

BALTIC DSAs' NEWSLETTER

Issue III

May 2011

From the Baltic General Secretary



Dear Members, Colleagues,

It is a pleasure for me to introduce you the third issue of the Baltic DSAs' newsletter.

In this issue I will review the Baltic DSAs' activity in the first 5 months of 2011, also will introduce the latest developments related to Direct Selling industry in the Baltics and internationally.

I am glad that on 19th of April in Tallinn we had successful and productive annual meetings of the Baltic DSAs, where alongside other questions the financial and activity reports for 2010 were confirmed, also the same compound Boards of the Latvian and Estonian DSAs' were re-elected. More-

over we had an opportunity to welcome Mary Kay and Zinzino as the new members of the Lithuanian DSA and Amway as the new member of the Baltic DSAs'. Meanwhile the next day in the Baltic DSAs' Conference we were able to get some interesting and useful information and to discuss the questions related to our industry.

I am already looking forward to seeing you in the next meeting of the Baltic DSAs' on **October 25th in Riga.**

Best wishes,
Gintautas Zaleckas
General Secretary for Baltic States

Inside this issue:

BALTIC NEWS 1

BALTIC DSAs 3
IN THE MEDIA

LEGAL NEWS 5

FEDSA NEWS 6

THE NEW FACE 7
OF DIRECT
SELLING: A
GLANCE AT
THE IMPACT OF
SOCIAL MEDIA

BALTIC NEWS

Baltic DSA's Welcome New Members

On 19th of April in the Baltic DSAs' Boards and annual general members meeting the prospective members introduced themselves and decisions regarding them were taken.

Skin care and cosmetics products company Mary Kay was confirmed as the new member of the Lithuanian DSA.

MARY KAY®



Espresso machines, coffee, teas and accessories company Zinzino was confirmed as the new member of the Lithuanian DSA.



Beauty, wellness and home

care products company Amway was confirmed as the new member of the Baltic DSAs'.

This increase of member companies is important step towards consolidation of industry, which will enable the Baltic DSAs to be not only stronger inside and more active and visible outside, but also to achieve our goals in favor of industry.

Baltic DSAs' statistical data

Baltic Direct Selling Associations' members' turnover (without VAT) decreased by 7 percent and amounted to more than 54 million euro in 2010. Meanwhile, the number of direct sellers working in this industry increased by 2 percent and reached 77 thousand people.

In Lithuania the volume of direct sales declined by 7 percent, in Latvia – 10 percent and was respectively 23,5 and 17,7 million Euro, while in Estonia direct sales already recovered in 2010, they increased by 5 percent to more than 13 million Euro. The number of direct sellers in Lithuania de-

creased by 3 percent up to 30 thousand people, in Latvia increased by 8 percent up to 26 thousand and in Estonia remained the same, 21 thousand people.



Baltic DSAs' Conference

On 20th of April the Baltic DSAs organized the Conference on Direct Selling in Tallinn. The key messages in the Conference was the results of the public survey regarding consumers attitude towards direct selling in all three Baltic States, which were presented by the director of research agency „Sprinter research“ Mr. Ignas Zokas. The Executive director of the Federation of European Direct Selling Associations (FEDSA) Mr.

Maurits Bruggink presented European regulatory affairs and latest developments on Consumer Rights Directive issue and how it will affect the industry. The Executive director of the WFDSA Ms. Tamuna Gabilia presented Global Direct Selling Industry and unveiled the Global Ethics toolkit and recognition program. Meanwhile the Director of the Polish DSA Mr. Miroslaw Lubon talked about their Educational students entrepreneurship program and

the Director of the European Consumer Centre Ms. Kristina Vaksmaa touched the consumers rights issue, direct sales legal regulation, handling of complaints and what should be done in order to enhance the consumers rights protection. In the Conference, together with representatives of direct selling companies, representatives of Estonian governmental institutions, academia and media participated.

