

PROGRAM ACTIVITY REPORT
THE DIRECT SELLING SELF-REGULATORY COUNCIL

January 2019 – October 2019

**Direct Selling
Self-Regulatory Council
(DSSRC)**

A division of **BBB National Programs**

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I. Purpose & Scope

On January 9, 2019 the BBB National Programs (f/k/a Council of Better Business Bureaus, Inc.) and the Direct Selling Association (DSA) announced the creation of a new, third-party, self-regulatory program called the Direct Selling Self-Regulatory Council (DSSRC) that is funded by DSA. DSSRC was established to monitor claims disseminated by the entire United States direct selling industry and its review of such claims is based upon the following principles:

- clear industry standards on product and earning representations;
- incorporation of best practices from other successful self-regulatory models;
- creation of a process that proactively monitors and enforces program standards, with particular emphasis on monitoring social media platforms of company's salesforce as well as websites and social media channels of the direct selling company; and
- implementation of measures to improve the advertising and marketing practices for DSA members and the entire direct selling industry.

Among its objectives, DSSRC strives to:

- enhance consumer confidence in the direct-selling industry;
- offer the industry a fast and efficient forum for review of express and implied earning and product claims in advertising and marketing;
- discourage advertising and marketing in the direct-selling industry that contains unsubstantiated claims or that conflict with Section 5 of the Federal Trade Commission Act and/or the DSA Code of Ethics; and
- demonstrate to the Federal Trade Commission (FTC) and other governmental regulatory or legislative bodies the strong commitment of the industry to effective self-regulation

II. DSSRC Policy & Procedures

In the first quarter of 2019, DSSRC published a codified set of program rules and procedures designed to establish a process for review of income claims (including lifestyle representations) and product claims (including services) made by direct selling companies and their salesforces to ensure the accuracy and adequate substantiation of those claims. These Policies & Procedures aim to promptly resolve program inquiries ideally within sixty (60) business days.

III. Ongoing Industry Education

In an effort to familiarize direct selling industry members with this new self-regulation program, the DSSRC participated in a number of in-person meetings with direct selling companies. In addition, DSSRC presented several webinars about the DSSRC program and self-regulation generally, and spoke at several industry conferences about the program. Moreover, since January 2019, the DSSRC staff met in-person with eleven (11) direct selling companies, prepared and presented webinars designed for DSA members, non-DSA members; and local Better Business Bureaus.

As part of its educational efforts, the DSSRC staff spoke at the at a number of events during the first ten (10) months of 2019 including the DSA Companies In Focus event in Salt Lake City Utah, the Direct Selling Legal and Compliance Summit; the SUCCESS Partners University, 10th Annual Direct Selling News Global 100 Celebration and the National Advertising Division (NAD) West Coast Conference and the Conference of Western Attorney Generals (CWAG), the DSA Annual Conference and the DSA Legal and Regulatory Conference.

DSSRC has also been the subject of interviews by the Direct Selling News and Social Selling News and has been covered in online articles from a number of industry and legal professionals. In May 2019, DSA President Joe Mariano and BBB NP Lee Peeler were featured on a Facebook-Live broadcast to discuss the DSSRC.

IV. Case Work

DSSRC officially began opening cases on April 1, 2019. To date there have been twenty-eight (28) inquiries commenced by DSSRC. Fifteen (15) of the inquiries involve DSA-member companies and thirteen (13) involve non DSA-member companies.

Of the 28 inquiries commenced by DSSRC:

• 8 matters are currently pending

• 6 decisions have been posted on the DSSRC section of the BBB NP website, including 2 matters that have been referred to the Federal Trade Commission (FTC) because the direct selling companies failed to fully participate in the inquiry

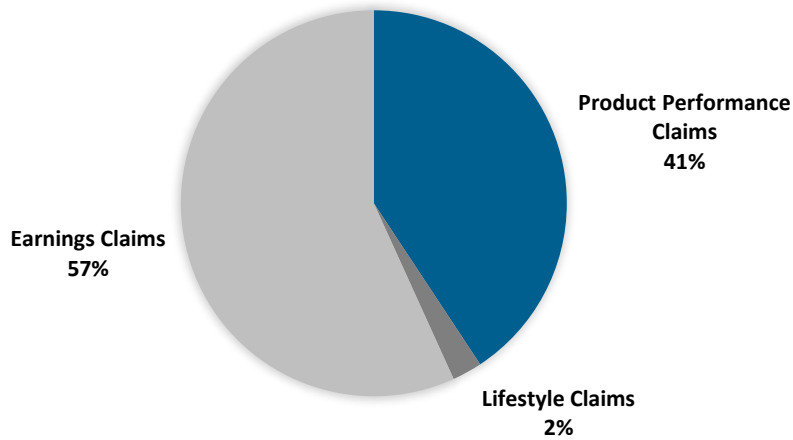
• 14 inquiries have been administratively closed, – based upon the immediate actions taken by the direct selling company to either withdraw or significantly modify the claims that were the basis of the DSSRC inquiry

