Guidance on Earnings Claims for the Direct Selling Industry

Background

The Direct Selling Self-Regulatory Council (DSSRC) was created in January 2019 to address earnings claims (including lifestyle representations) and product claims communicated by direct selling companies and their salesforces to ensure the high level of accuracy and adequate substantiation of those claims, thereby maintaining and enhancing the confidence of consumers in the direct selling business model. The DSSRC is administered by BBB National Programs, Inc. to provide an independent mechanism for the monitoring of such claims by all members of the direct selling industry. The DSSRC is supported by the Direct Selling Association (DSA), which is engaged in educational programs dedicated to the dissemination of this guidance throughout the direct selling industry.

Purpose

One of the greatest challenges for direct selling companies is ensuring that the earnings claims communicated by their salesforce members comply with legal and self-regulatory standards. This guidance provided by the Direct Selling Self-Regulatory Council (“DSSRC”) as to earnings claims is based on statutes, regulations, and guidance documents issued by regulatory agencies, judicial precedent, and decisions from self-regulatory organizations. Among other sources, DSSRC will refer to Section A(8) of the Direct Selling Association’s (DSA) Code of Ethics, the Federal Trade Commission’s (FTC) .com Disclosures Guide, and the FTC Guides Concerning the Use of Endorsements and Testimonials in Advertising. This document is intended to provide more detail on how the DSSRC reviews and evaluates earnings claims. The following is provided for guidance to the direct selling industry and should not be viewed as advice on legal compliance obligations under state and federal law. Direct selling companies are also encouraged to consult with their legal counsel for compliance with federal and state laws and regulations that govern earnings claims.
Direct Selling Self-Regulatory Council
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General Principles

1. Core Principle: It is misleading for a direct selling company and/or its salesforce members to make any earnings claims unless the direct selling company and/or its salesforce members:

   (A) have a reasonable basis for its claim at the time the claim is made; and

   (B) have documentation that substantiates the claim at the time the claim is made.

2. For purposes of a DSSRC inquiry, an earnings claim is any claim, express or implied, that conveys:

   (A) a level or range of actual or potential earnings that may be earned by salesforce members;

   (B) a level or range of gross or net income or profits, including but not limited to representations that suggest that the ability to make lifestyle purchases — such as homes, vehicles, vacations, etc. — are related to income earned from direct selling; See Example No. 1.

   (C) any statement, representation, or hypothetical scenario from which a current or prospective salesforce member could reasonably infer that he/she will earn a certain level or range of income; See Examples No. 2.1 and 2.2.

   (D) any chart, table, or mathematical calculation demonstrating possible income, actual or potential sales, or gross or net profits based upon a combination of variables; See Example No. 3.

   (E) marketing materials or advertising describing or promising potential income amounts or demonstrating extraordinary or lavish lifestyles of salesforce members enabled by their participation in direct selling; See Example No. 4.

   (F) that salesforce members may earn or have earned company-sponsored incentives, including those lifestyle purchases described in section 2(B), and vacations or other rewards.

3. Earnings claims should account for mandatory costs of the direct selling product or service that participants purchase for resale. Consideration of additional costs of participation, such as registration, travel and accommodation costs incurred when attending mandatory company events, may be necessary depending upon the significance of those costs and should be evaluated on a case-by-case basis. See Example No. 5.

4. Advertising materials of a direct selling company include not only materials disseminated by the company itself but also claims made by the direct selling company’s salesforce members including claims made on social media. A direct selling company is responsible for the earnings claims made by its salesforce members. Direct selling companies should engage in effective training, monitoring, and enforcement procedures to provide reasonable assurance that claims made by salesforce members are truthful and non-misleading.
5. Lavish lifestyle claims are statements that either expressly state or imply through visual images or otherwise that participation in a direct selling business is likely to result in the ability of the participants to live a lavish or extravagant lifestyle. DSSRC will evaluate whether a claim is a lavish lifestyle claim based upon the context in which the claim appears and the potential net impression of such claim to the audience. The following are examples of prohibited lifestyle claims when made to a general audience of prospective or current salesforce members:

(A) Statements such as “quit your job,” “be set for life,” “make more money than you ever have imagined or thought possible,” “realize unlimited income,” or any substantially similar statements or representations; and

(B) Descriptions or images of opulent mansions, private helicopters, private jets, yachts, exotic automobiles, or any substantially similar descriptions or images.

