

DIRECT SELLING
JOURNAL

D S J

This Is Us

What is direct selling today, and how does the channel stack up against other industries in key areas that are critical to new generations of entrepreneurs?

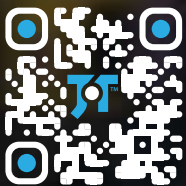
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Helping Entrepreneurs Get Started in Direct Selling



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**Beatrice Nelson Beer**

Beatrice Nelson Beer, Chief Legal Officer, global head of legal, regulatory affairs, compliance, and human resources at PM International based in Luxembourg, is the newly appointed and first women President of Seldia.

**Brian Bennett**

Brian Bennett, Senior Vice President, Government Affairs and Policy at DSA, is a member of the senior management team and leads the Government Affairs and Legal staff in strategy and implementation of DSA's public policy goals.

**Trey Campbell**

Trey Campbell has worked in corporate communications for Southwestern Advantage for twenty-three years. He has trained, mentored, and counseled over 35,000 college students to help them be successful in business and life.

**Jochen Clausnitzer**

Jochen Clausnitzer has been the General Manager of the German Direct Selling Association (BDD) since 2011. Prior to this role, he was an attorney representing the legal department in the Brussels office of the Association of German Chambers of Industry and Commerce.

**Heather Cobb**

Heather Cobb, the Chief Sales and Marketing Officer for Educational Development Corporation (parent company of Usborne Books & More), joined the company as the National Sales Manager in February 2011 after a successful career in non-profit management and fundraising. She has been recognized as a Yoplait Breast Cancer Champion and for her work in the breast cancer community.

**Doug DeVos**

Doug DeVos is Co-Chair of the Board of Directors for Amway. He previously served as President of Amway for more than 16 years. DeVos joined Amway in 1986 and served in various leadership positions for Amway in Europe, the Americas and Asia. He served as an industry leader in numerous roles including Chairman of the World Federation of Direct Selling Associations (2014-2017) and Chairman of the U.S. Direct Selling Association (2003-2004). DeVos was inducted into the U.S. Direct Selling Association Hall of Fame and received the Direct Selling Education Foundation's Circle of Honor award.

**Brett Duncan**

Brett Duncan is a Founding Partner with Strategic Choice Partners and an experienced executive specializing in marketing, communications, and digital strategic consulting.

**George Elfond**

George Elfond, Co-Founder and CEO of Rallyware, has helped direct selling companies, such as The Avon Company, Nu Skin, Pampered Chef, and Tupperware, onboard, engage, and enable distributed workforces at scale.

**Tamuna Gabilaia**

Tamuna serves as the Executive Director and Chief Operating Officer of WFDSA. In her capacity she leads and oversees the WFDSA initiatives that focus on advocating direct selling industry's position with external stakeholders, promoting women's economic empowerment initiatives, fostering highest ethical conduct in the marketplace and enhancing local association management.

**Samantha Hind**

Sam Hind is the co-founder and director of Auxano Marketing. She teaches direct sellers to grow their businesses using social media. She is a speaker, coach, social media strategist and host of the *Direct Selling Accelerator* Podcaster.

**David Holl**

David Holl joined Mary Kay Inc. in June 1993, and in 1996, he became Chief Financial Officer and Treasurer. In 2001, he was named President and Chief Operating Officer and then was promoted to Chief Executive Officer. David is a past Board Chair for DSA and a member of the Mary Kay Inc. Board of Directors, the Personal Care Products Council (PCPC) Board, and the World Federation of Direct Selling Association CEO Council.

**C. Brenton Kugler**

Brent Kugler, a Partner with Scheef & Stone, LLP, is a seasoned trial lawyer and a prominent attorney in the direct selling industry with extensive experience representing direct sales, multilevel, and network marketing companies in lawsuits, arbitrations, and regulatory matters across the United States.

**Daniel Park**

Daniel Park is The Avon Company General Manager and Head of LG H&H Americas. Park began his career with LG Electronics overseeing the US market and later Canada. Prior to his current role, he was General Manager of The Avon Company Canada Limited.

**Chuck Thompson**

Chuck Thompson is Chief Consultant Engagement Officer at Scentsy. Humor, knowledge, context, kindness, heart: Chuck guides Scentsy's culture with all this and thirty years of experience in finance, accounting, customer service, and sales management.

Disclaimer: Articles submitted by contributors and published in *Direct Selling Journal* do not necessarily represent a DSA endorsement, nor do opinions expressed herein necessarily represent those of DSA.

Be sure to check out these resources from DSA!



**DSA ENGAGE 2022:
CONVERSION IMMERSION**
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**MESSAGE FROM
THE PRESIDENT**
Making Advances for
the Channel: The Impact
of True Advocacy



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ENTREPRENEUR**
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What It Takes to Start and Grow a Direct Selling Enterprise

Anyone who knows me knows that I am a student of politics.

As I think about the theme of this issue of the *Direct Selling Journal*—what it takes to start and grow a direct selling enterprise—I could state the obvious about inspiration, courage, leadership, and vision. Without tangible guidance, those lofty principles just sound like bold platitudes. DSJ delivers content in this issue to assist you in taking the leap into direct selling with meaningful testimonials and helpful examples that breathe life into those lofty principles.

I am reminded of a political instance not that long ago when voters were seemingly presented with two binary visions for a presidency. The campaign that talked about a "bridge to the future" featured a young, dynamic candidate, Arkansas Governor Bill Clinton. The other campaign run by the experienced veteran and statesman Senator Bob Dole described a "bridge to the past." While the winning vision seemed obvious in hindsight, these campaign themes did not accurately represent the candidates' experience and background. In reality, binary choices are false choices. Rarely are decisions so simple.

And as goes politics, so goes business. For as much as we yearn for clarity, things seldom are a binary choice.

Anyone seeking to start or grow a business that relies upon direct selling as a primary go-to-market strategy must understand that channel was built by the industry giants. However, we cannot stay stuck in the past while we ponder the uncertainties and potential of the future. The path forward incorporates lessons on leadership from every generation. The past and future are inextricably woven into the fabric of our lives today. The *Direct Selling Journal* is a forum for discussion of the issues of today based upon our history, as well as our future's limitless potential.

In this DSJ issue, you will find articles from our best and brightest direct selling leaders, executives, and channel enthusiasts. Be sure to read Scentsy's Chuck Thompson's piece, "Life Cycle of a Direct Selling Company." Chuck summarizes the remarkable story of Co-CEOs Orville and Heidi Thompson's leadership in creating a sustainable company culture that weathered earnings dips and hypergrowth through careful strategic planning and by staying true to their company mission.

The German DSA (BDD) shares how to do business in Germany, the largest direct selling market in Europe. In this issue, we feature thoughtful, practical guidance to navigate the variety of direct selling issues

that include liability insurance, healthcare, tax preparation, earnings claims, compensation plans, and distributor agreements.

This issue also includes a wealth of wisdom in the words of our top leaders, Mary Kay Chairman and CEO David Holl and Avon Company General Manager and Head of LG H&H Daniel Park. DSA Hall of Fame recipient and former Amway CEO Doug Devos shares his personal thoughts and the story of Amway founders Rich DeVos and Jay Van Andel, as they started a company and why they chose the direct selling business model.

The list of giants who built our channel spans decades and will shape the subsequent success of direct selling for future generations. While we miss the faces of those who are gone, we will always remember their voices and their stories that live in the leaders who are mentoring the next generation of direct sellers.

I am confident that the ideas shared by today's direct selling thought leaders found in these pages will shape the future success of direct selling as much as those of their illustrious predecessors.



Joseph N. Mariano
Publisher & Editor-in-Chief

President's Papers: Access insights from DSA President and CEO Joseph N. Mariano at dsa-dsj.org.

BY THE NUMBERS

US DIRECT SELLING - ECONOMIC IMPACT

About 16.7 million people engaged in direct selling in the United States in 2020, generating \$40.1 billion in total retail sales. The economic impact of the direct selling channel by state is as follows

Alabama	\$509,612,708	Louisiana	\$531,482,656	Ohio	\$1,219,278,130
Alaska	\$122,629,021	Maine	\$184,756,848	Oklahoma	\$544,401,826
Arizona	\$806,094,531	Maryland	\$683,026,665	Oregon	\$627,288,994
Arkansas	\$347,639,366	Massachusetts	\$563,769,691	Pennsylvania	\$1,157,214,004
California	\$5,345,718,293	Michigan	\$991,201,953	Rhode Island	\$117,418,582
Colorado	\$864,454,124	Minnesota	\$767,009,126	South Carolina	\$495,586,864
Connecticut	\$322,443,723	Mississippi	\$443,872,571	South Dakota	\$151,528,077
Delaware	\$164,132,312	Missouri	\$622,900,859	Tennessee	\$752,307,547
Florida	\$2,328,711,275	Montana	\$199,519,412	Texas	\$4,261,008,697
Georgia	\$1,131,521,799	Nebraska	\$366,729,936	Utah	\$498,822,449
Hawaii	\$309,949,549	Nevada	\$495,239,746	Vermont	\$68,437,433
Idaho	\$300,286,047	New Hampshire	\$171,674,627	Virginia	\$870,836,018
Illinois	\$1,459,328,123	New Jersey	\$1,047,381,847	Washington	\$902,911,378
Indiana	\$714,235,631	New Mexico	\$295,660,974	West Virginia	\$145,434,191
Iowa	\$459,532,653	New York	\$2,106,115,695	Wisconsin	\$790,702,896
Kansas	\$445,742,641	North Carolina	\$1,244,532,185	Wyoming	\$107,499,712
Kentucky	\$446,071,174	North Dakota	\$167,235,022		

50

Age of Avon's first salesperson, Mrs. P.F.E. Albee, a wife and mother of two from New Hampshire. (See "AVON: Empowering Women for Over a Century through Direct Selling," p. 52.)

1,500

The number of college students at 200 campuses worldwide who engage with Southwestern each year. (See "Southwestern Advantage: 154 Years of Building Entrepreneurs and Leaders," p. 79.)

18
billion

In US dollars, the annual revenue of the direct selling market in Germany. (See "How to Succeed in Direct Selling in Germany," p. 41.)

1959

The year Amway brought Frisk, the first multi-purpose, biodegradable cleaner, into the marketplace. (See "Timeless Lessons: Persistence and Partnership," - p. 48.)

585,908

The number of URLs monitored by the Direct Selling Self-Regulatory Council (DSSRC) from January to July 2021. (See "Stronger By Association," p. 75.)



WHAT'S GOING ON?



DSA Urges Congress to Address FTC Enforcement

DSA, the Chamber of Commerce, and eight other trade associations sent a letter to the Senate Commerce Committee expressing support for S.3410, the Consumer Protection and Due Process Act introduced by Senator

Mike Lee (R-UT). The letter affirms that the legislation strikes a balance, giving the Federal Trade Commission (FTC) the tools to collect monetary damages while providing safeguards for legitimate businesses.

US Senate Commerce Subcommittee Hearing Highlights DSA and DSSRC

The Senate Commerce, Science, and Transportation Committee Subcommittee on Consumer Protection, Product Safety, and Data Security held a hearing in February entitled “Stopping COVID-19 Frauds and Scams.”

Mary Engle, Executive Vice President of Policy at the BBB National Programs, served as a witness at DSA’s suggestion. Ms. Engle’s written and oral testimony highlighted DSA’s support of the Direct Selling Self-Regulatory Council (DSSRC) and its work regarding COVID-related income and product claims. Senator Marsha Blackburn (R-TN) expressed her support for the DSSRC’s work during her questioning of Ms. Engle.

FTC Director of the Bureau of Consumer Protection Sam Levine also testified at the hearing. His written testimony acknowledged the letters he’s received from direct sellers in the last twenty-four months as an example of the FTC’s work on behalf of direct selling.

Senator Mike Lee (R-UT) questioned Mr. Levine on FTC 13b authority—specifically—on what guardrails could be built into the enforcement authority if Congress grants it to the Commission.



Direct Selling Caucus Holds Virtual Briefing

The Congressional Direct Selling Caucus held a virtual briefing, “Growth of the Micro-Entrepreneur and Legislature Update,” on February 14, 2022.

Caucus co-chairs, Reps. Richard Hudson (R-NC) and Marc Veasey (D-TX), discussed with DSA President and CEO Joseph N. Mariano the recent growth of the industry and important legislative issues that included protecting the

independent contractor status for all Americans, consumer protection, and self-regulation for the industry.

Reps. Hudson and Veasey encouraged their colleagues to support the caucus and reiterated that direct selling is an important piece of the American economy. They also stressed that independent direct sellers are vital to their hometown communities.



Court Says Biden Administration Unlawfully Withdrew Independent Contractor Rule

On March 15, 2022, a federal district court ruled that the Biden Administration unlawfully withdrew a rule finalized during the Trump Administration that would have provided a more deferential test for individuals to be defined as independent contractors.

DSA is the Vice Chair of the primary plaintiff in the case, the Coalition for Workforce Innovation. By withdrawing the rule, the court lets stand the Trump Administration's updated economic realities test. DSA anticipates that the Department of Labor will appeal the ruling.



Code Administrator Transition

The Direct Selling Self-Regulatory Council (DSSRC) assumed the role of administrator for the DSA Code of Ethics on April 1, 2022, following the retirement of DSA longtime code Administrator Jared Blum.

"Jared's oversight of the DSA Code of Ethics and his diligence in assisting companies to address false and

misleading product, lifestyle, and business claims has enabled the channel to achieve higher standards of consumer protection; we are all better because of his work," said DSA's Mariano. "Direct sellers everywhere thank Jared for his tireless support of the channel, and we wish him much happiness and future success."



DSA Continues to Convene Leaders at Its Women's Entrepreneurship Roundtable Series

DSA continued its series of Women's Entrepreneurship Roundtables, a program that provides members of Congress with first-hand knowledge of direct selling and an opportunity to hear the personal stories and experiences of direct sellers who have businesses in their district.

