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## Country Focus

November 2009

# Romania: Money earned equals effort put in

### Fact File

**Population:** 22 million

**Geography:** Sits between Ukraine and Bulgaria with a short stretch of coastline on the Black Sea. Joined the European Union in 2007.

**Capital:** Bucharest

**Number of direct sellers:** 400,000

**Judith Wojtowicz traces the growth of direct selling in Romania 20 years after the revolution that toppled dictator Nicolae Ceaucescu and set the country on the path to membership of the European Union.**

HARD working and open to new ideas, people in Romania have embraced the personal and financial independence offered by the direct selling industry with many locally based companies thriving alongside the big multi-nationals.

While corruption and red tape still exist, a legacy of the draconian rule of Ceaucescu, membership of the EU in 2007 gave a welcome boost to the business environment, including direct selling. The country is now seeing the emergence of a middle class as many families lift themselves from poverty after a period of strong GDP growth driven by domestic consumption and investment.

This followed a punishing three year recession which ended in 2000 and coincided with rapid growth of the industry and the foundation of several Romanian direct selling companies.

The opportunity to become an independent entrepreneur is welcomed both as a part-time occupation to get some extra income and by many who recognise the potential and give up their job to develop a full-time business.

While unemployment is just two per cent, wages are generally low and direct selling is valued as a means of earning money equal to the effort that goes in. The lowest income is around €150 a month, while a part-time direct seller can earn €150 - €200 a month. Some of the most successful multi-level marketing leaders can earn several thousand euro which appeals across all groups from students to retired people.

The development of the industry can perhaps be seen in two parts, initially little known and viewed with some uncertainty both by the public and the media and now a very transparent and high profile sector with a wide range of products and services available through this channel.

Nutritional supplements is the biggest single category closely followed by cosmetics. Books, insurance, finance and telecommunications are also well represented. Since 2002 the government has been proactive in setting legal guidelines to protect both seller and consumer and the two professional organisations which represent the industry are proactive in monitoring any activity or newcomers to the market who may not be operating within the law.

The evolution of direct selling in Romania has been described as being in four phases, starting with the 'pioneering' stage where the first tentative networks were set up by private individuals. By 1994 the 'starting up' stage, the first big overseas organisations were entering the market which facilitated the 'professional' stage. During this period the first Romanian companies were set up and rapid growth ensued, leading to the 'information' stage when communications technology started to have a big impact. This coincided with more stable political and economic conditions which boosted public confidence.

The next phase will be the 'selection' stage where only the well established and best run companies will survive.

The industry has grown consistently since 1990 and last year saw an increase of almost 15 per cent over 2007. The growth rate has slowed as customer spending is reduced due to the global economic crisis but is still expected to reach double digits by year end. The number of direct sellers is expected to rise by 100,000 by 2011.

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