4305033	na	86%	86%	14%	
Switzerland ⁽²⁾	435.00	360.99	1.0%	▲	12241	80%	85%	68%	32%	
Turkey ⁽¹⁾	1305.00	564.00	3.4%	▲	828762	90%	na	99%	1%	
Ukraine ⁽¹⁾	5955.00	580.75	-0.90%	▼	1261484	87%	97%	100%	0%	
Others ⁽²⁾		260.73	-1.30%	▼	6540170	na	na	na	na	na
Total		20128.95	2.2%		11356048	84%	80%	70%	28%	2%

Figures are based on the entire industry(i.e. DSA member and non-member companies unless otherwise noted. Sales figures are expressed at estimated retail level and exclude VAT. This year for the first time, sales figures for 2011 and for 2012 are expressed in constant euro to exclude the impact of foreign exchange and ensure comparability. Annual average exchange rate for 2012 from European Central Bank have been used to convert both 2011 and 2012 data from local currency to euro.

(1) Based only on DSA member companies

(2) Source:WFDSA research estimate

(3) The German DSA (BDD) commissioned the University of Mannheim to do a study on direct selling in Germany. The results were published after WFDSA/Seldia deadline for publication. It shows €17.4 billion in turnover including VAT and is based on a broader definition of direct selling than that used by WFDSA/Seldia.

(4) In Spain only those who pursue direct selling as a full-time or part-time business are counted. In 2012 there were 72,257 Business Builders (designated in Spanish by the English term "Business Builders" or impulsores de negocio.

(5) Direct sellers are career-minded entrepreneurs building their own business... or part-time entrepreneurs earning extra income. Of this diverse group, many were customers of the products/services prior to becoming a company representative. As Direct Sellers, all enjoy significant discounts and in fact, some choose only to enjoy and use the discounted products and decide not to sell at all.

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Bulgarian Direct Selling Association (BDSA)

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E-mail: info@ltpa.lt



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+31 73 643 14 87 (from outside NL)
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Fax: +40 2123 06 322
Website: www.acvd.ro
E-mail: contact@acvd.ro



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Fax: +34 93 451 59 42
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Corporate Members



www.amway.com



www.acneuro.com



www.avon.com



www.herbalife.com



www.captaintortuegroup.com



www.nseurope.com



www.marykay.com



www.oriflame.com



www.nikken.eu



www.nlstar.com



www.partylite.com



www.stanhome.com



www.lrworld.de



www.energetix.tv



www.eu.kyani.net



www.morinda.com

Services Provider Program

The Services Providers' 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' 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.

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

Services Provider Program

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



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



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



What is Upline?

Alphatec GmbH – based in Munich, Germany – is the European market leader in software solutions for direct selling companies.

The UPLINE suite was created as a comprehensive software package for companies who are looking for a cost-effective and flexible state-of-the-art software that grows with their demands. Since 1993 UPLINE is in very successful use at many companies of any size.

UPLINE has been designed as a modular system that can be customized and extended. Our team of experts in direct selling software continuously develops features and technical innovations for the benefit of our clients.

Customer support is a top priority at Alphatec. Our experts are highly trained professionals who offer exceptional customer service and will find solutions for all needs.

Many years of experience with UPLINE helps us to provide our customers with transparent statistical information not only in the reseller area of the web presence and gives a warranty for a flawless commission calculation.

www.upline.de



Exence S.A.

Exence S.A. specializes in delivering comprehensive IT solutions to support operational activity and development of companies. Our bundled portfolio includes open source domain applications and IT systems based on technologies from the world's leading vendors.

Exence offers applications for direct sales, which facilitate management of sales representatives teams. Those applications help companies organize sales process on stages from recruitment of new representative, getting some knowledge about products, adding his/hers clients orders, and calculation of commission and results of sales competitions.

Exence's products for direct sales:

- Sales Structure Management
- Commission Engine
- Competition Engine
- Orders Management
- Advisor Oriented Portal.

www.exence.com



Membership of Committees (active members)

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

Board of Directors (2012-2014)

Magnus Brännström, Chairman

Miroslaw Lubon	Oriflame
Anders Berglund	Polish DSA
Giorgio Giuliani	Swedish DSA
Paul Southworth	Italian DSA
Jacques Cosnefroy	UK DSA
Arabelle Ferket	French DSA
Juan Turró	Dutch DSA
Gintas Zaleckas	Spanish DSA
	Baltic States DSAs

Legal & Government Affairs Committee

Imelda Vital, Chairwoman

Ric Hobby	Amway
Michaela Beltcheva	Herbalife
Paul Dobson	Oriflame
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Paul Gagnier	French DSA
Jaroslav Mulewicz	ACN
Noelia Souque Caldato	Avon
Anja Newberry	Avon
Tamara Shokareva	Nikken
Armel Peillonnex	Mary Kay/DSA of Russia
Juan Turró	PartyLite
Patricia Van Oertzen	DSA of Spain
Gintautas Zaleckas	Nu Skin
Michael Horn	Baltic States' DSAs
	LR Health & Beauty Systems

Companies' Committee

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Noelia Souque Caldato	Avon
Michaela Beltcheva	Avon
Imelda Vital	Oriflame
Ric Hobby	Amway
Sindy Staessen	Herbalife
Paul Gagnier	Herbalife
Philippe Jacquelinet	ACN
Armel Peillonnex	Captain Tortue Group
Tamara Shokareva	PartyLite
Joris Vanden Berghe	Mary Kay
Michael Hoffmann	Nu Skin
Roland Förster	LR Health & Beauty Systems
Penny Farish	Energetix
Janne Heimonen	Morinda Bioactives
	Kyani

Non EU- Member DSAs

Michaela Beltcheva, Chairwoman

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Candan Corbacioglu	DSA of Ukraine
Jan Frederik Torgersen	DSA of Turkey
Tamara Shokareva	DSA of Norway
Sindy Staessen	DSA of Russia
Jaroslav Mulewicz	Herbalife
Imelda Vital	Avon
Veronica Pont Verges	Amway
Patricia von Oertzen	ACN
	Nu Skin

Ethics Committee

Professor Jules Stuyck, Chairman University of Leuven

Anders Berglund	Swedish DSA
Philippe Dailey	French DSA
Juan Turró	Spanish DSA

European Consumers' Code Administrator

Professor Jules Stuyck, University of Leuven

Amel Haikem, Association Leo Lagrange pour la Défense des Consommateurs
A member of the Ethics Committee

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