Rep. Ashley Hinson (R-IA), Rep. Nancy Mace (R-SC), Rep. Markwayne Mullin (R-OK), Rep. Victoria Spartz (R-IN), and Rep. Steven Horsford (D-NV) held roundtables in their districts.



Statehouse Update: State Legislation

Many state legislatures convene in January and February for legislative sessions that typically run through June. DSA actively tracks hundreds of bills that could impact direct selling across the country, such as the recently introduced legislation in California relating to vaccine mandates for employees and independent contractors

and the new discussions in New York to reevaluate the independent contractor status.

DSA currently supports bills in several states that clarify direct sellers as independent contractors while distinguishing direct selling companies from pyramid schemes under state statutes.

MY VOICE

Mary Kay Inc. Chairman and CEO David Holl discusses the launch of the company's virtual reality platform Suite 13, women's empowerment and leadership, and how staying relevant was built into its solid foundation—starting with its visionary Founder Mary Kay Ash.



David Holl, Mary Kay Inc. on ...

Q: Mary Kay Inc. remains one of the top direct selling companies in the world. What are the main reasons for its continued success?

A: When you have a solid foundation, it's easier to strive and achieve more. Mary Kay's success—from the first skincare party in 1963 to our digital transformation of the past few years—can be traced directly back to our rock-solid foundation. It's not just lip service for Mary Kay: our thousands of employees and millions of independent beauty consultants (IBCs) truly believe in our founding ideals of entrepreneurship, innovation, hard work, and giving back. That's how we stay successful.

Q: Like most companies, Mary Kay has faced its share of challenges over the last few years, particularly regarding the pandemic. How did the company meet the challenges brought on by health mandates and changing consumer buying habits?

A: Our people have a track record of meeting the moment—we've seen our fair share of challenges over the last 60 years—and Mary Kay's response to the global pandemic was no different.

The pandemic came at an interesting time for us and probably for direct selling as a whole. Leading up to March 2020, we already had undertaken great efforts to modernize the way our IBCs run their businesses and the way they interact with

their customers. It's fair to say that the pandemic sped up those efforts. We've made incredible digital strides over the [last two years](#).

Our IBCs, as usual, led the way. I know I should expect it at this point, but their adaptability, creativity, and entrepreneurship continue to amaze me. They adopted new selling methods, revolutionized what in-home parties looked like, and used social media to an even greater extent. There was no hole in the service they provided their customers. And our employees were there to support them every [step of the way](#).

Q: In 2021, Mary Kay launched an immersive virtual experience platform. How is Suite 13 helping to tell the Mary Kay story, and what has been the response from customers and Mary Kay's Independent Beauty Consultants?

A: Suite 13 is an example of an amazing digital transformation. The experience leverages virtual reality to digitize a Mary Kay pop-up showroom. IBCs can take their customers on a tour through the 360-degree, 3D beauty experience where they can virtually browse the beauty brand's portfolio of skincare and color cosmetics. While they are there, they can explore the company and its iconic founder, Mary Kay Ash.

IBCs and their customers love it. It provides Independent Beauty Consultants the flexibility of a digital business that can introduce the Mary Kay brand everywhere at any time. It elevates the way they build relationships with their customers by sharing an immersive beauty experience.

Q: Mary Kay is not only a success here in the United States. The company has received several prestigious awards in Europe for championing women's empowerment and entrepreneurship. Is there one award that has meant the most to you and the company?

A: That's a hard one. We're proud of every award that recognizes our global employees. I'm particularly proud of our Kincentric employee awards in Europe. According to the Kincentric survey, almost eight of ten participating Mary Kay employees responded yes to the statement, "Mary Kay inspires me to do my best work every day."

Perhaps Melinda Foster Sellers, our Chief People Officer, said it best. "We have a simple employment philosophy at Mary Kay: if our employees come to work every day believing they're helping make the world a better place, then we're on the right track." That's how we keep our employees engaged in nearly forty countries around the world—because they all know their part of something larger. They're all in, and they're the reason we're where we are today, supporting millions of IBCs around the globe.

Q: Mary Kay has an ongoing commitment to propelling women into leadership roles. What advice would you give to anyone starting a direct selling business about the importance of having women represented in executive positions?

A: The concept of this business was dreamt up—and achieved—by a woman who was ahead of her time. So, the question of whether a company can benefit from more women in executive positions is something we answered nearly sixty years ago. From the beginning, we recognized that people of all backgrounds are equal and crucial partners in our success. Diversity of thought is one of our many strengths.

We have a saying at Mary Kay: "One woman can." That's not just referring to Mary Kay Ash's journey to build this company, but every woman's journey to further herself and her family through entrepreneurship, perseverance, and hard work.

Q: What must Mary Kay do to stay relevant in today's marketplace and in the future? What do you foresee for the beauty and cosmetics sector?

A: Mary Kay stays relevant by continuing to focus on her—that's our internal shorthand for saying we must focus on our IBCs—helping IBCs meet their customers' needs through digital and

product innovation. At every step, it's crucial that our IBCs feel they have the tools, training, and resources needed to continue to grow their businesses organically. Our goal is to make it easier for them to do business, easier to stay in touch with their customer, and easier to promote our award-winning products.

Q: Direct selling has enjoyed much popularity and increased growth over the last few years. Why is now a good time to start a direct selling business?

A: The research is clear: more than ever, consumers don't just care about what they're buying, but who they're buying from. Direct selling allows consumers to purchase the goods and services they need and want from people they can connect with—not from faceless digital organizations or brick-and-mortar locations. They can purchase directly from the single mom down the street, the recent graduate in their book club, or an old friend or colleague. Consumers want to feel good about their purchases and where their money is going. It's a great time to start a direct selling business.

Q: What do you see as direct selling's greatest opportunity in the next 12 to 24 months?

A: In 2022 and beyond, we will see a heightened emphasis on personal experience, as consumers will want to engage with brands and products—and not just in the digital arena. I think Mary Kay, and direct selling in general, are poised to succeed for years to come.

Q: What do you see as direct selling's greatest challenge(s)?

A: As the world reopens following the pandemic, the pendulum will swing in the direction of consumers who are exhausted from quarantining on and off for the past two years. Though there may be a short-term increase in sales, the labor shortage likely will create competition, drawing potential direct sellers away from exploring entrepreneurial endeavors. However, I think the heightened interest in the gig economy will help with that challenge.

Q: What advice would you give to anyone wanting to start a direct selling business?

A: It's all about the foundation. If you believe in what you're selling, believe in what you're doing, believe in the incredible opportunity, and most of all—believe in yourself—then the sky's the limit.

This Is Direct Selling

Like many entrepreneurs, direct sellers embrace the spirit of independence. And like industries that are built to last, direct selling has adapted and endured over the decades by preparing generations of Americans for many of the defining moments that changed the course of our nation's history. The resilience and independence that have been intrinsic to the business for more than a century are fundamental to who we are and where we are going.

Some of the tasks ahead, such as modernizing descriptions of our opportunity, growing the relationship with the ultimate consumer, and committing to ethical business practices and rigorous self-regulation, we will face together.

Every direct selling company has a hand in building the reputation for our way of doing business. Our companies, united with DSA, are making channel-wide efforts to ensure that our customers, sellers, potential sellers, policymakers, investors, and the public at large understand that—in today's market, *this is Direct Selling.*



Direct selling is a go-to-market strategy that is an alternative channel to retail. Individual independent distributors market and sell products and services to consumers in direct selling.

Some of the world's most storied companies and recognizable brands market today's leading-edge products through the direct selling channel – these include jewelry, cookware, nutritionals, cosmetics, housewares, energy, insurance, and much more.

The direct selling channel differs from broader retail in how it gets great products and services into the hands of consumers. It's an avenue where entrepreneurial-minded Americans can represent the products they love, while they work independently to build a business on their own terms.

Consultants forge strong personal relationships with prospective customers, primarily through face-to-face discussions and demonstrations. In this age of social networking, direct selling is a strategy that many marketers of consumer products find more effective than traditional channels.

Millions of Americans from every state, congressional district and community in the United States choose direct selling because they enjoy a company's products or services and want to purchase them at a discount. Some decide to market the products they love to friends, family, and others and earn commissions from their sales. The most successful consultants may decide to expand their businesses by building a network of direct sellers.

Eighty-nine percent of direct sellers decide to work part-time, offering busy parents, caregivers, military spouses, veterans, and others flexibility and work-life balance. As advancements in technology create a new American economy whose foundation is built upon the entrepreneurial spirit and independent work, historically, direct selling has been one of the oldest ways millions of Americans have chosen to work independently—long before the advent of the Internet. Direct selling has a long history of substantially contributing to the economy and supporting the millions of Americans involved.

An Independent Salesforce

Direct selling is unique among retail channels in how it markets products and services to customers. Instead of relying on traditional retail outlets or online marketplaces, direct selling companies maintain a salesforce of millions of independent workers.

Direct selling in the United States achieved record highs in 2020: retail sales reached \$40.1 billion, independent sellers numbered 7.7 million, and customers totaled over 41.6 million. Independent work adds value to the economy, society, and for those who choose to pursue it. Real estate, insurance, travel and technology companies, and well-known brands

rely on independent workers to deliver products and services to consumers.

Independent direct selling consultants earn commissions on sales but work for themselves. They set their hours, create their marketing plans, determine their sales team goals and how to mentor those within it, and decide how to best serve their customers.

Millions of independent direct sellers see advantages in working for themselves, especially in having a chance to build and grow their own business and run it how they see fit. The freedom and flexibility to set their own working hours draws all types of people to direct selling, including parents with young children, students, caregivers, retirees, military spouses, and many more.

Startup costs for most direct selling companies are minimal compared with franchises and other small businesses—a few hundred dollars or less. Direct selling doesn't rely on overhead like real estate, facilities, equipment, or traditional advertising that can add tens or hundreds of thousands of dollars to the expense of running a business.

Direct Selling: A Century+ American Tradition

Leaders in the business know that direct selling has been a unifying thread in America's cultural fabric. Generations of direct sellers—from the Yankee Peddler to the virtual social selling parties of the COVID-19 era—have adapted, endured, and innovated to survive and thrive.

After the Civil War ravaged the South, many young men, unable to afford higher education, sold bibles door-to-door to go back to school someday.

In 1910, before the start of World War I, ten companies joined together to form the Agents Credit Association—the predecessor to the Direct Selling Association—to fight for the interests of the 93,000 traveling salespeople across the United States.

The Great Depression, followed by World War II, tempered a generation of resilient individuals who would go on to found and represent the legendary direct selling companies that continue today. Direct selling was an important business opportunity during the post-war boom for American women seeking new ways to contribute to their family's financial security.

The pandemic provided clear evidence that the name direct selling solicits a positive response from our consumers, sellers, and individual sellers everywhere. As the world shut down outside, families turned to the direct selling channel to shop local, stock their pantries and closets, and support their friends and neighbors who sell the products they need. DSA's numbers compiled for 2020 sales and salespeople are eye-popping reminders of the value of direct selling.

Types of Direct Selling

At the same time, and even with last year's success, some names and terms associated with direct selling raise questions about how we fit into the landscape of legitimate business. Renewed growth has brought with it renewed questions, and sometimes skepticism, about our business model.

Most, if not all, skepticism is unfounded and borne of misunderstanding.

The terms network marketing, multilevel, and even door-to-door contribute to the misunderstanding that can conjure up a less-than-flattering perception of direct selling. Even as direct selling benefits the country and the economy, the nomenclature and insider terminology associated with the business model can contribute to confusion about who we are and how we operate.

Direct Selling includes the following methods of selling:

Party Plan

Direct selling companies whose sellers primarily use parties to market and sell their products are called party plan companies. Parties have moved beyond the homes of hosts to include online parties. A unique attribute of party plan companies is the role of the host; their incentive to host a party typically includes free and discounted products.

One-to-One

Direct selling companies using this model have sellers marketing their products or services through individual, one-to-one demonstrations and other personal contact arrangements. Individuals also employ online platforms to engage in this type of direct selling.

Door-to-Door

Direct selling companies that have their sellers book appointments or knock on doors to visit their customers in their homes.

Social Selling

With the rise of social media platforms, direct selling companies are empowering their sellers to share their experiences with their products and services to help generate new leads and sales.

Big Ticket

Direct selling companies that offer products and services valued at more than \$500 have been called big-ticket companies. These include home appliances, vacuums, and kitchen products.

A Model for Self-Regulation

DSA's self-regulatory program—the Direct Selling Regulatory Council (DSSRC)—was established in 2019 and is operated under the auspices of the Better Business Bureau's National Programs. Working in tandem with the DSA Code of Ethics,

DSSRC helps ensure consumers and salespeople can have the utmost confidence in the direct selling business model.

DSSRC independently monitors earnings and product claims disseminated by all members of the direct selling community, regardless of a company's DSA membership status.

DSSRC has performed. The International Council for Advertising Self-Regulation (ICAS) honored the program in June 2021 with the Best Sectoral Initiative Award. The Council gave the honor for the program's outcomes that met the award's highest bar of achievement in terms of tangible results and relevance and for how the DSSRC encourages ethical and responsible marketing and advertising practices.

Today, company leaders and senior executives from across the globe are joining forces in an unprecedented effort to reinforce what those of us who participate in direct selling already know. This global channel, whatever its name, is a positive and increasingly important force for individual sellers and consumers everywhere.