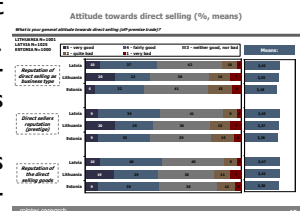
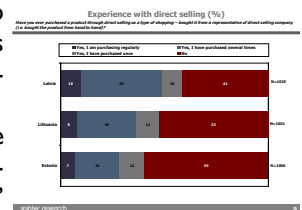


Results of Public Opinion Research on Direct Selling in Baltic States

On March by the Baltic DSAs' order the research agency "Spinter Research" carried out public opinion research on Direct Selling in the Baltic States. According to the research, direct selling appears to be most spread in Latvia (~60% of respondents have experience with it), in Lithuania this level reaches 48% and in Estonia 40%. Compared to previous years, opinions about direct selling in Latvia are turning towards more positive pole. While in Estonia, the perception remains at similar level.

Cosmetics and Personal Care products are most popular, - 82%, 79% and 71% of clients had bought them in Lithuania, Latvia and Estonia respectively, in the second place household goods (34%, 26%, 26%) and wellness products in the third place (20%, 14%, 16%). Customers have rather positive opinion about purchased products – only 4-7% indicated negative experience, on the other hand, generally direct selling is evaluated less positively. Ability through demonstration to get more acquainted with product, cheaper goods and goods

that cannot be found in shops, direct delivery to hands were emphasized as the biggest benefits of direct selling. The main threat for the image of direct selling companies is intrusive sellers' behaviour. 14-16% of surveyed residents have past or present experience as direct sellers. The key driver to get involved into direct selling is additional earnings. ~40% of surveyed residents have rather positive intentions about buying products through direct selling in the future.

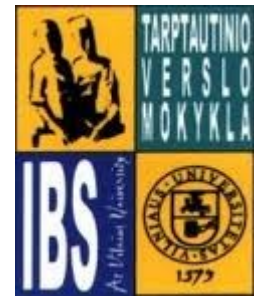


Cooperation with Universities

In order to expand cooperation with Universities and introduce some courses on direct selling in the curriculums the Baltic General Secretary had meeting with the management of the International School of Busi-

ness of Vilnius University (in April). During the meeting the cooperation possibilities were discussed, it was agreed to organize an event about entrepreneurship and direct selling where the

managers of direct selling companies could share their experience, also in the autumn semester several lectures about Direct Selling could be given.



Approved the Baltic DSAs' Grant Request

On January the World Federation of Direct Selling Associations approved the Baltic DSAs' grant request regarding the reputation

building research (a sociological public opinion survey) on direct selling among the public in the Baltic States.

According the signed grant agreement up to 50 percent of the survey costs will be covered by the WFDSA.



World Federation of
Direct Selling Associations

BALTIC DSAs IN THE MEDIA

Regarding Direct Selling Industry and Pyramid Schemes

On the 10th of January in the main Lithuanian newspaper ("Lietuvos rytas") negative article related to Amway company was published.

Also in the article the Baltic General Secretary G.Zaleckas' commentary regarding Amway activity in Lithuania, the Lithuanian

DSA and its members, also regarding direct selling industry differences from pyramids schemes was given.

LIETUVOS
rytas

Association – Like a Quality Sign of Selling

On the 7th of February in the main Lithuanian newspaper („Lietuvos rytas“) the article with the title „Association – like a quality sign of selling “ about the Lithuanian and Baltic DSAs was published.

In the article direct selling and cooperation of the Baltic DSAs' (reasons for it,

our goals,- to make membership in the DSA a sign of quality for consumers and other market participants, to eliminate stereotypes and improve the DS image, to promote fair competition, ethical behavior and protection of consumers rights) were introduced.

Also it was mentioned in

the article that double taxation system in Lithuania does not encourage people to look for extra earnings. Moreover some main facts about direct selling were presented and comments on how economic downturn affected direct selling business were given.



Recovery in the Market Attracts New Players

On 6th of May the Lithuanian main business newspaper ("Verslo žinios") printed article about Amway's entry to Lithuanian market and

their plans to open subsidiary already this year. In the article the representative of the Lithuanian DSA Gintautas Zaleckas commentary

on this issue was published.