6. While DSSRC will evaluate any claim based upon the context in which the claim appears and the potential net impression of such claim to the audience, some words and phrases commonly used in earnings claims can carry a particularly high risk of being misleading to consumers. Such words and phrases include claims such as “financial freedom,” “full-time income,” “replacement income,” “residual income,” and “career-level income.”

7. Earnings claims disseminated by salesforce members should be supported by substantiation demonstrating that the earnings communicated in the claim are accurate as to the individual or individuals depicted in the claim. Such claims should also be otherwise truthful and non-misleading; any disclosures for atypical salesforce earnings claims should comply with sections 12 and 13 herein.

8. An award or announcement of compensation describing the earnings of any current or former salesforce member may be considered an earnings claim. Such award or announcement of compensation may be appropriate if:

(A) The direct selling company and/or its salesforce members have a reasonable basis for its claim at the time the claim is made; and

(B) The direct selling company and/or its salesforce members clearly and conspicuously disclose key context related to the award or earnings to ensure that the net impression is truthful and not misleading. The information required to be disclosed should be evaluated on a case-by-case basis and should convey generally expected results. See Examples No. 6.1 and 6.2.
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Net Impression

9. When evaluating express and implied messages from an earnings claim, DSSRC will review the totality of the claim including its words, images, and context in order to determine the “net impression” or the takeaway message conveyed to the audience. The relevant audience to consider is that of a reasonable consumer when the claim is made to a general audience, such as by posting the claim on public social media or the internet. The relevant audience may be more limited, for example, when the claim is made to a specifically targeted group or at a particular event. For example, if a claim is made at an event limited to the top 1% of salesforce members, the relevant inquiry is the net impression of a reasonable top 1% salesforce member.

10. In determining the implied claims that a reasonable person may interpret from an advertisement, including social media posts, and other earnings claims appearing in any other medium, DSSRC will look not only at an isolated word or claim but will also consider the images and language that accompany the claim (e.g., hashtags), or are disseminated on the same social media account.

11. Depending on the level of success, some income claims and lifestyle claims may be so extraordinary that they cannot be effectively qualified by a disclosure of generally expected results. See Example No. 7.

Disclosures

12. With respect to any earnings claim, if the direct selling company does not have substantiation that the experience of the individual making the claim or who is the subject of the claim is representative of what the audience will generally expect to achieve, the advertisement (e.g., social media post) should clearly and conspicuously disclose the generally expected results in the depicted circumstance. The direct selling company must possess adequate substantiation for the representation of the generally expected results. See Example No. 8.

13. Any disclosure necessary to prevent deception must be clear and conspicuous. In evaluating whether a disclosure is clear and conspicuous, consideration will be given to the following factors:

(A) Presentation. The disclosure should be worded in a way so that consumers will easily understand it. Legal jargon or technical terminology reduces the likelihood that consumers will understand the intended message.

(B) Prominence. The disclosure must be big enough for consumers to read easily. Consideration will be given to color and font contrast as well. For example, white text on a light background may make it difficult for a person to read a disclosure. See Example No. 9.

(C) Placement. The disclosure should be where consumers are likely to look. Consumers are unlikely to read disclosures buried in a dense block of text. See Example No. 10.
(D) Proximity. The disclosure should be close to the claim it modifies. A disclosure that is not near the triggering claim may be missed by consumers. For example, on social media posts that contain an image where the claim is present on the image, disclosure language should ideally appear on the image itself. See Example No. 11.

14. Disclosures that are necessary to prevent deception pertaining to atypical earnings claims should be clear, conspicuous, and in close proximity to the triggering representation. See Section 13.

(A) When feasible, direct selling companies and salesforce members should incorporate relevant limitations and qualifying information into the underlying claim, rather than having a separate disclosure qualifying the claim;

(B) Hyperlink disclosures may be acceptable in some circumstances, but disclosures necessary to prevent deception should not be hidden behind a hyperlink. Accordingly, an advertisement, including a social media post, that includes an earnings claim disclosure should clearly and conspicuously disclose any material information related to the claim to ensure that the net impression is truthful and not misleading. An advertisement or social media post may use a hyperlink to complement generally expected results stated in an atypical earnings disclosure and such hyperlink may be used in certain situations to refer the consumer to additional information regarding generally expected results in the depicted circumstances. DSSRC will evaluate the appropriateness of hyperlinked disclosures on a case-by-case basis; See Example No. 12.

