

THE ECONOMIC  
IMPACT OF  
DIRECT SELLING  
ACTIVITY IN  
THE UNITED  
STATES IN 2022

PREPARED FOR  
DIRECT SELLING EDUCATION FOUNDATION

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# CONTENTS

- INTRODUCTION . . . . . 3
- EXECUTIVE SUMMARY . . . . . 4
- OVERVIEW  
& METHODOLOGY . . . . . 5
  - DATA . . . . . 5
- ECONOMIC IMPACT . . . . . 7
- FISCAL  
IMPACT . . . . . 9
  - THE 2004 ECONOMIC  
IMPACT STUDY . . . . . 9
- APPENDIX . . . . . 10
- BIBLIOGRAPHY . . . . . 12
- ACKNOWLEDGMENT . . . . . 13



# INTRODUCTION

**D**irect selling is a business model that offers entrepreneurial opportunities to individuals who, as independent contractors, market products and services to consumers, typically outside of a fixed retail establishment through one-to-one selling, in-home product demonstrations, or online. Direct sellers are called distributors, representatives, consultants, associates, or various other titles. They may participate in direct selling in various ways, including selling products and services themselves or through their sales organizations, providing training and leadership to their sales organizations, referring customers to their company, and purchasing products and services for personal use. Compensation is ultimately based on sales and may be earned through personal sales and/or the sales of others in their sales organization.

In 2022, direct selling generated \$40.5 billion in retail sales in the United States—the second-highest in direct selling history—and involved an estimated 6.7 million individuals who were actively engaged in building their own direct selling businesses and/or earning supplemental income.

Despite its ubiquity and contribution to the economy, the full economic impact of direct selling in the United States has not been formally or comprehensively assessed for nearly a decade. Therefore, the purpose of the present analysis was to estimate the economic impact of direct selling activity in 2022 through the application of an input-output economic model. Given the retail sales generated by direct selling (i.e., its **Direct Effect**), the model (implemented by means of IMPLAN® software and data) estimated the

- **Indirect Effect** (upstream or supply chain sales) due to direct selling and
- **Induced Effect** (downstream sales due to household spending) associated with the **Direct** and **Indirect Effects**.

These three effects—**Direct**, **Indirect**, and **Induced**—collectively represent the economic impact of direct selling activity on the nation's economy. In addition, the analysis estimated the fiscal (tax) implications of direct selling activity in the United States.

# EXECUTIVE SUMMARY

An input-output economic analysis of 2022 direct selling sales activity was undertaken using IMPLAN® software and data obtained from the federal government.<sup>1</sup> Direct selling (retail) sales data were provided by the Direct Selling Education Foundation. The purpose of the analysis was to estimate the economic impact of direct selling activity in the United States in 2022. To provide a context for interpreting the 2022 economic impact of direct selling activity, the economic impact of direct selling activity in 2004, 2010, 2015, and 2016 was also investigated.

Results are reported in terms of **Direct**, **Indirect**, and **Induced Effects** using a measure of gross economic output sales dollars. Gross economic output refers to the cumulative value of production. Unlike Gross Domestic Product (GDP), gross economic output includes intermediate goods and services. (GDP is synonymous with total output less intermediate inputs.)

Using the Direct Selling Education Foundation estimate of \$40.5 billion in direct selling (retail) sales in 2022 as a starting point, the total economic impact of direct selling activity in the United States in 2022 was estimated to be \$111.4 billion. The \$111.4 billion economic impact consisted of

- The **Direct Effect** of direct selling, \$40.5 billion

- The **Indirect** (upstream or supply chain) **Effect** of direct selling, \$31.0 billion, and
- The **Induced** (downstream or household) **Effect** of direct selling, \$39.9 billion.

Because of (1) the analytic approach and (2) the nature of the industry (i.e., the widespread use of independent contractors), the total estimated economic impact of \$111.4 billion should be considered conservative.

The derived multiplier emanating from the IMPLAN® analysis was 2.75. This multiplier means that nationally \$1.00 in direct selling (retail) sales produced an economic impact of \$2.75 in 2022. The 2022 derived multiplier is 18 percent larger than the 2016 derived multiplier (2.34) and 24 percent larger than the 2010 derived multiplier (2.21). These increases were primarily due to increases in the **Induced Effect** across the respective years.