"Our products are the foundation of our distributors' businesses—Herbalife Nutrition consumers love our products. They also love the experience and community that our distributors build around the product. It's a natural intersection that provides exposure to the business opportunity." —Randall Popelka, Vice President, Global Government Affairs Herbalife Nutrition

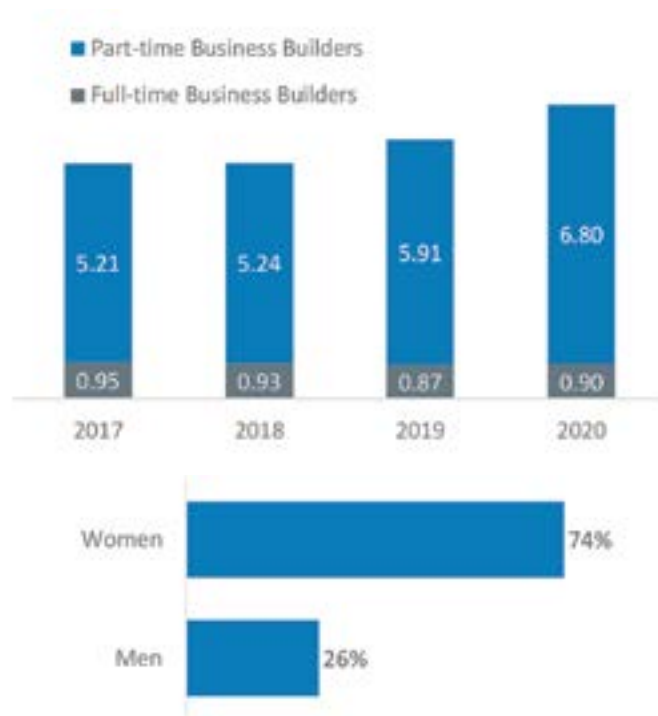
"As the retail economy transforms, businesses must do better to understand their ultimate consumer. As direct sellers, we must navigate and foster the relationship between our brands and customers without doing a disservice to those most important relationships with our independent sellers." —Danny Lee, President & CEO, 4Life Research

“Our language, a true by-product of our history, contributes to the myths and misunderstandings surrounding us. Language that is easy to understand helps all audiences—including regulators who are confused by our terminology—better understand who we are and what we do.” —Mark Statsny, Chief Sales Officer Scentsy

“Compensation plan experts joined DSA at meetings with Federal Trade Commission officials to discuss the finer points of multilevel compensation plans that often leave regulators focused on a plan’s complexities. These officials reason that if they can’t understand the plans, then a typical consumer can’t understand them. And if a typical consumer can’t understand it, the potential exists for abuse and deception.” —Joe Mariano, President and CEO, DSA

“Given today’s highly charged regulatory climate, providing distributors with resources to share accurate product and earnings claims plays a critical part in supporting a culture of compliance within your field. Social media has provided consumers and the press a stronger voice to broadcast their opinions or experiences, which has emphasized the negative impact of misleading statements.” —Jemima Wechsler, Group Vice President, Compliance, Team Beachbody

Direct Sellers (millions)



Direct Selling in the Mainstream

Direct selling is represented by celebrities, entertainers, and athletes in endorsements, partnerships, and sponsorship of charities, sports organizations, and other beloved institutions.

The Magic of Fragrance Meets the Magic of Disney

Imagine trying to create fragrances that capture Mickey Mouse’s charm, the friendly forest that makes up Winnie the Pooh’s Hundred Acre Wood, or the inquisitive and open-minded bravery that is Belle—Scentsy, the international fragrance and home décor company, is doing just that. Scentsy is launching a variety of fragrance products and scented plush toys featuring Mickey and Minnie Mouse, Hundred Acre Wood, Disney Princess, and Disney-Pixar Finding Nemo.

“We’ve worked very closely with the Disney product design team to deliver an incredible lineup of characters with signature fragrances that fit within the imaginative storytelling of the Disney brand,” said Heidi Thompson, Scentsy Co-founder and Co-Owner. “We couldn’t be more excited for Scentsy to align with Disney, one of the world’s best, family-oriented brands. We know Scentsy Consultants and customers around the world will be thrilled.”

The collaboration with Disney allows more than 100,000 Independent Scentsy Consultants across eleven countries to sell the Disney Collection. The collaboration was unveiled in Anaheim at Scentsy Family Reunion, the company’s annual convention.

“We couldn’t find a brand that better matches our aspirations and values. Family-friendly, industry

Category Retail Sales (\$ billions)



leading, creative, artistic, warm, enliven, and inspire are words from Scentsy's mission statement, but these words could be used to describe the standards Disney has set for the world," said Scentsy Co-owner, Orville Thompson "Where Disney creates powerful memories through parks and entertainment, our products will help people remember and re-live those experiences through fragrance."

The Miss USA organization has a new partner: SeneGence

In July 2021, at the SeneGence annual event held in Frisco, Texas, SeneGence Founder and CEO Joni Rogers-Kante was joined onstage by 2008 Miss USA and National Director for the Miss USA organization Crystle Stewart to announce the partnership. "Many years ago, I participated in a Miss USA event selling LipSense to their attendees," said Rogers-Kante. "At that time, I never would have believed that SeneGence would be a sponsor of the iconic Miss USA pageant." The SeneGence and the Miss USA organization partnership campaign includes exclusivity for cosmetics, television coverage (i.e., SeneGence commercials, backstage LipSense® lounge, SeneGence cosmetics used on contestants and talent), a Miss USA and Miss Teen USA custom LipSense collection, giveaways, and more. The Miss USA organization is committed to bringing pageants into the everyday lives of young women across America. Their Pageantry Reimagined® presents a new generation of women of influence whom the world has yet to meet. "Miss USA and SeneGence are two organizations that are deeply aligned with the advancement and empowerment of women, and we are delighted with this partnership," said Rogers-Kante. The 2021 70th edition of Miss USA and Miss Teen USA awards were broadcast live from the Paradise Cove Theater of River Spirit Casino Resort in Tulsa, Oklahoma.

Tastefully Simple products appear in new feature film, *As They Made Us*

The Minnesota-based company was approached by the movie's production company that felt Tastefully Simple would be the best product partner for the modern heroine and her family featured in the film. The movie, written by Mayim Bialik of *The Big Bang Theory* and hosting *Jeopardy* fame, stars Dianna Agron, Candace Bergen, and the twice honored, Oscar-winner Dustin Hoffman. It opened in theaters April 2022.

Global Direct Selling

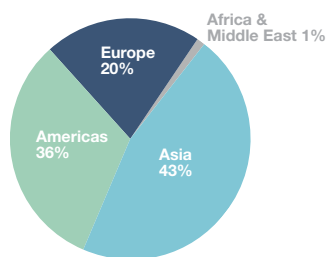
Tamuna Gabilaia, Executive Director and Chief Operating Officer of the World Federation of Direct Selling Associations (WFDSA), says that while many people are familiar with direct selling's quality products, "They don't necessarily associate those products with the industry." That is troubling, and Gabilaia acknowledges that the industry must do a much better job of spreading the knowledge about itself to better educate consumers.

"Views of the industry are directly related to people's familiarity with the industry and their firsthand experiences," she says. "However, when they associate the products with direct selling—coupled with positive, personalized experiences—they become our best advocates."

Gabilaia points out that although exaggerated earnings and product claims can negatively affect the industry's image, WFDSA's statistical data shows increasing popularity for the industry in recent years. Worldwide, retail sales have increased every year in all regions around the globe.

"Our industry is resilient and grows despite the global upward or downward economic trends," Gabilaia says. "The African continent and MENA (Middle East, North

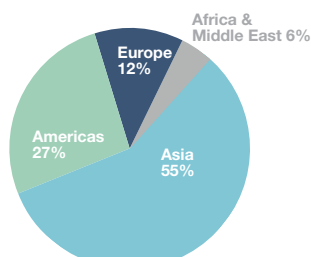
GLOBAL BUSINESS RESULTS



GLOBAL SALES

IN USD BILLIONS 179.3

Asia Excluding China*	57.3 - up 3.5%
China*	19.2 - down 20.0%
Americas	64.7 - up 10.6%
Europe	36.2 - up 1.6%
Africa & Middle East	1.9 - up 4.0%



GLOBAL SALES FORCE

125.4 MILLION

Asia Excluding China*	66.0 - up 2.2%
China*	3.6 - down 13.1%
Americas	33.7 - up 9.0%
Europe	14.5 - up 2.6%
Africa & Middle East	7.6 - up 18.2%

Africa) regions represent huge, untapped potential for the industry. We are working with direct selling associations in those regions to explore opportunities.”

Prior to joining WFDSA, Gabilaia was familiar with some direct selling products but had little knowledge of the diverse, inclusive, and empowering industry that is direct selling.

“I feel immense joy and satisfaction waking up knowing that I work with brilliant, caring, dedicated, humble, and positive colleagues and friends who make a meaningful difference every day in every type of economy and political system,” she says.

Gabilaia highlights the increased use of digital tools among the many advances that accelerated during the pandemic. “These tools are instrumental in helping direct selling companies grow by empowering their representatives to adapt and respond to the many challenges of the volatile economic environment,” Gabilaia says. “They are key drivers of increased sales and representative growth.”

Gabilaia points out that direct selling has a competitive advantage over other industries in dealing with customers off line and in person. Retailers are trying to replicate the personalized relationships that characterize the direct selling business. Direct selling has and always will evolve to stay ahead of the curve. The challenge is to tell our great story while dispelling the misperceptions about the industry.

To do all that, WFDSA has set forth its initiatives for the next few years. As Shaklee CEO Roger Barnett stated when he became WFDSA Chairman, the industry has tremendous opportunity to

- Reimagine what direct selling means in the digital world, and to provide even greater connection and support to millions around the world.
- Reinvent who is a direct seller and how we compensate them, so we can expand the number of people we impact in the future and be even more inclusive than today.
- Redefine the image of direct selling by quantifying our impact on creating a diverse, powerful, inclusive economy for all.

“We have set an ambitious agenda for enhancing the reputation of the industry and moving beyond compliance,” says Gabilaia. “The critical initiatives of reputation enhancement and ethics, and global legal and regulatory, are moving along and will enter next phases shortly.”



CEOs gather in Paris, France

Direct Selling Myths and Facts

Myth: Most people lose money in direct selling.

Fact: Minimal startup investment provides a low-cost path to starting a flexible, part-time, direct sales business.

Because of the low cost of entry—startup costs are well below \$200 in general—and minimal risk of financial loss upon exiting, direct sales is a low-risk business opportunity.

The channel has a safety net in place for sellers who decide to close their business but have unsold inventory: the 90 percent buyback guarantee from DSA member companies for products purchased within the last twelve months.

About 90 percent of people who join direct selling companies do so to earn supplemental income. Each direct seller sets individual goals. Many reach their short-term goals and then take a break, and some set higher goals and become full-time direct sellers.

Myth: All direct sellers keep inventory.

Fact: If sellers choose to hold a small amount of inventory for immediate delivery to customers or for other reasons, they are supported by DSA member companies with the 90 percent buyback guarantee.

Increasingly, direct selling companies embrace e-commerce: customers order from a seller's personal website, distributors place orders online, and products are shipped directly from the direct selling company to customers.

Myth: All direct selling companies are pyramid schemes.

Fact: There are legitimate direct selling companies, and there are pyramid schemes. Pyramid schemes are illegal.

Pyramid schemes often masquerade as direct selling companies, but there is an important and meaningful distinction. Pyramid schemes compensate members primarily for recruiting new participants, not for sales of real products or services.

In a legitimate direct selling company, product sales are the main source of a direct seller's compensation. Meaningful compensation is not based on how many people are in your business if there are no sales by those individuals.

DSA agrees with regulators and law enforcement that pyramid schemes should be fully prosecuted.

Myth: Direct selling companies are not regulated. They don't protect consumers.

Fact: Direct selling companies operating in the United States are subject to local, state, and federal laws, as are other businesses, and depending on the product or service, by the Food and Drug Administration (FDA). Laws prohibiting inaccurate earnings, income, and product claims are enforced.

The Federal Trade Commission (FTC) regulates the industry as part of its consumer protection mission. State Attorney Generals typically enforce state consumer protection laws where a direct selling company has salespeople.

All US direct selling companies are monitored and regulated by the Better Business Bureau National Programs Direct Selling Self-Regulatory Council (DSSRC), whether they are DSA members or not. The DSSRC provides impartial monitoring, enforcement, and dispute resolution regarding product claims or income representations by all US direct selling companies and their sales force members.

As a condition of membership, DSA companies must adhere to DSA's Code of Ethics, a stringent set of consumer protections, including prohibition of inventory loading and the 90 percent buyback guarantee. Independent direct sellers who represent member companies are responsible for upholding these same high standards of business ethics that companies pledge to maintain.

Myth: There is nowhere to turn if I need to report a problem with a direct selling company.

Fact: Consumers can start by reporting business practice issues directly to the direct selling company. They can also contact the independent DSA Code Administrator and the Direct Selling Self-Regulatory Council.

The BBB National Programs Direct Selling Self-Regulatory Council (DSSRC) monitors and manages concerns about the accuracy of earnings claims, income claims, or product claims made by any direct selling company, whether the company is a DSA member or not.

Consumers may report issues of inventory loading, terms of sale, warranties, and product guarantees, for example, by filing a complaint with the Federal Trade Commission (FTC) or with their State Attorney General. [DSJ](https://www.dsa-dsj.org)

WHAT'S IN A NAME?

What's in a name, indeed? In direct selling's case, it's a world of opportunity. We know who we are. Here's the story behind the iconic names of our direct selling companies of today and tomorrow.

ADVOCARE

AdvoCare Founder Charlie Ragus created the company name as a shortened version of phrase, "Advocated Who Care."

AMWAY

Amway co-founders Rich DeVos and Jay Van Andel combined the words American and Way to form the company name Amway.

AVON

David McConnell named his company Avon for the river that runs through Stratford-upon-Avon, the town where his favorite writer, William Shakespeare, was born.

CUTCO

CUTCO's name—unrelated to the word cut—comes from its parent company, Wear-Ever/Alcoa, then called the Cooking Utensil Company. Using the C from the word cooking, the UT from the word utensil, and the CO from the word company, the name CUTCO was born!

4LIFE RESEARCH

The name 4Life Research is the brainchild of Founders David and Bianca Lisonbee. The 4 stands for the 4Rs: replenishment (nutrition), reinforcement (supplementation), rejuvenation (exercise), and reflection (mindfulness) . . . for life! The Lisonbees added the word

Research to the company name to represent the hard science of creating, formulating, and manufacturing immune system products.

