

2024 Activity Report

**2024 Activity Report
for the Direct Selling
Self-Regulatory Council**

Introduction

The Direct Selling Self-Regulatory Council (DSSRC) 2024 Activity Report outlines the notable initiatives undertaken by DSSRC in 2024, including its monitoring of direct selling advertising and marketing, its case work, and DSSRC's continuing educational initiatives for the direct selling channel.

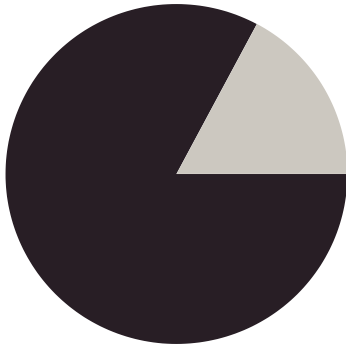
In 2024, DSSRC provided active oversight of product and business opportunity claims disseminated by direct selling companies and their salesforce members. DSSRC initiated its 550th case inquiry, hosted the fourth annual Direct Selling Summit, and provided guidance and instruction on earnings and product claims emphasizing compliance supervision to numerous direct selling companies. In addition to providing educational presentations on its self-regulatory program, DSSRC engaged with various state and federal government agencies in discussions about its collaboration with the direct selling industry.

DSSRC Casework

DSSRC has maintained its vigilance in overseeing direct selling marketing, focusing on identifying unsupported and inaccurate claims about the expected income of salesforce members involved in direct selling opportunities. Additionally, DSSRC has scrutinized claims that, either explicitly or implicitly, misrepresent the performance of products in various contexts. This rigorous examination is in line with ongoing regulatory actions, including updated guidance from regulatory agencies and the Federal Trade Commission's (FTC) ongoing consideration of rulemaking to address deceptive and unfair marketing practices involving earnings claims.

In 2024, DSSRC initiated 81 case inquiries, with 27 pending inquiries that will carry into 2025. DSSRC published 31 formal case reports and 34 administrative closing summaries on BBB National Programs' website in 2024. Notably, some of these cases were carried over from inquiries initiated in 2023. DSSRC administratively closes a case if the direct selling company commits, within the initial 15 business days of receiving DSSRC's Notice of Inquiry, to discontinue or significantly modify the claims at issue. Failure to receive such a commitment leads to the transition of the matter into a formal case review.

- ◆ Of the 81 inquiries initiated in 2024, all but one were a result of program monitoring. That one case was brought to DSSRC's attention by a non-governmental organization (NGO).
- ◆ 24 of the inquiries involved member companies of the Direct Selling Association (DSA), while the remaining 57 inquiries involved non-member companies.
- ◆ DSSRC referred one matter that included patterns of business opportunity claims to the FTC and the California Attorney General's office for possible enforcement.
- ◆ DSSRC brought 1,000 claims to the attention of direct selling companies through its inquiries, including 828 business opportunity/earnings claims, including those with lavish lifestyle depictions, and 172 product claims.



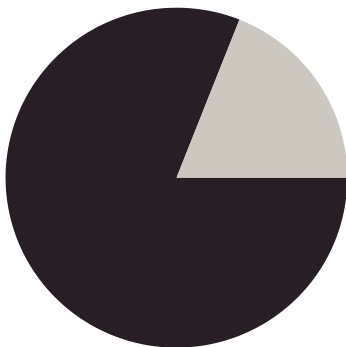
Claims Brought to the Attention of Direct Selling Companies

- 828 business opportunity/earnings claims
- 172 product claims

While DSSRC specifically identifies representative claims in its Notice of Inquiry to direct selling companies, DSSRC requests and encourages the company to address any similar claims in their marketing materials beyond those specifically identified by DSSRC.

Most of the earnings claim inquiries centered on unqualified representations (e.g. “financial freedom”) or insufficient disclosures for atypical earnings claims. DSSRC emphasized the need to provide such disclosures clearly, conspicuously, and in close proximity to the triggering atypical claim. Companies participating in such inquiries with DSSRC either discontinued or modified the claims to include references to the generally expected income in the depicted scenario.

Similarly, direct selling companies have addressed the issue of unqualified company bonus and incentive claims by including disclosures indicating the percentage or number of program participants obtaining such rewards. This involved direct communication with active salesforce members to remove relevant social media posts or add appropriate disclosure language. In accordance with DSSRC’s recommendations, direct selling companies have also increasingly requested social media platforms to disable posts directly. Approximately 81% of identified claims in 2024 originated from direct selling company and salesforce member social media accounts, with the majority on Facebook. The rest were on company websites and video platforms, such as YouTube.