In 2022, the economic impact of direct selling activity produced an estimated \$9.5 billion in federal taxes and \$6.0 billion in state and local taxes, or \$15.5 billion in total taxes. This represents an increase of \$4.9 billion (a 46% increase) in tax revenue from 2016. The total value of direct selling activity (i.e., the **Direct**, **Indirect**, and **Induced Effects**) added to the nation's Gross Domestic Product in 2022 was estimated to be \$111.4 billion, which represents an increase of \$28.3 billion from 2016 (a 34% increase).

<sup>1</sup> IMPLAN® is widely used in industry and government analyses. See [www.implan.com](http://www.implan.com).



## OVERVIEW & METHODOLOGY

The present analysis estimates the economic impact of direct selling activity in the United States in 2022 using the IMPLAN® input-output economic model. Specifically, in the present context, gross economic activity refers to sales dollars generated and distributed throughout the United States economy. The sources of the activities that sum to economic output consist of both capital expenditures and operating expenditures, including spending on goods and services by direct selling firms, the **Direct Effect**, as well as by firms within the direct selling supply chain, which leads to the **Indirect Effect**, and off-site spending on goods and services by households in which a member earns income from a direct selling company or supply chain company, the **Induced Effect**.

A series of multipliers link the direct, indirect, and induced effects. These multipliers are based on data compiled by several federal entities and include the Bureau of Economic Analysis Benchmark Input-Output Tables. (See the Appendix for details.) A summary metric, the derived or implied direct selling multiplier, estimates the impact of one direct selling sales (retail) dollar on gross economic output due to inter-industry and industry-employee household relationships between the direct selling channel and other industries.

Conceptually, the multipliers quantify the economic ripple effect of inter-industry economic

activity. This ripple effect can be positive or negative depending on whether a modeled entity is expanding or contracting. Multipliers are static and do not account for disruptive shifts in infrastructure without specifically addressing infrastructure changes. The present model applies the most current (2022) IMPLAN® multipliers.

### DATA

The Direct Selling Education Foundation conducts an annual “Growth & Outlook” market-sizing survey to estimate the size and scope of the direct selling channel in the United States. The Direct Selling Education Foundation engages Cadmus (formerly Nathan Associates), an international consulting firm (<https://cadmusgroup.com>), to conduct this survey, perform secondary research, and generate industry-wide estimates.

Cadmus market-sizing estimates are reviewed and further refined by the Direct Selling Education Foundation. Results that are reported include total direct selling (retail) sales as well as (retail) sales estimates by selected geographical regions, by compensation structure of direct selling firms, by sales strategy, and by major product categories. The six product categories utilized in the present analysis are:<sup>2</sup>

- **Wellness**—Weight management products and programs, nutritional supplements, sports/energy and body-building, health foods and

<sup>2</sup> The product categories include, but are not limited to, the illustrative subcategories.

beverages, children’s supplements, health/nutrition/fitness instructional materials, and essential oils and pharmacy.

- **Services**—Financial services, telecommunications, internet services, energy, legal services, group buying, and travel services.
- **Home and Family Care and Home Durables**—Home and auto care cleaning products, and food and beverages (excluding those in the wellness category). Home durables includes cookware, cutlery, house/kitchenware, various home gifts, and home appliances.
- **Personal Care**—Cosmetics, skin care, fragrances, hair and nail care, and various toiletry products.
- **Clothing and Accessories**—Clothing, lingerie, sleepwear, shoes, jewelry, and fashion accessories.
- **Leisure and Educational**—Books, encyclopedias, educational publications, computer software, crafts, and toys and games.

The Direct Selling Education Foundation’s *2023 Growth & Outlook Report* (retail) sales estimate formed the basis of the IMPLAN® analysis. Specifically, according to the Direct Selling Education Foundation, direct selling (retail) sales totaled \$40.5 billion in 2022. The 2022 \$40.5 billion in direct selling (retail) sales was initially modeled in IMPLAN® with margins applied. This was equivalent to identifying the economic impact of operating a business with \$40.5 billion in retail sales. It excluded the manufacturing, wholesaling, and transporting of goods, and included only the economic activities associated with direct selling companies.