JBLOOM

Founder Jennifer Bonacorsi always loved the quote, "A flower does not compete against another flower. It just blooms." The word BLOOM is defined as, "The greatest period of productivity and prosperity, cultivated for its beauty." We want our Designers to be productive and prosperous while feeling beautiful inside and out. Jennifer added the "j" for jewelry, and it was a perfect fit!

JORDAN ESSENTIALS

Originally, we called ourselves Country Bunny Bath and Body to evoke a fun, mom's day out. In 2007, we evolved as a company and changed our name to Jordan Essentials, inspired by Bible stories of crossing the Jordan River into the promised land, the baptism of Jesus, and the river's path leading to the Dead Sea. Jordan is a good, solid name; Essential means you must have it!

MARY KAY

Originally named Mary Kay Cosmetics, Mary Kay Products, Inc. was named after its founder, the legendary businesswoman Mary Kay Ash.

OMNILIFE

The name OMNILIFE means TOTAL LIFE, representing a company founded in 1991 by husband-and-wife team Jorge Vergara and Maricruz Zatarain. The company creates nutrition products with leading-edge technology while providing an economic-growth



Shaklee
MAKING HEALTHY HAPPEN™

RODAN+FIELDS

AVON

the company for women



Amway

jBloom™



CUTCO

thirty-one™



OMNILIFE



MARY KAY



SeneGence

opportunity for millions of Distributors and consumers around the world. A TOTAL LIFE is a life that evolves goals, transcends expectations, and fulfill dreams.

PM-INTERNATIONAL

PM-International stands for Premium—from the beginning to the end—and has for almost thirty years. Premium products help us live in a holistic way. For us, premium implies the appearance, the offering, the way you care for and treat your customers, and your business. For Rolf Sorg, CEO & Founder PM-International, “It’s the complete picture.”

RODAN + FIELDS

Rodan + Fields is named for our co-founders, Dr. Katie Rodan and Dr. Kathy Fields, women dermatologists and product developers of two, \$1 billion-plus brands, with a unique perspective on the importance of entrepreneurialism. The company is deeply committed to advancing their vision to change lives by empowering entrepreneurs through our direct sales model.

SENEGENCE

SeneGence derives its name from the terms Senescence, meaning the process of aging, and Intelligence, meaning the ability to obtain and apply knowledge.

SHAKLEE

Our founder is Dr. Forrest C. Shaklee, inventor of the first multi-vitamin supplement in the US.

THIRTY-ONE GIFTS

The company’s name comes for Proverbs 31, an inspirational passage for founder Cindy Monroe. Both the name and the proverb describe a virtuous woman as someone who exhibits hard work, wisdom, encouragement, and care for others. Because of these qualities, she is worthy of reward, honor, and praise.

TRAVELING VINEYARD

Inspired by a Pampered Chef party he attended in 2001, Rick Libby envisioned a unique business model that would bring the authentic winery experience into living rooms across the country with exclusive, high-quality wines marketed by a network of passionate, energetic, and independent wine consultants. The name Traveling Vineyard was born—literally the perfect fit for bringing the wine tasting experience to you.

USANA

USANA Founder and scientist Dr. Myron Wentz turned to classical languages to name the company. The name USANA means combines the Greek word eu meaning true and the Latin word sana meaning health.

ZURVITA

Zurvita, a word with Latin roots, means the risen life. To us, this meaning of the name embodies hope, the promise of a new life, and the desire to foster a place where we can provide a new beginning to many. **DSJ**

THE LIFE CYCLE OF A DIRECT SELLING COMPANY

By Chuck Thompson, Chief Consultant Engagement Officer, Scentsy



We sometimes learn more about our company and ourselves when the business is in decline and during those pivotal, humbling moments as we work toward the next ascent.

My journey in direct selling started in 2006 when Scentsy Co-CEO Orville Thompson asked me to join the company to focus on building the accounting department. Being part of those early years meant taking on several roles that included working directly with our field. Over time, I moved from my role as CFO to Chief Culture Officer and now as Chief Consultant Engagement Officer. I have been privileged to be part of the senior management team through the highs, lows, and everything in between.

As Orville discussed at a 2020 DSA presentation, all direct selling companies go through predictable stages of development and maturity: launch, tip, hypergrowth, dip, and then—for companies lucky and tenacious enough—renewal. While every company experiences these stages differently, we can learn valuable lessons during every phase of the business cycle.

While I was not yet with Scentsy during its launch, I was here for the tip, the period between launch and hypergrowth. It was exciting to watch so many people falling in love with our product and sharing and expressing what we came to call “Scentsy Spirit”—the embodiment of our culture.

In our business, culture is everything. In the book *As a Man Thinketh*, British philosopher James Allen observed that we do not attract what we want, we attract what we are. The cultural pillars

of Scentsy—established by Co-CEOs Heidi and Orville Thompson when Scentsy launched in 2004—continue to reflect who they are, not just what they aspired to be. As the years passed and Scentsy grew through the launch, tip, and hypergrowth phases, we attracted employees and consultants who aligned with our culture.

The key elements of our culture include the core values of Simplicity, Authenticity, and Generosity. Our mission statement is, “To bring value to the world by providing an industry-leading, family-friendly business opportunity.” Our motto is, “Contribute more than you take.” Collectively, this means we aim for simplicity in all that we do, we accept people as they are, and we contribute to others more than we take from them.

So, what does this have to do with the life cycle of a direct selling company?

In business, there is really no such thing as maintaining. We are either in a state of growth or a state of decline. One thing we have learned over the years is that growing or declining as a business is not always reflected in the numbers. In fact, often what the world sees is the result of an organization growing or declining. It’s the fruit of our labor manifested in our results.

Scentsy is one of the fortunate direct selling companies that hit hypergrowth relatively quickly. From our launch in July 2004 through 2006, when I started, the company experienced amazing growth, going from \$0 to around \$2 million in the first eighteen months. By the end of 2006, about 500 consultants with a



combined revenue of a little more than \$2 million had joined the company.

Even at that early stage, Orville had put together what turned out to be an extremely simple, yet reliable forecasting model based on only a few key data points. Over time, we found it could predict our future sales and field growth, as well as pending declines, with surprising accuracy. We could see changes coming far enough in advance to adjust the plans in a proactive way. We learned to trust data, and this allowed us to stay profitable and financially strong as the inevitable ups and downs happened. The model also helped us manage growth and smooth out those dips when they occurred.

I remember one night in the spring of 2007 when Orville and I were going over the long-term projections that the model had revealed. Scentsy was in the early stages of hypergrowth. We were preparing to expand into larger facilities while planning for our longer-term needs. At the time, we projected our data model out through 2012. Those data projections helped guide us into what type of facility we would need to support our long-term growth. We did not want to be moving in reaction to growth, we wanted to be preparing for it in advance.

I had forgotten about that 2007 conversation until 2012 when Orville reminded me of it and those early projections. Back in 2007, when we had a little more than 1,000 Consultants and were embarking on what would be a \$13 million year, we had boldly projected \$600 million in sales for 2012. We missed that five-year-old projection by only about 10 percent and ended what was to be our best sales year for a few years to come at about \$560 million.

And yet, 2012 was not the best year for our company's culture and our connection to the field. In fact, it was a dangerous time. We were flying high in continued hypergrowth. DSA spotlighted us frequently at its events, and we won awards. And while many of those accolades were deserved, we were beginning to think we could do no wrong. We were sowing the seeds of a deepening decline even as we were continuing to see sales growth. Our model served us well—we could see a decline coming. But our own hubris, based on continued success and praise, had convinced us that we could reverse that potential outcome and avoid declines altogether. We took our eyes off what really made us successful: our dedication to simplicity and our mission to support our consultants as they grow their businesses.

Predictably, our dip came in 2013. During that time, the entire executive team was very busy presenting ideas for what our individual departments could do to return to growth. We were in meeting after meeting, drawing on the whiteboards and sharing our department visions and plans for the coming year, each of us knowing we had the answer. But we were still missing something.

Fortunately, we are led by two of the most amazing people. In the middle of one of those meetings, Heidi stopped us all and asked this piercing question, "What does any of this have to do with consultants and our culture? What grades do we give ourselves on doing what is most important?" It was like having ice dumped on our heads, waking us all up. In the space of several hours together, we completely changed everything we had planned. We rededicated ourselves to our culture and our core purpose, supporting our consultants—even if we had lost sight of it for a season.

Humbled by our dip, and with Heidi's guidance and advocacy for our culture and our field, we realized that if we did not return to a focus on our culture—the very thing that made consultants want to stay, grow their teams, and become ambassadors and stewards of Scentsy—the declines would be permanent.

In retrospect, our dip was one of the greatest blessings that could have happened to us as an executive team and as a company. The seeds of decline are most often planted at a time of abundance. Those inevitable dips are important focal points that either destroy or make a great organization. To this day, we remind ourselves of our prior difficulties to help us stay true to who we are as a company.

We strive never to forget the lessons learned in that first dip. Especially as our company, along with many others in our industry, doubled in size from 2019 to 2021. After such incredible hypergrowth, and with a continued focus on our culture, I know we can weather the next dip and continue bringing value to the world and to our most important assets: Scentsy Consultants. **DSJ**



ATTITUDES TOWARD DIRECT SELLING

How Entrepreneurs and Consumers
See the Channel



Three white, rounded dice are arranged horizontally on a light-colored wooden surface. The first die shows the letter 'i', the second shows 'v', and the third shows 'e'. The background is a solid, vibrant green. The entire scene is framed by a thin teal border.

A record-setting year in 2020 for retail sales, direct sellers, and customers had the US direct selling channel riding high and carrying tremendous momentum into last year. Although 2021 sales are expected to return to historical norms—the USDSA will release final figures in June—during the pandemic, the channel emphasized the impact of its presence on local economies, showed investors the adaptability of its business model, offered displaced workers clear paths for career options, and gave consumers a diversity of products for living in a post-COVID world.

Gen Z and Millennials are among those with a growing interest in the channel who see the positive opportunities of having direct selling in their lives. This is good news for the future of direct selling. And with the next few years likely to bring more disruption, consumer attitudes and behaviors will likely change as well. In addition to the lingering impacts of the pandemic, ongoing challenges from e-commerce platforms and increased competition for workers by other industries, direct selling will need to closely monitor consumer and worker sentiment to stay competitive and remain relevant.

A Changing Environment

The channel's success in 2020 took many by surprise. The United States was deep into a pandemic that led to the loss of millions of American jobs and a sharp decline in consumer spending. Yet direct selling achieved double-digit growth, not only in retail sales but also in the number of direct sellers participating in the channel and the number of preferred customers and discount buyers.

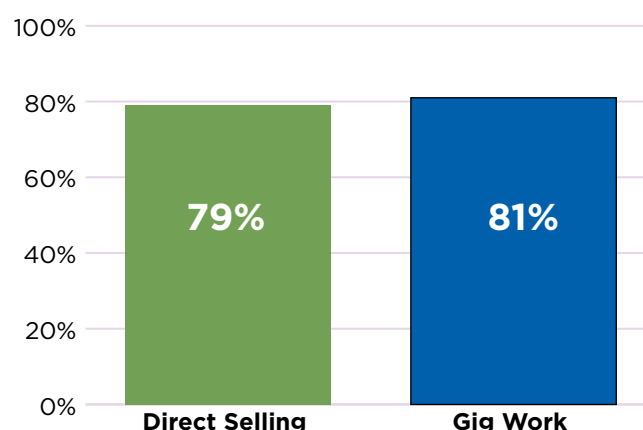
Direct sales broke the \$40 billion mark that year, with the channel generating \$40.1 billion, up 13.9 percent from 2019. By comparison, in the last decade, the greatest percentage increase was 2012's high of 5.9 percent.

The number of people using the model to sell products or services broke records—with 7.7 million, a 13.2 percent over 2019, and with 41.6 million preferred customers and discount buyers, a 12.7 percent increase over the prior year.

Those numbers helped to strengthen the long-held perception that the channel excels during the toughest economic downturns. As DSA President and CEO Joseph N. Mariano noted upon the release of the data, "Direct sellers prove time and again to be nimble microentrepreneurs, willing and able to serve their customers and communities within a changing environment."

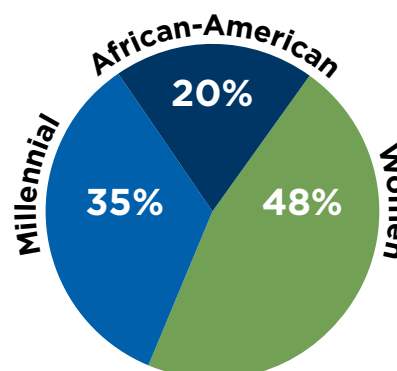
This past October, DSA released its forecast for 2021 based on its own research, public company reporting, member growth expectations, and broader retail and labor market macroeconomic indicators. The Association expects to see a sales increase of 4 to 7 percent—a range between \$41.7 billion to \$42.9 billion—which would be in line with, or slightly exceed, industry percentage increases of the last decade.

Direct selling is seen as an attractive option for entrepreneurial opportunities. Favorability toward...