Claims Found on Social Media

- 81% social media accounts
- 19% on company websites/video platforms

In addition to the number of claims evaluated by DSSRC stated above, in March, DSSRC reviewed over 2,200 online earnings representations made by direct selling companies and their salesforce members that were highlighted in a report published by an NGO. This report covered 93 DSA members and seven non-DSA member companies. DSSRC assessed each claim to determine the “net impression”, or overall message conveyed to the audience. While DSSRC found that a number of claims were non-compliant and others required a clear and conspicuous disclosure of generally expected results, it also concluded that the cumulative number of claims identified as “misleading” was overstated. DSSRC confirmed that 44 DSA member companies responded directly to the NGO regarding its findings and DSSRC opened inquiries with several other direct selling companies that were the subject of the NGO report.

Apart from the one case referral, all of the direct selling companies that were the subject of DSSRC inquiries were responsive and participated in the self-regulatory forum (i.e., a 98% participation rate). Following receipt of the DSSRC Notice of Inquiry, companies contacted DSSRC and engaged in telephone/video calls to discuss the process, often expressing support for voluntary industry self-regulation.

DSSRC Monitoring

DSSRC independently monitors a representative sample of earnings and product claims disseminated by direct selling salesforce members across various social media platforms and the websites of direct selling companies located in the United States. In 2024, DSSRC collaborated with two third-party monitoring companies with expertise in understanding the nuances of the direct selling space. DSSRC reviews the analytical data provided by the monitoring companies to identify potential violations of applicable FTC rules and regulations.

References to salesforce members achieving “financial freedom”/“financial independence” from the direct selling business opportunity (i.e., communicated in express claims or hashtags) were again the most identified earnings claim according to DSSRC’s monitoring data, followed by claims pertaining to residual income, passive income, supplemental income, earning potential, work from home, be your own boss, unlimited income, full-time income, and replacement income.

From January 1 through December 15, 2024, DSSRC monitoring identified:

- ◆ Approximately **421,350** Unique URLs
- ◆ Unique URLs Reviewed as Potential Incidents included:
 - ◆ **1,919** Facebook Posts
 - ◆ **455** Instagram Posts
 - ◆ **321** YouTube Videos
 - ◆ **258** TikTok Videos
 - ◆ **23** Twitter Posts
 - ◆ **69** LinkedIn Posts
 - ◆ **128** Company Website Claims
- ◆ **780** Health-Related Product Posts
- ◆ **2,431** Business Opportunity/Income Posts

With respect to product claims, representations promising substantial weight loss (communicated in express representations or through “before and after” depictions) was the most identified category of claim in DSSRC’s monitoring, followed by references that direct selling products can treat or address conditions of anxiety, immune deficiency, inflammation, depression, and skin conditions such as eczema. DSSRC also identified several health-related claims that related to the treatment of serious disease conditions, such as cancer, diabetes, and autism.

While Facebook continues to record the highest number of infractions, there has been a notable decrease in the number of potential claims appearing on that platform. Conversely, the number of claims identified on Instagram and TikTok rose significantly. DSSRC continues to observe salesforce members utilizing several alternative social media platforms to communicate claims, including LinkedIn and Pinterest.

Direct Selling Summit: Fostering Trust. Fueling Progress.

On June 4, DSSRC hosted its fourth annual Direct Selling Summit, bringing together business leaders, legal professionals, and compliance experts from across the direct selling industry. The virtual, half-day event was an educational opportunity providing attendees with tips and best practices for responsibly growing their direct selling brand, increasing consumer trust, and staying compliant.

Direct Selling
2024 summit

Fostering Trust.
Fueling Progress.

The Summit featured keynote speaker Virginia Attorney General Jason Miyares, who shared his personal reflections on what he calls the “American Miracle,” his consumer protection priorities, and his thoughts on the importance of transparent and truthful marketing practices for direct selling businesses. He also discussed the role of self-regulatory bodies like DSSRC in overseeing the direct selling industry, key legal challenges and trends in Virginia, and how his office approaches enforcement actions against direct selling companies found to be violating consumer protection laws.

PANEL 1

Participants on the first panel, **The Oversight and Impact of Influencers and Affiliates: Transforming the Direct Selling Landscape**, moderated by Justin Powell, Deputy Director, Nu Skin Enterprises, discussed the evolving role of influencers and affiliates within the direct selling industry, examining their impact on consumer behavior, regulatory oversight, and the future of traditional direct selling models.