Direct Selling Outperforms Internet Sales in Baltics

Press release about Euro-monitor research on comparison between e-commerce and direct selling regarding sales on beauty and personal care products was disseminated and had appeared in Lithuanian and Baltics online media. Also Baltic GS gave commentary about this to the Lithuanian news radio station ("Žinių radijas"). Euromonitor International research showed that non-

store channel in the Baltic States is relatively significant, as it outperforms Western Europe's average in terms of Beauty and Personal Care production distribution. The key contributors to non-store channel success in the Baltic States are direct sellers, who hold significant shares accounting to 17%, 23% and 14% of total Beauty and Personal Care product sales in Lithuania, Latvia

and Estonia in 2010 respectively.

Euromonitor International forecasts that direct selling is not likely to lose its dominant position to internet retailing in the coming five years period due to good price and quality ratio provided by direct sellers, constant new product development, as well as reputable company names achieved by direct selling leaders.



Baltic Conference and Research Results in Estonia

In cooperation with local PR agency promotion of the Baltic Conference and results of public opinion research on direct selling in Estonia was done. As a result different messages like "Less than half of the residents of Estonian residents have

bought direct selling products", "Estonians consider direct selling products to be good but direct sellers to be intrusive", "Which goods do Estonians buy from direct selling?", "Younger, educated women living in cities are most

interested in direct selling" were published in most popular Estonian online media in Estonian and Russian languages.

Postimees.ee



Half of Population Purchase Goods from Direct Selling Distributors

In cooperation with journalist from the main Lithuanian online media portal ("Delfi") the article about direct selling business and public opinion survey regarding direct selling in Lithuania and Baltic was prepared and published on the 21st of May. The title of article "Half of the population purchase goods from direct selling distributors". The article presented the main results from the public opinion survey, that for example, almost half (48 %) of the Lithuanian population pur-

chased goods from direct sellers, while in Latvia even 60 % and in Estonia – 40% of the population. Also in the article the Baltic General Secretary introduced the legal regulation of direct selling in Lithuania, how consumers rights are protected and the DSA Code of Ethics can be used, also gave some recommendations for consumers to what to pay attention before buying products from direct sellers. The Lithuanian DSA press release about results of

public opinion survey on direct selling was published in the main local online media portals, also the Baltic GS gave commentaries about the survey results to broadcasting media,- to the Lithuanian news radio station ("Žinių radijas") and radio station („Laluna“).

DELFI

balsas.lt

Žinių radijas

Laluna
RADIO STOTIS
FM 94,9 MHz

Emigration Affected the Number of Distributors

On the 6th of May in the Lithuanian main business newspaper ("Verslo žinios") an article about direct selling industry in Lithuania was printed. The title of article was "Emigration affected the number of distributors". In the article direct selling business, latest developments in the market like entry of new players (Mary Kay, Zinzino) were introduced. Also it was men-

tioned that public perception are becoming more positive and that almost fifty percent of Lithuanians had bought through direct sales. Baltic General Secretary commented last year statistical data, the developments of sales in the Baltic States. It was mentioned that sales in Estonia last year already were growing and that the growth is expected in Lithuania and Latvia in 2011.

The decrease of direct sellers by 3 percent was explained by the big numbers of emigration and that still there is double taxation in Lithuania which is not favoring additional earnings. In the article the Lithuanian DSA's member companies also were mentioned.

This article was reprinted in several Lithuanian online media portals.



LEGAL NEWS

VAT Registration Threshold Increase in Latvia

As it was planned from the 1st of January, 2011, VAT payer mandatory registration threshold for entrepreneurs was increased up to 35 000 LVL (49 800 EUR). The increase of threshold is additional relief for small business.

Also some more tax legislation changes have taken effect from the beginning of 2011 in Latvia. For example, Personal income tax rate was reduced to **25%** instead of the former 26%, while the state social insurance contributions rate for em-

ployees increased up to 35.09%, of which 24.09% will be paid by the employer and 11% - by the employee.