Wholesaling and manufacturing **Indirect Effects** of direct selling activity due to the industry supply chain were sequentially modeled by respectively applying margins to direct

selling (retail) sales activity and wholesale sales activity. For wholesaling, this permitted the identification of the economic effects of operating the equivalent of a wholesale business. The wholesale industry analysis included transportation but excluded the effect and supply chain of the manufacturing component.

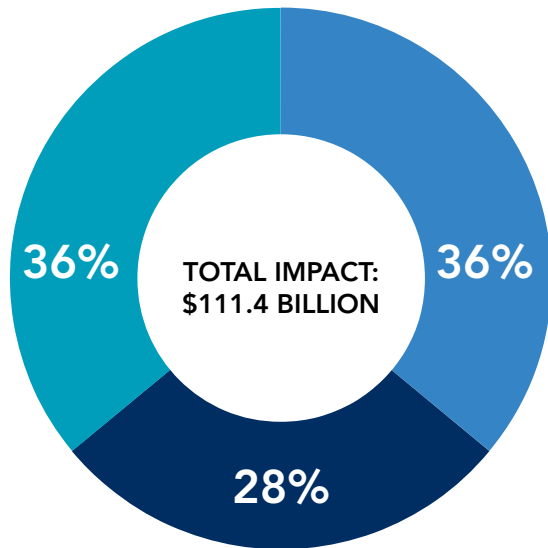
Manufacturing activity was estimated after applying margins to and subtracting direct selling economic activity and wholesaling economic activity. Manufacturing sales activity was modeled using the six product groups (e.g., wellness, personal care, etc.) above.

The **Induced Effect** of direct selling activity was estimated for each sector analyzed (i.e., retailing, wholesaling, and manufacturing) and aggregated to reflect its total estimated economic impact.

Taxes attributable to direct selling activity were also estimated using the IMPLAN® model. The tax estimates provided in this report include tax revenue derived from direct, indirect, and induced sales activity. The national economic impact tax estimate includes both federal taxes and state/local taxes.

# ECONOMIC IMPACT

## 2022 ECONOMIC IMPACT ESTIMATES



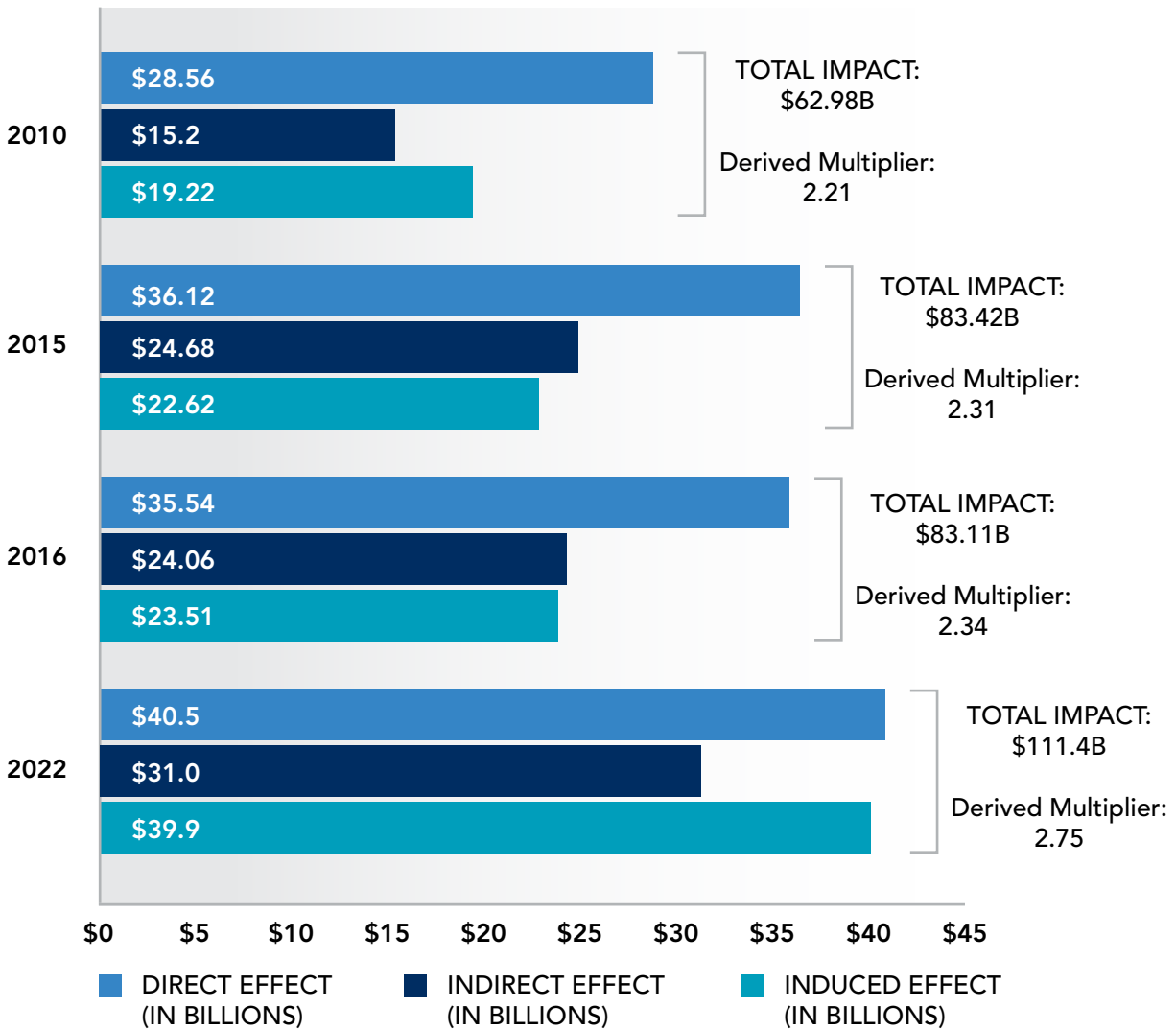
- INDUCED EFFECT: \$39.9 BILLION
- DIRECT EFFECT: \$40.5 BILLION
- INDIRECT EFFECT: \$31.0 BILLION