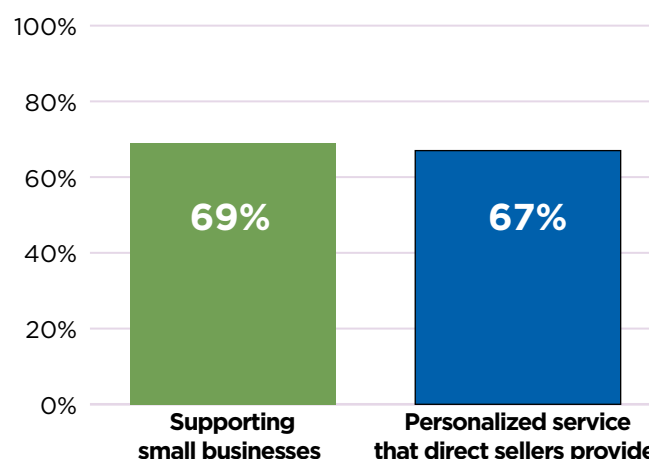
Source: DSA/Ipsos Study

Direct selling has broad, diverse appeal in the United States. Direct selling prospects are:



Source: DSA/Ipsos Study

About 80 percent of US consumers exhibit positive perceptions of direct selling, a figure that has remained stable for more than a decade. Consumers find the following most appealing about the direct selling channel:



Source: DSA/Ipsos Study

Entrepreneur Attitudes

Every three to five years, DSA publishes its Consumer Attitudes & Entrepreneurship Study, a comprehensive report designed to help direct selling leaders better understand consumer attitudes and perceptions about the channel. In late 2019, DSA commissioned Ipsos, the third-largest market research firm in the world, to conduct a new study, the results of which were released in March 2020.

The report revealed that 77 percent of Americans are interested in flexible, entrepreneurial opportunities, with 91 percent of Gen Z and 88 percent of Millennials showing an interest in direct selling. Interest in starting an entrepreneurial opportunity was relatively equal among men (79 percent) and women (76 percent).

Given the data supporting Americans' interest in entrepreneurship, Ipsos noted that while US unemployment is near a fifty-year low, average wages have been stagnant for the past fifty years, and household debt has increased. Americans are looking for options to earn supplemental income to improve their sense of financial security during these challenging times.

What do people want from their entrepreneurial opportunities? An October 2021 DSA survey found that they want the following:

- Trustworthiness of company (52%)
- Low start-up cost (48%)
- Low risk (47%)
- Ability to work from home (46%)

An Ipsos September 2021 survey found work-life balance (58 percent) and flexible work hours (56 percent) to be among the top reasons that Americans stayed at their jobs. Other top reasons included a positive work environment/culture (44 percent) and competitive pay (40 percent).

Consumer Attitudes

Consumer attitudes have evolved over the course of the pandemic. COVID and its aftereffects convinced buyers to rethink how they buy, when they buy, and why they buy. Another post-COVID shift in consumer thinking is an increased focus on shopping local. Many consumers, especially those who witnessed the struggles of neighborhood businesses, changed their shopping habits at big-box retailers to support the small, local shops that were hit hard by the pandemic.

Direct selling is having its moment as the buy local mentality extends to purchasing from the channel's independent business owners. The buy-local shift comes just as consumers are having increasingly positive attitudes about direct selling.

According to the DSA/Ipsos study, consumers give positive reviews to their direct selling experiences

and have a positive perception of direct selling as both an attractive entrepreneurial opportunity and as "an ideally personalized and convenient way to shop local."

The survey noted that this sentiment toward direct selling is not new. Over the last ten years, the perception of the channel has remained at about 80 percent positive. Also, most consumers feel good about and find value in supporting a small business (69 percent) as well as the personalized service that direct sellers provide (67 percent).

In addition, the study revealed a growing shift to purchasing online from direct sellers, with almost half (46 percent) of those participating in the survey willing to welcome contact from direct sellers regarding business opportunities on social media.

Will these good feelings about direct selling continue? There's reason to believe they should, especially when considering the recent mindset of consumers. Consider this: consumer sentiment during the pandemic reached its lowest point in April 2020 (45.1 percent) and its highest point (62.4 percent) in June 2021, according to the Ipsos Forbes Advisor Consumer Confidence Tracker. Shortly thereafter, it fell again as the Delta variant of coronavirus appeared. Yet, through it all, interest in direct selling products and opportunities climbed to an all-time high, evidenced by record-setting sales and nearly one million people choosing direct selling over other forms of gig work in 2020.

Looking Ahead

Direct selling had a successful decade from 2010 to 2019 compared with its retail sales counterpart. The channel started the decade with six consecutive years of sales growth, topped by an all-time high of \$36.12 billion in 2015. While 2020 will be bookmarked as a year in which sales results exceeded all expectations, the public's opinion of direct selling for the way the channel adapted to a rapidly changing and disruptive world may be its greatest achievement of the year.

Direct Selling 2010-2019

- 2010: increase of 0.6% to \$28.5 billion
- 2011: increase of 4.8% to \$29.87 billion
- 2012: increase of 5.9% to \$31.6 billion
- 2013: increase of 3.3% to \$32.7 billion
- 2014: increase of 5.5% to \$34.47 billion
- 2015: increase of 4.8% to \$36.12 billion
- 2016: decrease of 1.6% to \$35.54 billion
- 2017: decrease of 1.8% to \$34.9 billion
- 2018: increase of 1.3% to \$35.4 billion
- 2019: decrease of 0.5% to \$35.2 billion
- 2020: increase of 13.9% to \$40.1 billion

On the entrepreneurial front, displaced workers seeking financial security found direct selling opportunities compelling and a promising alternative to gig work. Women, who were disproportionately affected by mass layoffs, found the flexibility they needed to care for their children while embarking on new careers. Younger people wanting to start their own businesses and take control of their financial destinies found opportunities in the diversity of products and services offered by our companies.

On the consumer front, COVID put a greater focus on health. People who wanted help making lifestyle

changes found products and guidance for healthier living through direct selling's health and wellness companies. Simple pleasures, such as cooking together or reading to children, spoke to consumers shuttered in and looking for opportunities to return to the fundamentals of a good life.

As the next few years see more changes, direct selling is well-positioned for continued success. Attitude is everything in a crowded marketplace. The channel's ability to innovate and adapt has proven to entrepreneurs and consumers that it will continue to be a winning business model well into the future. [DSJ](#)

What Entrepreneurs Are Saying about Their Direct Selling Opportunities

Direct selling is more than just a business opportunity. For many, they are brand ambassadors sharing the products they love—those that help them look and feel better, take control of their health, offer supplemental education to their children, or just bring happiness into the lives of their families and friends. Others look to direct selling for the supportive communities, friendships, and networking. Here is just a sampling of the ways direct selling has impacted the lives of entrepreneurs.

TRAVELING VINEYARD

"I love marketing a consumable product that appeals to all demographics. We have something for everyone and at an affordable cost."

—Carla, Traveling Vineyard

RODAN + FIELDS

"Recently, someone asked, 'What anti-aging skin care do you use? Your skin looks amazing.' I was excited to get the compliment and help her get the Rodan + Fields products that I use."

Tanya, Rodan + Fields

SIMPLYFUN

"I've been a SimplyFun Independent Playologist for almost seven years. I bring families together and help kids learn through PLAY with SimplyFun's family and educational board games. I absolutely love getting to set my own hours."

—Mary, SimplyFun

ZURVITA

"Zurvita gave me a new life, restored health, a transformed mind, and a stronger body at 56 than at 36."

—Theresa, Zurvita

JORDAN ESSENTIALS

"I love Jordan Essentials products! It's a big plus that I can trust that they are safe for my loved ones and me, and I can say that with confidence to my customers for their families."

—Jennifer, Jordan Essentials

OMNILIFE

"I started with Omnilife to improve my life. I lost ten pounds by gaining a business that has me eating a healthy diet, implementing my physical activity plan, and having proper rest."

—Rosa, Omnilife

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WINNING THE GIG GAME:

How Digital Transformation Helps Direct Selling Companies Lead the Gig Economy

By George Elfond,
Co-Founder and CEO of Rallyware

Direct selling companies operating in the United States face a constantly evolving legal and regulatory landscape. Business practices and methods that were once viewed as acceptable or compliant may now invite significant legal or regulatory risk to a company and its stakeholders. Companies should, therefore, regularly evaluate their business practices to ensure that their risk profile has not increased due to business activities that are now deemed noncompliant or illegal.

Commit to Policing Improper Earnings Claims

Improper earnings claims are typically what will put a company on the radar of the Federal Trade Commission. Recently, the FTC launched a new rulemaking initiative to address deceptive earnings claims. Companies that do not have issues with improper earnings claims are much less likely to attract FTC scrutiny. Therefore, ensuring that your company is not publishing improper earnings claims is a logical place to start. In its complaint filed against AdvoCare, the FTC listed numerous examples of improper earnings claims made at AdvoCare-sponsored events and on company-created social media posts and webinars. Companies should ensure that their marketing personnel are properly trained on what is and is not a permissible earnings claim.

Just as importantly, companies must publish accurate data reflecting the earnings of all program participants. An income claim is considered deceptive if information is not disclosed showing what potential participants can typically expect to earn. A company's Income Disclosure Statement (IDS) is a critical document. The FTC's issue with AdvoCare's Income

The FTC has unequivocally stated that it intends to hold MLM companies responsible for improper earning claims made by their distributors.

Disclosure Statement was that it only reported earnings data for active distributors. Advocare defined active distributors as participants who earned income in the previous year. The FTC alleged that AdvoCare's IDS was deceptive because less than 30 percent of all AdvoCare distributors earned income. By only disclosing the earnings data for active distributors on its IDS, the FTC alleged that the IDS was misleading because it failed to include earnings data for more than 70 percent of AdvoCare distributors. Done properly, the IDS can be an important insurance policy for MLM companies. A full and transparent disclosure of all participant earnings will significantly reduce a company's exposure to regulatory scrutiny. On the other hand, an incomplete or misleading IDS can provide evidence the FTC relies on in concluding that a company has made deceptive earnings representations in violation of Section 5 of the FTC Act.

The biggest challenge a company faces in reducing exposure for improper earnings claims is in policing claims made by members of its sales force. The FTC has unequivocally stated that it intends to hold MLM companies responsible for improper earnings claims made by their distributors. Companies must do much more than simply have policies in place that prohibit

distributors from making improper earnings claims and occasionally enforce those policies. In today's regulatory climate, companies must implement a training program that educates distributors on what is and is not a permissible earnings claim. Companies must also commit to terminating distributors at any level or rank who persist in making improper earnings claims. Companies must also actively monitor distributor social media posts and compel the removal of social media posts that contain improper earnings claims.

Take a Fresh Look at Your Company's Compensation Plan

In the current regulatory climate, the FTC has prioritized scrutiny of MLM compensation plans. This heightened attention means that all MLM companies should review their compensation plans to avoid getting caught in the FTC's crosshairs. Here are a few things to consider when evaluating your company's compensation plan:

- The compensation plan should reflect that commissions and advancement awards are based primarily on verifiable retail sales volume, not participant purchases.
- Regardless of a compensation plan's terminology, an emphasis on recruiting over selling products

is viewed by the FTC as indicative of an illegal pyramid scheme. In its 2019 complaint against AdvoCare, the FTC was critical of a Rookie Bonus that rewarded AdvoCare distributors who recruited at least three new distributors while generating sales volume from the new recruits. The FTC found this bonus to be indicative of an emphasis on recruiting rather than retailing products. This is important. Many companies have similar programs that incentivize recruiting by rewarding new volume (new volume can only be generated by recruiting new participants). The FTC's allegation directed at the AdvoCare Rookie Bonus is untested. It's a reminder that companies that offer rewards or bonuses for new volume should be explicit in their program materials that the reward is based on new, verifiable retail sales volume and that the reward does not emphasize the recruiting of new distributors in the program description.

- Policies requiring retail sales to nonparticipant consumers should be in place and be enforced.
- Words and terms used in the compensation plan matter. Volume should be defined to reflect an emphasis on retail sales to nonparticipants. Many comp plans define volume as the volume from participant personal purchases and the volume generated from retail sales to nonparticipant

Win in the gig economy by supplying the ultimate personalized entrepreneurial experience



Words and terms used in the compensation plan matter. Volume should be defined to reflect an emphasis on retail sales to nonparticipants.

customers. If volume is defined this way, the compensation plan can conceivably allow rewards to be earned based on participant purchases only, with no retail sales activity. Even if this is not how commissions are generated, a loose definition of volume could convince a regulator that all rewards available in a company's compensation can be achieved with no retail sales activity.

- Companies must demonstrate that revenues are derived primarily from the retail sale of products to nonparticipant purchasers. The FTC views failure to collect this data, or the non-existence of such data, as indicative of an illegal pyramid scheme.
- Activity or maintenance requirements should ideally be based on retail sales volume, not personal purchases by program participants. At a minimum, any activity requirements of participant purchases should be limited to an amount that a participant can reasonably be expected to consume or use within the relevant time period.

Is Your Distributor Agreement Enforceable?

The inability to enforce the terms of the independent distributor (IBO) agreement is a recurring problem for many MLM companies. Can the company demonstrate that it has a legally enforceable and binding agreement with its independent sales representatives? A company does not want to discover in the middle of a lawsuit defending a consultant termination or retraining a rogue distributor that it cannot or is unable to enforce the terms of its consultant agreement.

The online enrollment process of IBOs poses a potential problem. All documents that comprise a company's distributor agreement (such as online terms and conditions, policies and procedures) should be available, in their entirety, to a new distributor at the time of enrollment. A company should not process a distributor's enrollment without creating a valid electronic record of (i) the distributor's acknowledgment that she or he has reviewed the entire distributor agreement, and (ii) the distributor's agreement to be bound by the terms of all such documents. This is particularly important for companies that incorporate policies and procedures or other documents that reference an online distributor agreement. If not done properly, a judge or arbitrator may decide not to enforce the policies and procedures because the company cannot prove that the distributor agreed to those terms at the time of enrollment. The result may be harsh—such as a company's inability to enforce an

arbitration provision, forum selection clause, or class action waiver—if those provisions are included in an unenforceable policies and procedures document.

A second enforceability issue can arise with similar or identical provisions in different parts of the distributor agreement (for example, a dispute resolution provision in the online terms and conditions and a second dispute resolution provision in a policies and procedures document). If a company amends one set of provisions but neglects to amend the other set, the two provisions may conflict and be unenforceable. This discrepancy in documents forced one MLM company to defend a class-action lawsuit that could otherwise have been avoided if not for conflicting provisions in the company's independent distributor agreement and policies and procedures.