PANEL 2

The second panel, **Monitoring for Claim Integrity**, explored the intricate array of monitoring methods, compliance procedures, and cutting-edge technologies used to identify express and implied assertions made by both direct selling companies and their salesforce members across social media platforms and company websites. On this panel, DSSRC Deputy Director Howard Smith provided an overview on how product and income claims are monitored across the direct selling channel.

PANEL 3

The final panel, **Compliance Strategies: Compensation Plans, Earnings Claims, and Success Stories** was moderated by Brent Kugler from Scheef & Stone LLP, and delved into the complexities of direct selling compensation plans and discussed compliant methods of appropriately positioning direct selling success stories. The panel also helped attendees understand how to navigate compliance challenges and foster a culture of transparency to effectively promote successful salesforce member accomplishments.

Socializing the Industry's Commitment to Advertising Self-Regulation

DSSRC had numerous opportunities to share the commitment of the direct selling industry to independent self-regulation with state and federal government agencies and industry stakeholders in 2024. Through each of these opportunities, the DSSRC team was able to discuss its work in providing guidance and instruction to direct selling companies regarding claims of product performance and income opportunity.

In January, DSSRC Vice President, Peter Marinello, and Attorney, Howard Smith, spoke with industry thought leaders at DSA's ENGAGE Conference to present comments regarding the DSSRC five-year retrospective. They discussed the significant endeavors of DSSRC since its launch in 2019 and focused on the work done over the past 12 months, which was described as a seminal year in the direct selling space.

In February, Marinello presented at DSA Canada's 2024 Legal and Regulatory Seminar. He discussed DSSRC's significant endeavors in 2023, highlighting the program's mission to provide independent and impartial monitoring of direct selling companies. He emphasized the importance of educational guidance, including the publication of the DSSRC Earnings Claim Guidance and IDS Guidance, which aimed to ensure accurate and transparent income information. Marinello also noted the increased visibility and activity of DSSRC in 2023, including a notable US District Court decision involving Neora, LLC, and DSSRC's ongoing efforts to enhance transparency and accountability in the direct selling industry.

In March, Marinello and Smith participated on a call with DSA's Board of Directors to discuss the response of DSA members to an article published by an NGO that investigated earnings claims made by direct selling companies. DSSRC indicated that it would conduct its own independent review of each online post identified by the NGO to evaluate the truth and accuracy of the cited claims.

In May, Marinello presented at the Academy of Marketing Sciences' annual conference and focused on the challenges facing marketers and the role of self-regulation in the advertising industry. He highlighted the success of the industry self-regulatory system formed in 1971 and discussed the portfolio of self-regulation programs administered by BBB National Programs, including DSSRC. Marinello emphasized the importance of voluntary

cooperation by the industry and the ongoing efforts to educate direct selling companies about compliant advertising practices.

In August, Marinello presented at the DSA Compliance Officers Council, where he highlighted the significance of DSSRC's educational resources, such as the Earnings Claim Guidance and IDS Guidance, which were designed to promote accurate and transparent income disclosures. Marinello also mentioned the heightened visibility and activity of DSSRC in 2023, along with DSSRC's continuous efforts to improve transparency in its case reports.

Later that month, Marinello and Smith were the featured guests on the Direct Selling Solutions podcast. They highlighted the significant efforts of the DSSRC in 2023, emphasizing its mission to provide independent and impartial oversight of direct selling companies. They stressed the importance of educational guidance, including the publication of the Earnings Claim Guidance and IDS Guidance.

In September, Marinello and Smith spoke at the DSA Board of Directors Meeting and provided a program update. They discussed several of DSSRC's accomplishments since its inception in 2019, as well as some of the challenges and obstacles encountered during the tenure of the program. They also highlighted the various indicators and metrics used to assess the program's effectiveness.

Later that afternoon, Marinello moderated a panel at the Center for Industry Self-Regulation Soft Law Summit titled "Industry Self-Regulation: Responding to & Growing from Criticism". The panel featured industry experts who discussed the evolving landscape of self-regulation and the importance of responding to criticism constructively. They explored how self-regulatory bodies can adapt and improve their practices in light of feedback from stakeholders, including consumers, businesses, and regulatory agencies. The discussion also highlighted successful examples of self-regulation in various industries and provided insights into strategies for enhancing transparency, accountability, and effectiveness in self-regulatory efforts.

In October, Marinello and Smith participated in a panel discussion with Emory University Professor Sandy Jap at the DSA Legal and Regulatory Conference. The panel focused on the evolving landscape of direct selling and the importance of compliance and self-regulation within the industry. They also discussed the results from a report written by Emory University's Goizueta Business School on the efficacy of DSSRC. Later that month, Marinello and Smith were guest lecturers at St. John University's School of Law and discussed the role of self-regulation as it pertains to consumer protection and explored the different types of negotiations tactics used by participants in the self-regulation forum.