This section of the report contains the estimated economic impacts of direct selling activity generated by IMPLAN® for 2010, 2015, and 2016 for comparison with 2022. A brief discussion of the 2004 estimated economic impact of direct selling is also provided for context.

The \$40.5 billion in direct selling (retail) sales nationally contributed a total economic impact of \$111.4 billion to the national economy in 2022 through its combined indirect and induced effects. This compares with direct selling (retail) sales of \$35.54 billion and an economic impact of \$83.11 billion in 2016; \$36.12 billion and an economic impact of \$83.42 billion in 2015; and \$28.56 billion in direct selling (retail) sales and an economic impact of \$62.98 billion in 2010. As shown in the chart to the left, the 2022 national economic impact included the \$40.5 billion in direct selling sales activity, \$31.0 billion in indirect sales activity, and \$39.9 billion in induced sales activity.

For comparison purposes, the corresponding economic impact figures for 2010, 2015, and 2016 are displayed in the bar chart on page 8, together with the 2022 figures. Whereas the relative **Direct** and **Indirect Effects** of direct selling economic activity in 2010, 2015, and 2016 were consistent, they decreased somewhat in 2022, while the **Induced Effect** increased. More specifically, from an absolute dollar perspective, the **Induced Effect** increased more than \$16

## 2010, 2015, 2016, AND 2022 ECONOMIC IMPACT ESTIMATES



billion or 70 percent from 2016 to 2022 (from \$23.51 billion to \$39.9 billion). Simultaneously, its relative contribution increased from 28 percent of the total impact to 36 percent of the total impact over that time period.<sup>3</sup>

The derived (implied) multiplier summarizes the economic impact of one direct selling (retail) sales dollar (\$1) on the national economy. It is

calculated as the total economic impact divided by the direct effect (i.e.,  $\$111.4\text{B}/\$40.5\text{B} = 2.75$  in 2022). Thus, for example, \$1 in direct selling sales (the direct effect) generated a total economic impact of \$2.75 in 2022, up significantly from \$2.34 in 2016. This derived multiplier is somewhat larger than derived multipliers observed in other retailing sectors (approximately 2.5 on average).

<sup>3</sup> It should be noted that the dollar increase in the total impact of direct selling activity from 2016 to 2022, \$28.29 billion, was due to inflation (65% based on the CPI) as well as real growth (35%).