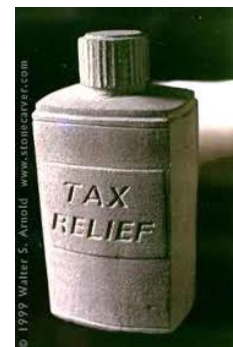


VAT Tax Relief is Planned for Small Business in Lithuania

On March the European Commission approved the Lithuania request to increase the turnover limit from which business is obliged to register themselves as VAT payers. If the EU Council approves, more small businesses in Lithuania will be able to

avoid paying VAT. The exemption would be valid for two years (2012-2014) for companies with an annual turnover of less than 45 000 euros (155 000 LTL), until now the turnover limit is 29 000 EUR (100 000 LTL). Increase of VAT registration threshold should facilitate

the business climate and reduce the administrative burden on small businesses, which are the engine of economic growth.



Consumer Credit Law in Lithuania

From the 1st of April the Consumer Credit Law took force in Lithuania. This Law transposes EU Consumer Credit Directive. According to the law consumer will be able to withdraw from credit agreement

within 14 days without giving any reasons, however if credit agreement is regarding buying goods, so the regulation of return of goods remains the same, that includes and goods sold away from business premises (through direct

sales). So in case of direct sales the same 7 days withdrawal period remains, however if agreement is made regarding ancillary services, so withdrawal period extends up to 14 days.





FEDSA NEWS

FEDSA became "Seldia"-The European Direct Selling Association!

At its Extraordinary General Assembly on May 10, 2011, the Federation of European Direct Selling Associations made two important decisions by unanimity:

- 1) Adopted a new Code of Ethics and appointed a new Code Administrator; and
- 2) Changed its name from FEDSA to Seldia.

"These decisions mark a fundamental change in our organisation", says Seldia President Philippe Jacques-

linet. He adds, "Firstly, ethics has taken the centre place in our organisation that it deserves. Secondly, the name change illustrates the important changes of our organisation during the past 1,5 years – the changing of the statutes and structure of the association, the appointment of a new Executive Director and increased membership and representation, supporting both associations and companies. In addition,

Seldia is a brand name that perfectly reflects the dynamics of our industry."

According Seldia Executive director Maurits Bruggink, "the new name will increase effectiveness in communicating with outside audiences. Organization work will become more visible and the logo will contribute to representing the core values of direct selling industry."

The European
Direct Selling Association

Consumers Rights Directive

Baltic DSAs supported the FEDSA actions regarding the Consumer Rights Directive. The Baltic DSAs contacted the Permanent Representations of the Baltic States in the EU and introduced the common Direct Selling industry position on the CR-Directive.

Before the voting in the EU Parliament on March the Baltic DSAs addressed

MEP's of the Baltic States on two languages (local and English) and urged to support the FEDSA position and proposals regarding the CR-Directive. However unfortunately the European Parliament confirmed the text, which is not in favour for the Direct Selling industry. At the moment Parliament, Council and European Commission are having tria-

logue negotiations. Unfortunately, full harmonisation is no longer foreseeable and Seldia-The European Direct Selling Association in cooperation with EuroCommerce will concentrate their lobbying on such issues like 40€ threshold for return of goods or right of withdrawal seeking to mitigate the possible harm for the direct selling industry.



Retail Market Monitoring

IMCO Committee Rapporteur Anna Maria Corazza Bildt drafted Report of the Retail Market Monitoring. The report gives information on main issues for the retail sector in the internal market. Direct selling is directly mentioned in the re-

port under the explanatory statements as a dynamic sector.

In relation with Seldia complaint against the Austrian legislation, Mrs. Corazza-Bildt asked the Commission to give a report to the European Parliament on

infringements in EU states. She also invites the Commission to report every 6/12 month with sector specific recommendations.



The New Face of Direct Selling: A Glance at the Impact of Social Media

by John Andrews

Switch on the TV, or grab a newspaper, and chances are you will find the term 'social media' sprinkled liberally throughout the news. So what does 'social media' actually mean? In a nutshell, social media is a collective label for websites and web-based applications that allow their users to create and publish their own content on the internet. The term Web 2.0 was coined a few years ago to mark this move away from content broadcast by a minority of sources – comprising mainly companies and media giants – and towards an environment in which consumers, too, could freely publish their own content, news and views, and for other consumers to interact with such content by publishing their own response to it.