(C) When a space-constrained advertisement, including a social media post, requires a disclosure to prevent deception, and the platform’s space constraints prevent the disclosure from being made, the direct selling company and salesforce members should not make the claim in that advertisement or social media post;

(D) For claims made through other methods, such as in-person or at live events, disclosures necessary to prevent deception should be clear and conspicuous and made simultaneously with the triggering claim. Such disclosures should be evaluated on a case-by-case basis.

15. When using a hyperlink, a direct selling company or salesforce member should:

(A) make the link obvious;

(B) label the hyperlink appropriately to convey the importance, nature, and relevance of the information to which it leads;

(C) use hyperlink styles consistently, so consumers and potential salesforce members know when a link is available;

(D) place the hyperlink as close as possible to the information it qualifies and make it noticeable and unavoidable; and

(E) take consumers and potential salesforce members directly to the disclosure on the click-through page.
Example 1  
Earnings Claims

Don't wait, start making some extra cash right now! 
Contact me at LPrice@WeSell.com ⭐️

NEED TO MAKE AN EXTRA $200, $500, $1,000 OR MORE A MONTH? 
Join my WeSell! Team today!

The above post illustrates a range of potential earnings. DSSRC would expect the direct selling company to possess evidence showing that the maximum amount that is referenced in the post is income that could be generally expected by a salesforce member.
Example 2.1  Earnings Claims

The unqualified inference here is that the typical salesforce member can generally expect to earn $2,000 per month with little time or effort.
Example 2.2  **Earnings Claims**

This post presents a hypothetical earnings scenario that will be interpreted by DSSRC as an earnings claim implying that potential recruits can earn $1,500 per month. DSSRC would expect that the direct selling company would possess substantiation that the depicted earnings would be generally expected by a salesforce member. In addition, posts focusing exclusively on recruiting compensation and not selling product are strongly discouraged.
Hypothetical earnings scenarios may create unreal expectations for potential salesforce members by implying that the assumptions made in the post (e.g., the amount of sales earned by the salesforce member) are consistent with the actual experiences of typical participants. If the assumptions are not consistent with the actual experiences of typical participants, an unqualified earnings scenario likely would be false or misleading to consumers.
Example 4  

Earnings Claims

A post that depicts a lavish lifestyle will be interpreted by DSSRC as an earnings claim (particularly, as here, when combined with an express statement of significant earnings) for purpose of a self-regulatory review.
Example 5 **Earnings Claims, Costs Associated**

"Joining WeSell! really changed my life. I made $1,100 last month just sitting on my couch!

Rachel Nguyen
WeSell Consultant

*In 2019, the typical annual income earned by a WeSell distributor is $691. [Income Disclosure Statement]*

If the representative depicted above incurred $500 a month in costs associated with purchasing product for resale (as opposed to product purchased solely for personal consumption), the claim above should instead state that the representative in fact earned $600 a month. Similarly, a disclosure of generally expected income should account for any significant costs associated with the product or service that salesforce members purchase for resale along with any material or necessary costs of participating in the direct selling opportunity.
Example 6.1  Earnings Claims

This mock example is used to illustrate an appropriate qualification of an atypical incentive reward claim. The disclosure highlights the number of salesforce members who typically earn company incentive trips. DSSRC notes that some mediums such as social media platforms have space constraints. For example, a disclosure that is not visible on a mobile device without clicking “more” is unlikely to be seen by the intended audience and is therefore unlikely to be effective.
Example 6.2   Earnings Claims

Opportunities

**Earn Cash & Incentives!**

As a consultant you'll earn commission on every sale plus bonus checks based on sales volume! Recruit others and earn even more!

You can earn incentive trips to exotic locations every year such as Mexico, the Caribbean and even Hawaii! Some consultants earn these trips every year and get to travel around the world!  