# FISCAL IMPACT

**T**ax impacts estimated by IMPLAN® are respectively categorized as federal taxes and state and local taxes. IMPLAN® quantifies tax impacts based on employee compensation, proprietor income, and taxes on production and imports, households, and corporations. Estimated taxes range from federal and state income taxes and property taxes to sales taxes and motor vehicle licenses. As such, the estimated total (direct, indirect, and induced) federal, state, and local tax revenues attributable to direct selling activity in the United States in 2022 were \$15.5 billion, an increase of \$4.9 billion from 2016. Total federal tax revenues attributable to the \$40.5 billion in direct selling activity were estimated at \$9.5 billion in 2022. State and local taxes attributable to direct selling activity were estimated at \$6.0 billion in 2022.

## THE 2004 ECONOMIC IMPACT STUDY

Although the *2004 Socio-Economic Contribution Study* employed a slightly different IMPLAN® modeling approach from that used in the present analysis, it provides an additional perspective for interpreting the 2022 national economic impact of direct selling activity. Direct selling (retail) sales were estimated at \$29.7 billion in 2004, leading to an estimated direct selling direct effect of \$32.4 billion that year. The total economic impact in 2004 was estimated to be \$72.1 billion, producing a derived multiplier of 2.23. Total federal, state, and local taxes were estimated at \$6.6 billion.

From 2004 to 2022, direct selling (retail) sales increased approximately 36 percent, total economic impact increased 55 percent, the economic impact of one direct selling dollar increased 24 percent, and total taxes attributable to direct selling activity increased \$8.9 billion or 135 percent. Note that the 2004 dollar estimates were not adjusted for inflation.



## APPENDIX

IMPLAN<sup>®</sup> is an input-output economic model based on aggregating and connecting a multitude of economic databases, foremost of which are the Bureau of Economic Analysis (United States Department of Commerce) Benchmark Input-Output Tables.<sup>4</sup> It consists of both software and data that together permit detailed estimates of various economic impacts. The model quantifies inter-industry relationships within an economy by documenting how the output of one industry becomes the input of another industry. Through a backward-linking process, the present analysis captured the relationship between economic activity in the direct selling industry and economic activity in its (general) supply chain (i.e., the **Indirect Effect** of direct selling activity on the wholesaling and manufacturing firms in the direct selling supply chain) as well as the ancillary (household) effect that direct selling activity has on the economy (i.e., its **Induced Effect**).

The primary databases contained and used in IMPLAN<sup>®</sup> are respectively compiled and updated by the United States Census Bureau, the United States Bureau of Economic Analysis, the United States Department of Agriculture, and the United States Bureau of Labor Statistics. See, for example, <https://implan.com/data-sources/#toggle-id-1>.

Numerous multipliers were used in the present analysis to link the six (aggregated) product categories and the manufacturing sector (which

were in turn linked to the wholesale and retail sectors). In particular, product subcategories were matched with 6-digit NAICS codes which were linked to their respective 546 IMPLAN<sup>®</sup> sectors. Because the Nonstore Retailers Sector encompasses more establishments than those traditionally defined as direct selling companies, its associated multiplier might be somewhat attenuated. However, any possible attenuation was not believed to substantially affect the results of the estimation process or the final economic impact estimation due to limiting the analysis to particular product categories.

Specifically, when modeling the manufacturing sector, the multipliers associated with the six direct selling product categories incorporated the categories' relative sales and the percentage of category manufacturer sales that originated in the United States (based on federal data sources). The 2022 direct selling (retail) sales percentages were based on the Direct Selling Education Foundation *2023 Growth & Outlook Report* estimates, whereas the 2022 domestic purchasing percentages (related to local purchasing coefficients in IMPLAN<sup>®</sup>) were based on 2022 federal statistics.

Within the six product categories, subcategories were aggregated to form the product category. For instance, as previously shown, two IMPLAN<sup>®</sup> subcategories (Clothing, Lingerie, Sleepwear and Shoes, and Jewelry and Fashion Accessories) were aggregated to create the