So is this good or bad news for direct sellers? Before I answer that, let me suggest this to you. Social media – the phenomenon that allows anyone, anywhere, to have a voice on the web that may potentially reach millions – is happening today, and has been happening for some time, whether you like it or not. You cannot stop it, and you can't really change it. But you can get involved and help shape the course of any social media activity that involves your brand in the future.

Let's take an example. Let's say I am the MD of a rather traditional direct selling organisation in the field of nutritional supplements, and let's assume I woke up this morning and thought, "right, I'll get stuck into this social media business today." There are many clever ways of screening the web for anything or anyone mentioning your brand or products, and so, doing my research, I might well run into a number of consumer discussions, or 'threads,' talking about my company's products. It might also happen that one of our products is talked about rather negatively, and I quickly realise that most of what has been said in those discussion is based on a misunderstanding of how to use the product – and that much of the negative, self-propagating effects of such misinformed discussion could have been prevented if

only I had an online voice to address them.

The entirely logical knee-jerk reaction to such a discovery would be to jump back on the PC and start firing replies into those conversations. This is probably a useful response, but it is a 'patch' rather than a strategy. What this incident clearly shows is that people will talk about you, your brand and products, whether you like it or not, and that there are valid reasons why you should not only monitor those conversations, but also think about how you respond. You could consider how you drive and manage conversations to prevent misunderstandings and negative sentiments from unnecessarily propagating across the web by getting actively involved and showing that you care about – and want to interact with – your customer base online.

So, still sitting at my desk, I might next want to draw up a checklist of what my marketing department should consider for the future. Such a list could look something like this:

- 1) Carry out initial screening of social media, such as forums, blogs, Twitter, Facebook, YouTube and others;
- 2) find out where our brand or products are discussed;
- 3) find out if it is good or bad;
- 4) find out if the source is reputable, whether they are influencers or not (i.e., do many people read and adopt their views?);
- 5) find out what the most common threads are about so they can be ranked in order of urgency in terms of responding to them;
- 6) Put in place a plan to address the most common threads;
- 7) Put in place a plan to do all of the above on a regular basis.

Consider the option of bringing discussions about your brand on-site by starting your own forum (eg., customer care) or blog, and setting up own Twitter, Facebook, YouTube, Flickr account. Consider how you would use such assets as all have very different usage characteristics and are 'consumed' in different ways. While Twitter may be great as a very dynamic, informal tool to launch small snippets of information into the ether, a blog is gen-

erally perceived to be more editorial and heavier in content. YouTube (which, after Google, is the most searched online resource) might be a good vehicle to respond to common product queries, and the added benefit of video is of course that you can demonstrate things like 'correct usage' or bits of information that are best displayed graphically and in chronological order.

And finally, consider your tone of voice and how you position yourself. What tone of voice best reflects your brand and best addresses the demographics of your customer base? When it comes to positioning yourself, consider whether you want to put yourself forward as 'the brand,' or if you allow individual members of staff to interact using their personal names and contact details on the brand's behalf, thus offering a more "human" interface.

These, of course, are just the first few steps, because social media is about the web bringing 'power to the people,' and those people are not just consumers; they are your Distributors as well. Distributors, too, are engaging more and more with social media, and it follows from the previous example that, for them, too, you will most likely want to start developing not only a strategy for how you interact with them within a social online environment, but also how you can develop policies, tools and resources to allow them to develop their own activities – to the benefit of your brand.

So, is it good or bad news? Well, the answer to that is, it is what you make it. While taking no action probably won't mean your business will face certain death, embracing social media and getting involved, even just step by step, may have a very positive effect on your brand and may make life a lot easier for your marketing department. Social media should prove highly cost-effective for building brand value and consumer goodwill and trust, and can be instrumental in reducing the costs of lost business and damage to the brand, and help deal with customer care on a more traditional, often one-to-one, basis.

Source:
<http://eu.directsellingnews.com>



Baltic General Secretary
Darius ir Gireno str. 81, 02189
Vilnius
Lithuania
Mob. +370 683 20129
Fax: +370 5 230 0158
gintautas.zaleckas@ltpa.lt
www.ltpa.lt, www.tta.lv,
www.edsa.ee
www.fedsa.eu, www.wfdsa.org