**Of our 100,000+ consultants worldwide, about 1,100 hardworking consultants achieve this incentive trip per year and over half of those consultants have earned more than one incentive over the past 5 years**

This mock example illustrates the use of a clear and conspicuous disclosure to an incentive reward claim. The disclosure states the percentage of salesforce members that achieve the atypical incentive referenced on the company’s website.
Example 7  Earnings Claims

"The earning potential is truly limitless. I made over $500,000 last year."*

Sarah Bell
WeSell Consultant

*In 2019, the typical annual income earned by a WeSell distributor is $691. [Income Disclosure Statement](#)

The above claim appears extraordinary and incapable of being qualified with an appropriate disclosure. DSSRC notes that there is no specific amount of income that will be considered “extraordinary”; all earnings claims will be evaluated on a case-by-case basis. DSSRC also notes that a claim that “The earning potential is truly limitless” is a prohibited earnings claim.
Example 8   Atypical Earnings Claims Disclosure

"I'm so happy I joined WeSell! Can you believe I made $1,200 just in the last month?"*

Ginger Ly
WeSell Consultant

*In 2019, the typical annual income earned by a WeSell distributor is $691. Income Disclosure Statement

This example demonstrates an appropriate disclosure of generally expected earnings in a post that references atypical salesforce earnings.
Example 9  

Earnings Claims, Prominence

X Prominence

"I made $986 in just one week!"*

JOIN
THE TEAM
& Start Earning NOW!

Join today!

*Statement: In 2019, the typical annual income earned by a WeSell Distributor is $691. Income Disclosure Statement

Format, color, or other graphics treatment can help to ensure that a link is noticeable. In the above example, the print size is too small and the color is too light. Disclosures that are at least as large as the advertising copy are more likely to be effective. A disclosure presented in a color that contrasts with the background emphasizes the text of the disclosure and makes it more noticeable. Conversely, information presented in a color that blends in with the background of the post is likely to be missed.
Example 9 Earnings Claims, Prominence
✓ Prominence

"I made $986 in just one week!"*

JOIN THE TEAM & Start Earning NOW!

Join today!

*In 2019, the typical annual income earned by a WeSell Distributor is $691. [Income Disclosure Statement](https://www.incomedisclosurestatement.com)

The above example demonstrates a prominent disclosure that is conspicuously presented. The use of an asterisk puts consumers on notice that the post includes material, qualifying information.
Example 10  Earnings Claims, Placement

To ensure that the disclosures are effective, consumers must be able to understand them. Advertisers should use clear language and syntax and avoid legalese or technical jargon. Disclosures of material information should not be buried within the text of a post and should be as simple and straightforward as possible. Incorporating extraneous material into the disclosure also may diminish the message that must be conveyed to consumers.
Example 10  Earnings Claims, Placement

✓ Placement

"I made $986 in just one week!"*

JOIN
THE TEAM
& Start Earning NOW!

Join today!

*In 2019, the typical annual income earned by a WeSell Distributor is $691. Income Disclosure Statement
Example 11  Earnings Claims, Proximity

X Proximity

A disclosure is more effective if it is placed near the claim it qualifies or other relevant information. Proximity increases the likelihood that consumers will see the disclosure and relate it to the relevant claim or product. A disclosure is more likely to be effective if consumers view the claim and disclosure together on the same screen. If scrolling down the screen is necessary to view a disclosure, advertisers should ask whether consumers are likely to scroll. If consumers do not scroll, they may miss the important qualifying information and be misled.
Example 11  Earnings Claims, Proximity
✓ Proximity

Opportunities

"I made $986 in just one week!"*

JOIN
THE TEAM
& Start Earning NOW!

Join today!

*In 2019, the typical annual income earned by a WeSell Distributor is $691. Income Disclosure Statement

Sold Set

Join today!
Example 12  Earnings Claims, Hyperlinks

Testimonials

My favorite part of being a WeSell distributor is getting to meet new people everyday and creating my own team!

Through WeSell, I can work from wherever and whenever I want. I love being able to spend more time with my family!

Last year I rose in the ranks and made $3,500.*

*In 2019, the typical annual income earned by a WeSell distributor is $691. income Disclosure Statement

Here, the hyperlink to the Income Disclosure Statement is intended to complement the disclosure of generally expected results and provide additional context to the testimonial.