DSSRC also had several opportunities to engage with State Attorney General Offices in 2024. In addition to collaborating with the Virginia Attorney General at the DSSRC Direct Selling Summit, Marinello also had the opportunity to discuss DSSRC's work with Attorney General Offices in Colorado, California, and Maryland. DSSRC referred one matter to the

California Attorney General for further investigation. In December, Marinello attended the State Attorney General Consumer Protection Enforcement Forum, hosted by Kelley Drye & Warren and spoke with New Hampshire Attorney General John Formella about BBB National Programs and the direct selling industry's commitment to meaningful and effective self-regulation.

DSSRC's work, impact, and specific cases were mentioned regularly in 2024, and were the subject of several articles that ran in Social Selling News, Direct Selling News, and other publications, including a feature tagging Marinello as one of the top 20 most influential executives in direct sales.

Direct Selling Educational Foundation Research Grant Report on Efficacy of the Direct Selling Self-Regulatory Council

The report, authored by Emory University Goizueta Business School Professor Sandy Jap and PhD Marketing candidate Jada Childs, investigated the effectiveness of DSSRC since its establishment in 2019. The report focused on DSSRC's primary aim, to enhance consumer and regulatory confidence in advertising and marketing within the direct selling marketplace through independent, third-party review of claims disseminated by or on behalf of direct selling companies. The research elaborated on the systematic evidence of DSSRC's effectiveness in promoting self-regulation and ethical sales and marketing practices in the direct selling channel. The report also addressed the broader question of whether direct selling companies that participate in the self-regulatory forum are successful in curbing market misbehavior, especially in light of diminishing government resources and growing regulatory scrutiny.

According to the report, DSSRC's self-regulation efforts over the previous five years have been substantial and effective in resolving sales and marketing misbehavior among direct selling companies and highlighted that investigations have resulted in over 400 instances of expeditious resolutions, formal administrative closures, additional education and dialogue, as well as 25 FTC case referrals.

It was noted that the value of self-regulation is not solely evidenced by casework but also by education regarding appropriate sales and advertising practices, ongoing dialogue with direct sales companies, and program socialization of the direct selling industry's commitment to meaningful and effective self-regulation. The report also identified notable differences in the behaviors of DSA members and non-member companies to timely address concerns regarding product and income claims and the resources that member companies expend in an effort to adhere to regulatory compliance.

DSA Code Administrator Work

In 2024, DSSRC continued in the role of Code Administrator for the enforcement of DSA Code of Ethics complaints. The Code of Ethics is designed to ensure ethical business practices for DSA members and to create a framework for ethical conduct, fostering trust within the industry and protecting the business interests of consumers and independent salesforce members.

DSSRC worked in collaboration with DSA to establish and implement transparent complaint handling procedures to ensure prompt resolution of all complaints. The complaint handling procedures include the review and determination of whether a violation of the Code of Ethics has occurred and for the Code Administrator to answer, as promptly as possible, all queries relating to the Code of Ethics and its application.

DSSRC continues to work closely with DSA to ensure that Code matters are resolved expeditiously and that all parties to a Code inquiry have a full and fair opportunity to be heard.

Case Reporting Transparency

In 2024, DSSRC continued its concerted effort to increase the transparency of its reporting of administratively closed cases and to work with direct selling companies to disclose additional information about the inquiry to industry stakeholders. Transparency builds trust among stakeholders, including consumers, member companies, and regulatory bodies.

When the resolution process is transparent, it further enhances the credibility of DSSRC, demonstrates its accountability, and amplifies the commitment of direct selling companies to promoting ethical standards, adhering to the principles of compliant claim dissemination and substantiation, and being held responsible for their decisions and actions.

Clear and transparent reporting also educates stakeholders about the resolution process, helping them understand the criteria, considerations, and outcomes of administratively closed cases, which will contribute to a better public understanding of the industry's commitment to self-regulation.

Importantly, when the resolution process is transparent, it serves as a deterrent to non-compliance. Companies are more likely to adhere to ethical standards if they know that the resolution of cases is scrutinized, reported transparently, and facilitates the identification and advocacy of industry best practices. By openly discussing the resolution of cases, DSSRC can accentuate the positive actions taken by direct selling companies and provide information regarding practices that other companies may choose to adopt.