Of the 28 inquiries that have been initiated, twenty-five (25) originated from program monitoring and three (3) have resulted from challenges received non-governmental organizations (NGO).

Cumulatively, the 28 inquiries that have been commenced by DSSRC include the review of approximately two hundred and eighty (280) representative claims comprised of:

- One hundred fourteen (114) product performance claims;
- Seven (7) lifestyle claims
- One hundred fifty-nine (159) earnings claims (including bonus and incentive claims).

INQUIRIES



V. Administratively Closed Cases

DSSRC will administratively close a monitoring inquiry if the direct selling company in its initial response (*i.e.*, within fifteen (15) business days from receipt of DSSRC's opening letter) commits to discontinue the claims at issue or provides adequate substantiation for the claims at issue. If DSSRC does not receive such a commitment, the matter will transition into a formal case review with the final decision posted on the DSSRC section of the BBB NP website (<https://bbbprograms.org/programs/dssrc/dssrc-decisions>).

The 14 administrative closures by DSSRC have included inquiries involving both DSA and non-DSA members. These inquiries have resulted in the removal of both product claims and income claims from direct selling company websites, the company's social media channels and the social media platforms of the direct selling company's independent sales forces, including Facebook, Instagram and YouTube.

In these matters, DSSRC has identified a number of express, atypical, unqualified income claims, unauthorized product performance claims; images of an extravagant/lavish lifestyle and atypical bonus and incentive claims.

The express and implied earnings claims that have been the subject of DSSRC administrative closures included:

- testimonials from salesforce members regarding income earned that was not the typical amount of income that would be generally expected by program participants and the omission of disclosures of generally expected results including images of large checks;
- images of extravagant company trips and luxury automobiles that did not include information regarding the number of program participants that would be eligible to receive such incentives;
- atypical earning claims that simply hyperlink to income disclosure statements without disclosing generally expected results;
- unauthorized product performance claims;
- atypical product performance claims from salesforce members (*e.g.*, before and after photographs) that did not include a disclosure of generally expected results;
- disclosure language that was neither clear and conspicuous nor in close proximity to the triggering claim;
- video testimonials that communicated atypical income claims that did not:

- a) disclose the amount of income that would be generally expected by program participants, or;
- b) only disclosed the amount of income that would be generally expected by program participants at sporadic intervals during the video (*e.g.*, at beginning or end of the video) and not each time an atypical income claim was communicated.

In all of the inquiries that that have been administratively closed, the representative claims and/or social media posts at issue at have been removed in their entirety.

VI. DSSRC Monitoring

The DSSRC independently monitors product, service and income representations by all members of the direct selling industry. DSSRC monitors and tracks earnings representations and product claims on various social media platforms (*e.g.*, Facebook, Instagram, YouTube, etc.) from direct selling company salesforces, as well as the various websites of companies in the direct selling industry. DSSRC works with a third-party monitoring company that provides weekly monitoring reports to DSSRC which include analytical data with respect to the number of online URLs that are discovered and calls DSSRC's attention to potential claim infractions of pertinent FTC rules and regulations for further review by program staff.

Since January 2019, DSSRC monitoring has:

Identified approximately 900,000 unique URLs involving the websites and salesforce social media posts of direct selling companies

Reviewed 18,512 unique URLs

Identified over 8,000 potential infractions (44%) in the reviewed URLs

Seen an increase in product claims to 41% of the total claims that have been identified; Earnings claims (including lavish lifestyle representations) make up the remaining 59% of the claims

Indicated that Facebook continues to net the most infractions at 72% of all infractions; Instagram is next with 19% of all infractions; YouTube is up to 6% from 2% in our first report this year

During the first ten months of the program, 41% of the total claims that have been identified have been product claims. Earnings claims (including lavish lifestyle representations) make up the remaining 59% of the claims.