A third potential problem can occur when an independent distributor agreement is void due to unconscionability. An agreement is unconscionable (and unenforceable) if it is determined to be inherently unfair. State laws vary, but an unconscionability analysis is usually a two-step process. The first inquiry is focused on whether the contract is procedurally unconscionable, and the second inquiry focused on whether the contract is substantively unconscionable. A contract that is deemed to be both procedurally and substantively unconscionable is legally unenforceable. Because most MLM companies use a standardized independent distributor agreement in which a prospective distributor is given no meaningful opportunity to negotiate the terms, the majority of MLM independent distributor agreements are likely to be deemed procedurally unconscionable. As a result, companies must ensure that their independent distributor agreements are not substantively unconscionable. In assessing substantive unconscionability, the primary inquiry is whether the agreement terms are mutual or one-sided. For example, a contract provision that requires a distributor to assert a claim against the company within one year from the date of the occurrence or breach—but does not require the company to do the same—is arguably substantively unconscionable. If your company's distributor agreement contains numerous one-sided provisions that are overly favorable to the company, then the agreement (or certain provisions) may be unenforceable due to unconscionability. **DSJ**



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LAUNCHING A NEW BUSINESS IN 2022

**Accounting for New
Methods While
Staying Committed
to What's Proven**

By Brett Duncan, Strategic Choice Partners



“The way to get started is to stop talking and start doing.”

Walt Disney shared this concise advice on how to get things off the ground and, given his track record, there’s obviously some truth to it. Thinking about starting a new business is one thing; actually starting one is something completely different.

In today’s world, the rules and best practices of launching a new business can seem as disorienting and thrilling as a ride through Space Mountain. So, while the “doing” is indeed the important part, there is some thinking and even a little talking that can prove to be helpful before launching a new venture.

In this article, we hope to capture a bit of thinking from some helpful resources and fans of the industry. We reached out to DSEF Fellows Dr. Sher R. Gibbs, Dr. Stefanie Boyer, Dr. Adam Mills, Dr. Linda K. Ferrell, Dr. O.C. Ferrell, and Dr. Greg Marshall, asking essentially the same question: what are the top challenges for launching a direct selling company (or any retail business) today? Their collected viewpoints provide a robust provocation for any soon-to-be founder.

Clarity and Commitment Regarding Value and Audience

The more things change, the more things stay the same. This cliché became apparent in the feedback from just about every contributor as they underscored the importance of clarity and focus on value proposition and audience targeting.

“The most common mistake new startups make is not having a crystal-clear vision of their value proposition,” shares Adam Mills. “Successful launches ultimately aren’t about cool new products or innovative services; they’re about adding value to someone’s life by filling a need, satisfying a want, or satiating a desire. Most new businesses are driven from the inside out (product-centric strategy), not the outside in (customer-centric strategy), which is why 90 percent of new businesses fail.”

Linda and O.C. Ferrell agree, noting an all-too-common mistake made by launching companies: “Not understanding the market and what consumers need and want. Just because you can source or produce a particular product does not mean there is an accessible market with the needs, means, and desire for the product.” Stefanie Boyer adds, “Another challenge is going after everyone rather than creating buyer personas and strategically selling to those profiles using different approaches. Using a one-size-fits-all approach doesn’t work.”

Targeting alone is not enough. It’s something that needs to be done correctly, as Greg Marshall explains: “One common mistake is to over-target one generational consumer base versus another. The core concepts of market segmentation are still totally valid today but can be self-limiting if implemented

“Successful launches ultimately aren’t about cool new products or innovative services; they’re about adding value to someone’s life by filling a need, satisfying a want, or satiating a desire.”

— Dr. Adam Mills, DSEF Fellow

haphazardly. Ironically, some firms are getting trapped into a sort of Gen Z consumer worship cycle. I can tell you with high certainty that if you decide to target solely Gen Z at this point, good luck with that! Market research is just now beginning to reveal hints of what the longer-term trajectory of this generational group might look like as consumers, and it is very likely that as they evolve, even in the short term, a company’s offerings will have to work hard to keep up a high level of relevance to them.”

Sher Gibbs points out that companies must also account for diversity in their targeting, as well as their hiring, as they set out. “We live, work, and operate in an increasingly diverse world with a similarly diverse customer base. Startups should note that small businesses that value racial diversity and create an inclusive organizational climate from inception can increase competitiveness, performance, and long-term survival (Sequeira, Weeks, Bell, and Gibbs, 2018). Boycotts of brands such as Tommy Hilfiger and Dolce & Gabbana demonstrate that companies that fail to exhibit racial sensitivity will suffer dire consequences. These issues can be avoided if companies hire corporate staff and distributor salesforces who reflect their customer base.”

Clarity around messaging and audience sounds so simple, but it’s a challenge that has snagged many direct selling companies in the past. The reason? We’re an industry that relies on the emotions and motivations of a volunteer salesforce that is also marketing a tangible, feature-rich product to our chosen target audiences. “We need to stop getting hung up on minutia,” warns Mills. “It’s easy to talk about product features, bells and whistles, nuances of compensation plans, and so forth because they’re all tangible. It’s harder to talk about dreams and help someone become the person they want to be — it’s intangible, elusive, mysterious, and harder to figure out. But that is the key to conversion. It takes a lot of work that nobody wants to do.”

Technology and Social Media

Technology and social media have a massive impact on the launch of any new business. In most cases, everything that was out of reach not so long ago for a young company is now accessible. While commitment and clarity surrounding value proposition and

audience targeting continue to be must-haves for long-term success, companies who best leverage the many areas of technology seem to accelerate in their launches over others.

“Twenty years ago, we had to share ourselves and our success story with one person at a time unless we wanted to host parties or events that are notably resource intensive,” explains Adam Mills. “Today, we can share ourselves and our stories with thousands of people without even leaving the house. Social media certainly requires work, but it grants an immediate and intimate connection with other people that simply has never existed before and has critically extended our ability to connect with people we don’t know without an intermediary.”

And social media is no longer just a tool to reach the younger generations. Greg Marshall adds, “The very word ‘direct’ selling obviously has historically implied face-to-face in some way or the other. But you’d better believe that it’s not just the younger generations that have strong preferences toward doing business with providers through social media channels. ALL generations of consumers are increasing their use of these modalities. A big part of training future direct selling reps must include blended approaches to their customer strategies.”

Stefanie Boyer is a creator of RNMKRs, a tool that helps train large groups of people to sell by speaking directly with an AI bot for immediate feedback. Based on her expertise in this area, she recommends a few other important areas of technology that companies must consider. “Technology helps companies understand and predict customer behavior, make immediate decisions with real-time data, and get sales teams up to speed. Technology tools to analyze large, real-time data sets are available to help companies make informed decisions. In addition, an omnichannel strategy is more important than ever before. Your marketing and sales need to speak to each other across social channels, websites, and in-person touchpoints.”

New companies today actually have the advantage of not looking at the world through an “in-person vs. virtual” reality. If the pandemic has proven anything, it’s that these worlds have all merged together. “There’s really no need for ‘virtual’ in air quotes anymore; it’s just the world,” adds Mills. “It’s digital, but there’s nothing virtual about it. For better or worse, there’s no longer a separation between our digital and analogue lives.”

New companies aren’t just embracing these digital tactics for digital’s sake; they’re seeing that the personal connections we crave and celebrate as a channel can still thrive via these new methods. Linda and O.C. Ferrell capture it well in their own experience: “As college professors who now teach most of our courses online and virtually, we have found a greater connection to our students via remote

“Technology helps companies understand and predict customer behavior, make immediate decisions with real-time data, and get sales teams up to speed. Technology tools to analyze large real-time data sets are available to help companies make informed decisions.”

— Dr. Stefanie Boyer, DSEF Fellow



learning platforms, Zooms, emails, etc. We have more personal communication on a one-to-one basis than we have had in parallel classroom settings. There is more fluidity in our communications . . . not limited to a meeting or class time. The same applies to direct selling.”

Pandemic Shifts and Adjustments

Beyond the use of social media and technology, the pandemic and life “two years later” have created new opportunities and challenges for companies. And these challenges and opportunities are morphing at more accelerated rates than ever before.

Greg Marshall captures the spirit of post-pandemic considerations well: “The obvious 800-pound gorilla is the set of sociological impacts that a global pandemic brings. How folks experienced the pandemic will no doubt alter aspects of their core roles as consumers of goods and services. Not that the game plans in marketing and sales have to be totally rewritten to accommodate this, but there’s little doubt that both of these functions of a business will change in important ways as consumers settle into their post-pandemic preferred approaches to engaging with companies. This can be an advantage for new companies. A new launch can build its go-to-market model from scratch based on the revised consumer engagement model, while existing firms will have to muster maximum adaptability and alter or give up some of the old ways in order to compete in the new marketplace.”

The pandemic era highlights the importance of training and access to training for our salesforce. Stefanie Boyer says, “Companies across the board who do not invest in their sales training and strategy suffer the most. Often, companies want to cut costs, and sales is not the place to do it. Teach them how to find customers outside of their immediate friend and family groups. Explore the opportunity to learn and grow as they start their businesses rather than


focus on earnings. Your training is a benefit to them, like taking college credits for free. Use technology to provide training at scale to help your new contractors find success.”

A Commitment to Compliance

Of course, today’s direct selling environment requires a keen eye and careful attention toward compliance and regulations. A new company is setting the foundation for their company’s attitude toward compliance, whether they know they’re doing it or not. Smart companies will take this into account from day one.

Linda and O.C. Ferrell were contributing authors of *Direct Selling: A Global and Social Business Model*, a book that provides an overview of a good approach to ethics and compliance programs within direct selling. “In the pandemic-era, the actions of businesses are being challenged more and more while facing greater skepticism. Many companies are not mindful of how business is scrutinized by the legal and regulatory community. Understanding the concerns of the relevant regulatory bodies of your product can help you understand potential challenges you may face in launching with the FDA, FTC, state attorney’s general offices, etc.”

Is there more to launching a new business? Of course. But whereas some components are table stakes for certain ventures, our academic colleagues have shined a light on areas where successful launches will focus and leverage while others potentially miss out on the opportunities of the moment.

The most certain takeaway is that best practices don’t stay that way for long. Transition is occurring at an accelerated pace. At the end of the day, a new company will be successful because they are successful at adapting to the rapid contextual changes and adopting new methods thoroughly and swiftly. 

“How folks experienced the pandemic will no doubt alter aspects of their core roles as consumers of goods and services.”

— Dr. Greg Marshall, DSEF Fellow



HOW TO SUCCEED IN DIRECT SELLING IN GERMANY

By Jochen Clausnitzer, General Manager of BDD, the German DSA



With annual revenue of US\$18 billion and more than 900,000 direct sellers, Germany is the largest direct selling market in Western Europe, with an upward growth trajectory spanning more than a decade. Geologically based in the heart of Europe with more than 80 million residents, Germany is treasured for its strong and dynamic economy, innovation, and stable political environment.

Because it's a growth market with enormous potential, doing business in Germany is at the top of the list for many American direct selling companies who intend to expand their European presence. If you fall in this category, your expansion teams are probably asking, "What should we know in considering the German market?" To answer this question, the German DSA (Bundesverband Direktvertrieb Deutschland [BDD]) recently published a guide for companies who are considering entering the German direct selling market. The English guide, *How to Succeed in Direct Selling and Social Selling: A Guide for Starting a Business in Germany*, is now available either at [Amazon.com](https://www.amazon.com) (print or e-book) or directly from the German DSA (info@direktvertrieb.de).

The Guide's Content: From Legal Requirements to Valuable Practical Tips

The BDD organizes an annual Founders Seminar to advise companies interested in entering the German direct selling sector. Publishing the guide was a logical outcome of our work analyzing start-up and expansion inquiries for global companies. The guide helps direct selling companies understand and identify the correct legal form for collaborating with sales partners—such as self-employed commercial agents versus resellers—while explaining the advantages and disadvantages of both legal forms.

In Germany, direct selling companies work with commercial agents to offer uniform consumer pricing and to restrict direct sellers from offering the

products on internet platforms such as Amazon or eBay. Direct sellers working as commercial agents are expected and can be required to use the branded, replicated websites designed by the direct selling company rather than the non-standard, unprofessionally designed e-commerce shops set up by direct sellers. In addition, direct selling companies receive the consumer's contact information and, therefore, may contact them for repeat purchases even after the commercial agent has left the organization.

In contrast, direct sellers working as resellers are free to low-ball prices on the internet, which direct selling companies cannot prevent. For legal reasons, direct selling companies also cannot stop resellers from establishing and maintaining amateur e-commerce shops. Direct selling companies working with resellers do not receive any consumer data and lose the consumer contact as soon as the direct seller resigns. If the consumer enters into a contract with a direct selling company via a replicated website, the direct seller is legally serving as a commercial agent.

The decision to work with commercial agents or resellers greatly impacts the compensation plan. For companies working with commercial agents, the European Union competition law does not allow for mandatory investments of the commercial agent in areas that are necessary to perform their work as a direct seller. Sign-up or renewal fees and mandatory costs for enrollment kits, training materials, or replicated websites are a violation of EU competition law. The guide recommends making the purchase of enrollment kits and other services optional, a practice shown to have no effect on company turnover, especially when starter kits and other optional services are made attractive for the direct seller. So, while small changes in the compensation plan might be necessary to comply with EU law, we have found no measurable influence on the business.

Following the guidelines in the publication will distinguish your company from the so-called bogus self-employment practices, which can have severe legal consequences and may even be a criminal offense in Germany. Just telling a direct seller when and where to appear or how to perform may turn a self-employed direct seller into an employee. Companies using technical strategies and solutions that monitor the whereabouts of the direct seller or an electronic calendar where the company sets the dates of a sales presentation could classify as an employment relationship in Germany.