In 2024, added clarity to the reporting process allowed DSSRC to better address concerns and misconceptions that arise during the resolution process and provided an opportunity to elaborate on the rationale behind decisions and to correct any misunderstandings. Consumers, regulatory agencies, and industry stakeholders have an expectation of transparency in self-regulation endeavors and, by aligning with these expectations, DSSRC can enhance its effectiveness and legitimacy in the eyes of regulators and the public.

DSSRC looks forward to working with stakeholders in 2025 to effectively demonstrate the good faith efforts and commitment of direct selling companies to industry self-regulation.

A list of direct selling companies that were the subject of DSSRC administrative closing summaries in 2024 is included in this report's Appendix.

Appendix

2024 DSSRC Administratively Resolved Inquiry Summaries

- ◆ Amare
- ◆ Athena Home Novelties
- ◆ Beauty Society
- ◆ Boisset
- ◆ Bravenly
- ◆ Bye Bye Belly

At Bye Bye Belly, we recognize that consumer confidence in our products is the foundation of success, and that proper compliance standards are essential for safeguarding that confidence. We will continue to invest in compliance measures and welcome any and all feedback that organizations like the DSSRC can provide so that we may provide the best value to our customers and consultants.

- ◆ Calerie
- ◆ Carico
- ◆ Color Street
- ◆ Damsel in Defense
- ◆ Energetix
- ◆ Epicure

Epicure is extremely grateful for the work of the DSSRC and the opportunity that we have had to interact with it. We want to profoundly thank the organization for its invaluable assistance in helping the company and its consultants to comply with U.S. regulatory requirements... [W]e view the DSSRC as an invaluable important partner to Epicure and to the entire direct selling industry. Epicure wants to also recognize the work of the DSSRC to protect consumers and the marketplace, as well as helping to contribute to a level playing field for all direct selling companies. We encourage all direct sellers to welcome the involvement of the DSSRC to help their companies pursue excellence in the regulatory compliance arena.

- ◆ ExP Realty
- ◆ Family Heritage Group

- ◆ Green Compass

Green Compass is committed to transparency, and adhering to the guidelines set forth by the FTC, the FDA and other regulatory bodies that aim to protect consumers from deceptive practices.

- ◆ IT Works

- ◆ Jordan Essentials

- ◆ LegalShield

The DSSRC plays an important role in safeguarding consumers and the integrity of the direct selling industry. LegalShield appreciated the opportunity for open and constructive dialogue with the DSSRC about the company's offering of legal services and identity theft protection subscription plans, and supports the Council's ongoing efforts to promote clear disclosures. For over 50 years, LegalShield has demonstrated a steadfast commitment to compliance, recognizing the importance of proper sales practices and transparency to further its mission to make justice and security simple, affordable, and accessible for all. LegalShield will continue to strive to exemplify ethics and integrity within the direct selling industry.

- ◆ LifeWave

LifeWave is committed to being an exemplary corporate citizen by striving to promote only the best business practices at the corporate and brand partner levels. In recognizing the vital importance of maintaining compliance with regulatory standards, LifeWave continually focuses its efforts on bolstering its compliance personnel and internal resources, updating and maintaining its Policies & Procedures to reflect current regulatory needs, utilizing top compliance monitoring systems and platforms, and developing compliance training programs and tools to provide its Brand Partners with clear guidance for a deeper understanding of best practices.

- ◆ LivePure

- ◆ Melaleuca

- ◆ Neolife

- ◆ Optavia

- ◆ Pampered Chef

- ◆ Pink Zebra

- ◆ Primerica

- ◆ Pruvit

- ◆ Rodan + Fields

- ◆ Soul Purpose

- ◆ Talk Fusion

- ◆ Tupperware

- ◆ Yor Health

- ◆ Zyia

About the Direct Selling Self-Regulatory Council

The Direct Selling Self-Regulatory Council (DSSRC), a division of BBB National Programs, provides independent, impartial monitoring, dispute resolution, and enforcement of product claims and income representations made by direct selling companies and their salesforce members across digital platforms. The DSSRC seeks to establish high standards of integrity and business ethics for all direct selling companies in the marketplace.

About BBB National Programs

BBB National Programs is where businesses turn to enhance consumer trust and consumers are heard. The non-profit organization creates a fairer playing field for businesses and a better experience for consumers through the development and delivery of effective third-party accountability and dispute resolution programs. Embracing its role as an independent organization since the restructuring of the Council of Better Business Bureaus in June 2019, BBB National Programs today oversees more than a dozen leading national industry self-regulation programs, and continues to evolve its work and grow its impact by providing business guidance and fostering best practices in arenas such as advertising, child-directed marketing, and privacy. To learn more, visit bbbprograms.org.