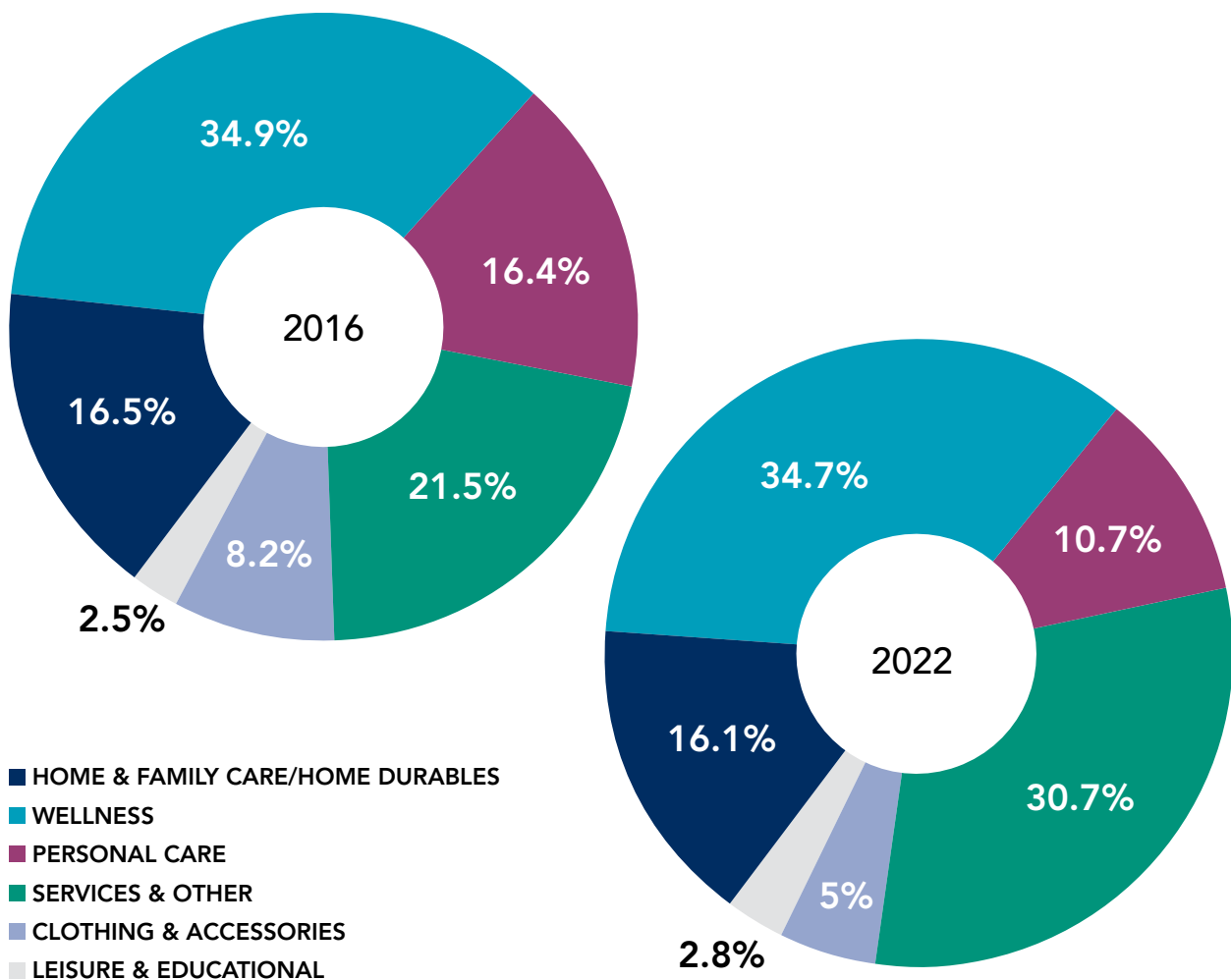
<sup>4</sup> Frances Day, "Principles of Impact Analysis & IMPLAN<sup>®</sup> Applications." IMPLAN<sup>®</sup> stands for Impact Analysis for PLANing.

Clothing & Accessories product category. Trade flows and industry data for the subcategories were combined in IMPLAN®, and multipliers were generated by the IMPLAN® software. (Note: the combination was not a simple average.) To the extent that product category data do not comport exactly with direct selling product offerings or sales, the multipliers might be somewhat attenuated. However, the consequence of such potential attenuation was not deemed substantial.

The overall derived multiplier, 2.75, was composed of the direct effect implied multiplier 1.00, the indirect effect implied multiplier .76, and the induced effect implied multiplier .99.

Where appropriate, the default values of the IMPLAN® software were applied during the analysis. Consequently, all estimated values—multipliers as well as effects and impacts—should be considered conservative.

### PERCENTAGE OF DIRECT SELLING (RETAIL) SALES





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