The guide describes the start-up formalities of business registration, tax office notification, and immigration regulations. It helps explain the requirements of a direct selling contract, the legal organization of a new business site in Germany (i.e., subsidiary, branch of a foreign-based headquarters), and that different taxes apply in every city in Germany. Understanding the unique taxation requirements up front can save money on taxes after launch. American companies often choose locations with international airports, such as Frankfurt am Main or Munich, as the site of their subsidiary. Frankfurt am Main is ideally positioned in the middle of both Germany and Europe. The capitals of neighboring countries such as Paris, Amsterdam, Brussels, Luxemburg, and Zurich can be reached in less than an hour by plane or in three to four hours in a comfortable and affordable high-speed train called ICE.

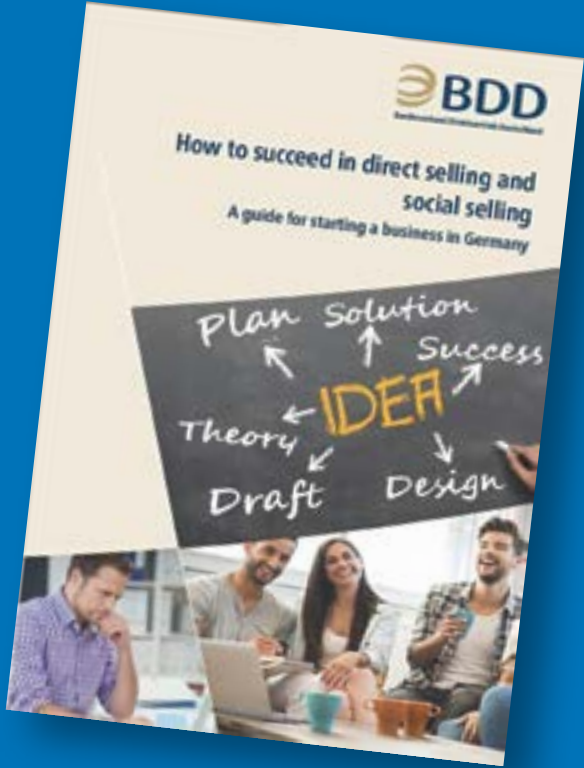
Legal requirements are challenging to understand. The BDD Guide, designed for the layperson, refrains from using highfalutin legal jargon. With its practical tips and chapter summaries, this guide takes readers through a comprehensive and enjoyable exploration about the possibility of doing business as a direct seller in Germany.

Ready to Enter the German Market? The BDD Awaits You!

The German DSA (Bundesverband Direktvertrieb Deutschland [BDD]) was founded in 1967 and is based in Germany's capital, Berlin. The association promotes the interests of its over 50 members, their sales partners, and therefore the entire direct selling industry in Germany.

Member companies benefit from legal expertise and advice, the political representation of interests, and a strong network that guarantees a continuous exchange of information and experience. With its three lawyers and three staff members who specialize in direct selling and public relations, the BDD team is the number one address for companies who want to enter the German market.

Find further information (also offered in an English translation) at www.direktvertrieb.de. [DSJ](#)



Available on Amazon and at www.direktvertrieb.de.

For more information, contact the German DSA (BDD) at info@direktvertrieb.de.

Publishing the guide was a logical outcome of our work analyzing start-up and expansion inquiries for global companies.

THE EUROPEAN SPIRIT OF DIRECT SELLING IN A POST PANDEMIC ERA

By Beatrice Nelson Beer, Chief Legal Officer, PM International, and President, Seldia

The past couple of years have been defining for Europe and the world. As the pandemic brought forth challenges we could not have imagined, direct selling leaders used the opportunity to adapt, modernize, and transform into a more diverse industry.

Direct selling demonstrated an impressive ability to thrive in difficult conditions during this unprecedented period. Our channel's ability to innovate changed our entire industry's land-scape.

Opportunities in Our Sector

The pandemic emphasized the necessity and power of digital platforms and emerging technologies. Companies and distributors had to find new ways to reach customers. A robust presence online became a powerful tool for interacting with the field. Companies had to quickly modernize their logistics, communications, and business practices to make way for this new digital-first approach. Where digital resources were once an advantage, now they are a must.

In Europe, we see innovation with a renewed sense of energy not experienced in a long time. People are ready for a new normal.

Companies in Europe have transitioned to virtual content as well as in-person experiences and, as restrictions lighten, to hybrid meetings and events. The distributor salesforce embraced new ways of doing business by taking full advantage of their online presence. We know we feel a special energy when we get together in person at meetings, gatherings, and events. Online has its advantages, too, now that direct selling companies have revolutionized the tools for working from home. New customers are only a video call away!

More than 6.6 million people are active in direct selling in the EU, and 79 percent are women.^{iv} In a world where remote working is the new norm, we have an opportunity to offer women a better work-life balance.

The pandemic created another opportunity for many of our companies that have caring for health as core to their purpose. According to Seldia's *Direct Selling in Europe 2020 Statistics Overview*, the EU wellness market—with 57 percent of total sales—is the biggest for our industry, followed closely by cosmetics and personal care products. With approximately 27 billion Euros a year,ⁱ this is a significant segment of the industry! The statistics for 2021, to be published at the end of June, will provide an interesting picture of the second year of the pandemic.

This labor crisis exposed by the pandemic emphasizes the need for EU countries to develop proactive gender policies. According to a case study commissioned by the European Parliament's Policy Department for Citizens' Rights and Constitutional Affairs, "These two years of pandemic have translated into an increase in female unemployment rates."ⁱⁱ The European Commission stated that the situation for women in the labor market is that their responsibilities as a parent or as a caregiver of family relatives are obstacles and the most likely explanation for why women only work part-time jobs.ⁱⁱⁱ

One thing is for sure, the complex problems of these times require critical thinking and creativity from all our stakeholders.

Company practices in the sector can help achieve a more gender-equal economic recovery. More than 6.6 million people are active in direct selling in the EU, and 79 percent are women.^{iv} In a world where remote working is the new norm, we have an opportunity to offer women a better work-life balance. They can build a business, have time for loved ones, and be trained and supported in this journey by our companies.

Seldia's Leadership Changes

As the leading association for direct selling in Europe, Seldia adapted during the pandemic to create a trustworthy environment for consumers and direct sellers. With more than 50 years of setting the highest standards of the sector in Europe, Seldia represents and promotes the interests of twenty-five member DSAs and fifteen direct selling companies. Not a task to be taken lightly!

Currently, Seldia is led by an all-women team of staff members and a board of directors that is 50 percent comprised of women. As the first women president of Seldia, I believe that the pandemic created new opportunities for correcting structural gender inequalities.

We have learned to embrace change with a solution-oriented mindset that focuses on our sector's future possibilities.

Seldia reformed its governance and services to members to make its communications more

transparent. *Seldia Square* is a new platform that provides instant and constant access to tailored analysis on European and International policies affecting our sector, enables collaborative consultations, and securely shares meeting documents among the members. Seldia created the *Seldia Sphere*, a bimonthly newsletter with updates on activities from Seldia and DSAs across Europe, and *The Bubble from Brussels* to highlight the policies of the European Union affecting direct selling.

These changes highlight our efforts to make Seldia more accountable, participative, and transparent.

Seldia is an active member of the European Commission consultative groups on consumer policy. Along with other consumer organizations, we join in multi-stakeholder dialogues to build a mutual understanding of each other. Seldia works closely with other industry stakeholders in Brussels, such as Eurocommerce and FEDMA, to deepen our expertise and amplify our messages.

Represented by Seldia, direct selling in Europe has a clear vision for the future.

Direct Selling Represents the Best of Europe

Direct selling in the EU rose to the challenge of the pandemic as a transformed, more diverse, more technologically innovative industry and community.

Change does not happen overnight, and the challenges in Europe are far from over. As president of Seldia, I am tasked with expanding the boundaries of our sector in Europe.

The biggest opportunities are yet to come. With dedication, patience, and time, we will see positive results from the agility and resilience of our formidable sector. One thing is for sure, the complex problems of these times require critical thinking and creativity from all our stakeholders.

The pandemic has created a before and after era for many of us. Now that we may be finally looking at the end of the tunnel, it is time to strengthen our position as a consolidated sector and promote the unique opportunities of direct selling. My task as president of Seldia is to lead this transformative industry in Europe toward a successful hybrid model, where both digital and personal connections come as one in this post-pandemic era. **DSJ**



Philippe Jacquelinet and Beatrice Nelson Beer

i Seldia's Direct Selling in Europe 2020 Statistics Overview

ii COVID-19 and its economic impact on women and women's poverty. European Parliament's Policy Department for Citizens' Rights and Constitutional Affairs at the request of the FEMM Committee [https://www.europarl.europa.eu/RegData/etudes/STUD/2021/693183/IPOL_STU\(2021\)693183_EN.pdf](https://www.europarl.europa.eu/RegData/etudes/STUD/2021/693183/IPOL_STU(2021)693183_EN.pdf)

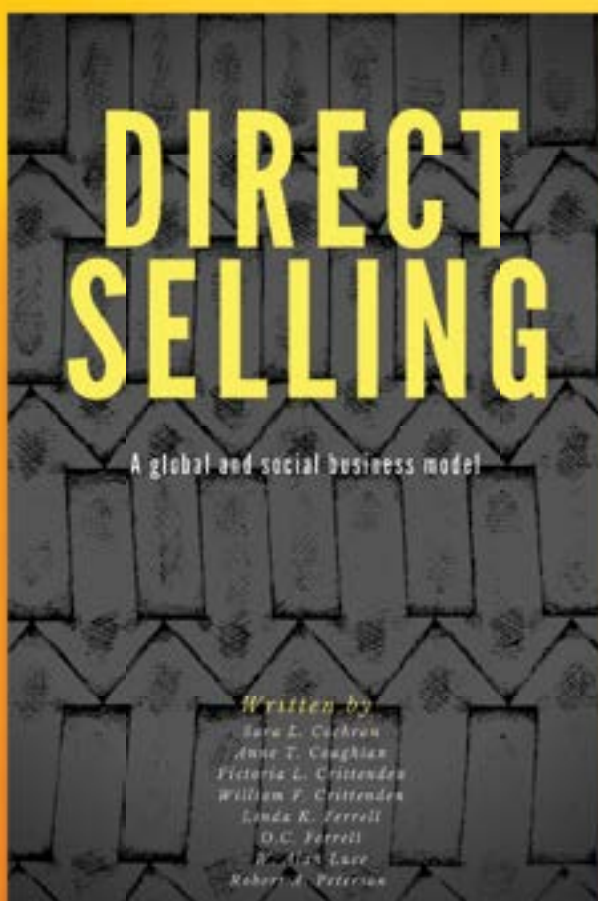
iii European Commission Women's situation in the labour market https://ec.europa.eu/info/policies/justice-and-fundamental-rights/gender-equality/women-labour-market-work-life-balance/womens-situation-labour-market_en

iv Seldia's Direct Selling in Europe 2020 Statistics Overview

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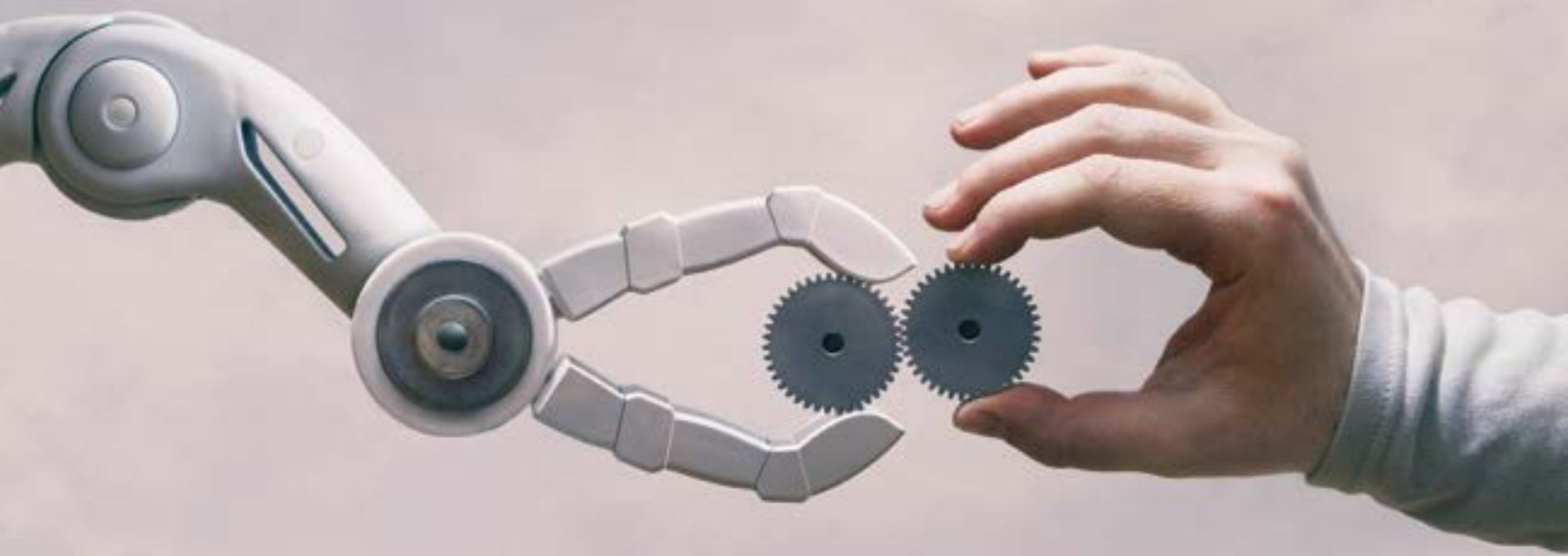


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DSEF would like to thank the authors for donating the proceeds from all sales of the book to support the mission of the Foundation.

