

THE HILL

CONSUMER PROTECTION:
A Multi-Industry
Conversation on Ethics &
Self-Regulation

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COURTESY OF THE DIRECT SELLING ASSOCIATION

FTC commissioner praises direct selling industry

Industry earned high marks from commissioner for its efforts to improve self-regulation

By Kevin Cirilli

• The direct-selling industry on Tuesday earned praise from a Federal Trade Commission (FTC) commissioner amid calls for greater regulation.

FTC Commissioner Maureen Ohlhausen praised the industry's efforts to improve its self-regulation efforts during remarks at the National Press Club in Washington.

"I commend you for your partnership with [Council of Better Business Bureaus] that has increased awareness and understanding – and appreciation – of the importance that the direct selling industry places as an industry on ensuring it is an ethical and trustworthy marketplace," she said.

The industry has come under fire from advocates who say more regulations are needed from FTC officials to protect consumers from pyramid schemes and faulty advertising.

But Ohlhausen said that sometimes self-regulation is "the only option for certain advertising practices where government intervention is limited by First Amendment concerns."

Still, Ohlhausen noted some of the limitations of relying entirely on self-regulation.

"Insufficient resources can lead to de-

pendence on member firms' lobbying and financial influence," she said, adding that she was speaking on her own behalf and not the entire FTC.

During a panel discussion after Ohlhausen's remarks, Joseph Mariano, president of the Direct Selling Association, said that self-regulation was preferred to government regulation because "people are then driven to demonstrate their absolute commitment" to the rules.

"When government tries to impose a standard of behavior, it's the opposite," Mariano said. "[They say], 'No, we're going to argue for the least thing.'"

Lynne Omlie, senior vice president and general counsel at the Distilled Spirits Council of the United States (DSCUS), recalled during the panel discussion how self-regulation standards led to liquor businesses revising their ads.

DSCUS monitors the liquor industry's ads and then publishes public reports about whether those companies respond to concerns. While regulators might run into "free speech" criticisms, Omlie said,

When government tries to impose a standard of behavior, it's the opposite. [They say], 'No, we're going to argue for the least thing.'"

Joseph Mariano, president of the Direct Selling Association

DSCUS is able to work as an industry group to self-police itself.

Omlie recalled one instance in which a spirit distributor wanted to sell "sex vodka."

"You can imagine what kind of marketing and materials this gentleman had," she said. "People think I'm the government... I called him up and he completely re-did his marketing plan. ... He bought a new suit, he got his haircut and he was ready to be interviewed by *The New York Times*."