DSEF DIRECT SELLING
EDUCATION FOUNDATION



EXECUTIVE PERSPECTIVE:

Authenticity in the Age of Automation

By Heather Cobb, Chief Sales and Marketing Office for EDS, Usborne Books & More

In his December 21, 2021, article, *Scaling A Startup: Look Toward Operational Automation*, Forbes Technology council member and reporter Aaron Vick writes, “When first building a business, founders reach for tools that will help them achieve specific tasks—frequently by cobbling together a Rube Goldberg collection of off-the-shelf software and homegrown solutions without much thought on the larger picture. The focus in this phase of startup growth is on acquiring customers and growing revenue, not how to make the business operations function more efficiently at scale.”

Vick goes on to identify four stages of digital transformation—identifying and optimizing your process, automating your process, using data from your automation to improve your process, and monetizing your process—that can lead a company of any size to a data-driven, automated workplace that elevates every person at the company and streamlines operations.

We’re in an age of automation. Everyone wants to automate as much as they possibly can, and while that creates great efficiencies as we prepare for the future, people are desperate for authentic connection. Direct Selling gives us the platform to build relationships in a way that can directly change lives. We can and should work together, collectively, to share the message to overcome challenges faced by the industry. Being candid with who we are and what we do—cultivating a culture focused on our mission—will help ground us and bring us back to the fundamentals of why we started in direct selling in the first place.

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Changing Lives

The term *changing lives* is repeatedly heard in our industry. Often, companies refer to their products and businesses as doing just that, and we have the stories to share as evidence. The truth is that what we do matters. Our products matter. Our business opportunities matter. Our business model matters because it has the ability to change lives. However, those lives need to be ready and willing to be changed. Journalist Walter Lippmann stated, “You cannot endow even the best machine with initiative.” Simply put, we as companies can create amazing products, opportunities, systems, and plans, but the people must do the work.

Connection

This is the work of relationship building, connecting to other humans in a very . . . human way. Some of the most exciting aspects of direct selling include finding new and innovative ways to bring people together, celebrating the success of our field sales force, and continuing to evolve the way people experience our products. As much as we can automate things, we

can't automate connection. This is the key driving piece that differentiates direct selling from traditional selling. Direct. Selling. We can build a relationship, foster trust, gain insight on the needs of the consumer, and tailor our offerings directly to those needs. The connections that we make encourage life-long customers and serve as the path to sharing our business opportunity with them. Although sometimes we would prefer that this could happen quickly and simply with just a well-written script or automated system, as author Shep Hyken states, "You can't automate a relationship." Connection is a people business and in direct selling, we are in the business of working together.

Collective

Working together in collaboration is the basis for success in direct selling. Consultants must work together with their customers to help them, while our sales leaders must work with and mentor their teams to reach goals and build their businesses. Working together should not just be relegated to each of our businesses from the top down; it should also include a collective strategy and focus from all of us within the industry. The direct selling industry has been around for more than a century, with many established companies willingly sharing their lessons learned. Conversely, those who have a business rooted in direct sales can take a few pointers from newer companies emerging on the scene. This collective group thinking will continue to propel us forward into new territories, new experiences, and new ideas. All the new is necessary to take us to the next. The next in direct selling is not necessarily a completely new model or structure but instead a new system or strategy. The next new in direct selling means working collectively to put our best foot forward consistently to ensure that the perception of direct selling matches its reality—a reality that is one of opportunity, ethics, excitement, and progress. We become stronger together because direct sellers have a collective voice even when we are competitors in the marketplace.

Candid

As an industry, we have an obligation to be candid with our audience. Unless and until we embrace that obligation as an opportunity, we will continue to miss an amazing chance to educate our current and potential customers about our benefits. Regardless of the product your company offers, you have an obligation to the customer to distinguish and define what sets you apart from others. This responsibility allows you to inform the customer about your product and your business. What is your culture? What benefits do customers receive from your products and your company? How do they learn more about you? (The answer here should be to connect with a consultant or rep from your company.)

Challenges

We can figure out whatever challenges are ahead of us if our people and the mission stay at the center of everything we do. Instead of trying to handle

challenges through an automated process, it is time to reassess through alignment.

- Do you have a clear vision with date-specific goals that support your mission?
- Do you have a strategy that can be backed by tactical execution?
- How do you build communication to align with momentum?
- How can you use focus and perseverance to overcome missed opportunities and transform them into the greater picture for success?

Cultivate

In the end, what we cultivate is what will grow. Are we spending our time focused on automating systems and creating new strategies that will help grow the bottom line? Or are we investing in tools and training that will help us cultivate our mission, the core of what we believe and have spent years (or maybe even just days or months) to build? I would recommend that we do both. One without the other becomes either too robotic or too bogged down in the minutiae. We must build and cultivate our business each and every day. When things are good and it is fun, and when things are not so good and it is a challenge. Once things have been cultivated, they can grow. Isn't that what we are all working toward?

As direct sellers, we have an opportunity and a responsibility to create the culture we want to continue promoting for years to come. We can only do that with our eyes on our mission, allowing this foundation to guide all our steps into the future.

As direct sellers, we have an opportunity and a responsibility to create the culture we want to continue promoting for years to come. We can only do that with our eyes on our mission, allowing this foundation to guide all our steps into the future. Whether you are just launching your business or have been in this industry for thirty or forty years, you'll realize that trends will come and go, and sales strategies will be packaged in various forms, but the mission of your company should hold steady throughout it all. It is the anchor that keeps us grounded. It is the true north in our compass. It is the heart of who we are as direct sellers. We can't afford to lose our heart—it is what gives life to everything we do. **DSJ**



TIMELESS LESSONS: PERSISTENCE AND PARTNERSHIP

By Doug DeVos



This story begins nearly a century ago. Two friends with a resume of hit and miss business ventures enter the direct selling arena. They sell a nutritional supplement called DOUBLE X, build a successful distributorship, and with some trepidation, launch a new company. Corporate headquarters is split between two basements in Ada, Michigan. The product is soap, not a particularly glamorous item. But they understand the power that lies in the dreams and ambitions of people searching for an opportunity.

Undoubtedly, many of our readers already know the outcome.

The two young friends are industry legends Rich DeVos and Jay Van Andel. The company they found is Amway, which has become the largest and most successful direct selling company in the world. For entrepreneurs, whether starting as an Amway Business Owner (ABO) or launching a new venture, there is much to learn from the Amway story.

The two young friends are industry legends Rich DeVos and Jay Van Andel. The company they found is Amway, which has become the largest and most successful direct selling company in the world.

That's why we asked Doug DeVos, former President of Amway, current Co-Chairman of the Amway Board, and member of DSA's Hall of Fame, to share his insights and perspective.

We've seen so many people from so many walks of life who chose direct selling and were able to move forward. What they all share is the ability to deal with failure. Because every entrepreneur fails. You need a high level of determination to keep going. That's what I've seen with Amway and across the industry. People fail, but they turn it into a learning opportunity and keep going. It's not the first seven times you fall and get up; it's the 700 times that you get up. That level of persistence is common to every successful entrepreneur.



Steve Van Andel and Doug DeVos

But it's not easy. It's hard to fail and keep going. Partnership is critical. You need people to come along for the journey, people you trust, so you can encourage each other and learn together. I saw that with Dad and Jay. They had a bond and a depth to their relationship that was vitally important. They decided, while still in high school, to start a business together. That was during World War II. They graduated and went into the service. But they would send letters back and forth, telling each other, "Someday we're going to make this happen." And they kept that promise.

They started with a flight school, even though neither of them knew how to fly. Then they opened a restaurant and, after sinking a boat while sailing to South America, tried an import business and then a toy company. Dad and Jay always said, "Why not? Try or cry." And they believed in trying. They started looking for a business that was repeatable, like the nutritional supplement from Nutrilite or the soap that launched Amway. People use these products every day, and Dad and Jay knew success depends on your initiative to find customers and build a loyal community. That led them to direct selling.

A member of Jay's family offered them the opportunity with Nutrilite. Dad and Jay read the materials, checked out the product, and went to a meeting in Chicago where they met people who were succeeding with Nutrilite. And for just a moment, I'll put myself in their place: It's December 1949. There's no highway system yet. It's just backroads. While driving home to Grand Rapids, they're talking it over. They're saying to themselves, "Maybe it's time to focus on one business. The product is great. Not a lot of capital is needed. We can finance it without the banks. And with our own sweat equity, we can build something substantial." That's when they said, "This is it. If those people can do it, then we can do it too." And that became their mantra. That's what my dad spent the rest of his life saying: "If we could do it, you could do it."

Why did they succeed?

They didn't give up. People quit on them all the time. They staged a rally in Lansing, Michigan, spent a lot of money on marketing, and only six people came. But they kept going. It wasn't sexy, it was just hard work. They showed the Nutrilite film. Jay read from a book about the product, and Dad added commentary. But it was a great product. They took good care of their customers. Each new customer group produced the next ABO group, whom they sponsored and supported. That's how they did it—persistence, product, the partnership they had with one another, and the people who joined them. When they started Amway and bought Nutrilite, they stayed true to these principles.

Let's start with the Compensation Plan. They reconstructed it so compensation aligned with the best interests of everyone. It was called the Pass-Through System. And it was an important enhancement



because it ensured that ABO income was equitable and proportionate to their sales volume and the volume of downline ABO groups. It guaranteed that the people who did the work were the people who got rewarded.

Amway also brought a unique product into the marketplace. Frisk (now named L.O.C.) was the first multipurpose, biodegradable cleaner. In 1959, that was innovative, and the environmental story allowed for creative product positioning. But sometimes, it was shipped in boxes labeled as dog food. Bottle caps might be blue or purple. The viscosity was inconsistent. It could be thick or thin. So, in the early days, they had to make some apologies because there were so many things they couldn't control and so many things they couldn't do themselves. But they kept going and learning while they figured it out. They found resources to handle manufacturing, quality control, R&D, and all the things that are so important to building trust with customers and within the organization. They also attracted good people who were talented, people with different skill sets, personality types, and leadership styles. You can't do everything yourself. As Jay said so often, "Delegate or stagnate." So, once again, success came from persistence, partnership, and the people who came along for the journey.

Why did so many exceptional people choose Amway?

It's the culture. That's the secret sauce. It's where we get that can-do spirit. There's never a problem at Amway. When things go wrong, nobody panics. It's just a challenge. We've been there. We're going to persist, move forward, and figure it out. But we're also going to learn so we don't repeat the mistakes of the past. That's where the Founders were so critical. You can't build a culture by what you say. It's what you do.

Remember, they were children of the Great Depression. As young men, they served in World War II. How do you get through that experience? It takes faith. It's because of your family, a belief that things will get better, and the hope for a better future.

Things may be bad, but we'll move through it together and be rewarded. Dad and Jay lived these values. They lived with integrity. They lived the idea of partnership. And they lived the Amway Vision, which is to help people live better, healthier lives.

These principles are built into our operating model. We believe in the entrepreneurial spirit, that everybody should have the opportunity to own a business, and that all businesses come together in Amway. But we're not controlling the entrepreneurs who choose Amway. Our role is to lead, support, and operate in a spirit of partnership. We're all in this together. Amway is about our customers, our ABOs, our employees, and the communities in which we serve and do business.

So, how do we move forward?

In a time of great uncertainty, coupled with market volatility, that's an important question, not only for established businesses like Amway but for every business and every entrepreneur. It will undoubtedly be a challenge. But the principles are the same. The marketplace is always dynamic and highly competitive, so you've got to bring value that is new or special.

At Nutrilite, Dad and Jay had a unique product. With Amway, the product was innovative, but they also invested in the business model and the opportunity to make it revolutionary. If there's not a differentiating quality about the product, service, or support, it is going to be very difficult to get established or achieve a competitive advantage. That was true in 1959, and it will be true in 2029. It's hard to do, but it happens every day; some entrepreneurs take it to scale and are very successful. That hasn't changed. What I think is different today are the tactics.

Technology is an amazing liberator. It dramatically improves everything we do—management, communication, sales support, and data collection. But we need to use it effectively. Platforms should be easy to use. Operations must be aligned with how people want to receive products. Because the market is so competitive, it's critical to evaluate the sustainability of products by measuring how they perform, how they compete with alternatives, and how customers respond. If we're not creating enough value with a product offering, then we need to get better or eliminate it and focus on something else that creates more value for the customer. Coming out of the COVID restrictions, there's a tremendous desire for human interactions that will add value to our lives. The experience of getting recommendations and receiving products from people we know and trust is powerful. It's important to focus on building the community inside our organizations because people want to get together and learn from each other.



What does that look like for Amway?

We'll keep figuring it out and keep bringing value to the market. We want to be more aware, more responsive, crisper in our evaluations, and better prepared to pivot and find products that are truly differentiated. Our targets, which we set as a normal course of business, must be the right targets for the company and Amway Business Owners. Incentives, rewards, and recognition should lead to stronger, more sustainable businesses that can meet current goals . . . and then be taken to the next goal and the next goal. If the field is doing well, then the company will be just fine.

The lesson I'd share with entrepreneurs is that the Amway story and Dad and Jay's founding principles are still relevant today. They were bold. They were persistent. They connected as friends and partners. They connected with ideas that are timeless, and by living these ideas, they connected with people all over the world. I'm proud that so many people have found success through their engagement with Amway. I've also met many people who moved on and believed their Amway experience had a positive impact on their lives. That's the legacy of Dad and Jay. I'm honored to be part of it, to build on it, and make it better so that Amway continues to welcome people from around the globe to this opportunity. **DSJ**

Amway

A tall, slender, light-colored stone monument (the Washington Monument) stands vertically against a bright blue sky with scattered white clouds. To the left of the monument, the branches of a tree with vibrant red autumn leaves are visible, partially obscuring the monument's base and the sky.

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A close-up photograph of two women smiling warmly at the camera. The woman on the left has long dark hair and is wearing a white shirt with a colorful floral pattern. The woman on the right has long brown hair and is wearing a dark top. They are both looking directly at the camera with bright, genuine smiles.

AVON: EMPOWERING WOMEN FOR OVER A CENTURY THROUGH DIRECT SELLING

By Daniel Park, The Avon Company General Manager and
Head of LG H&H Americas

Flexibility, work-life balance, opportunity for all . . . these are some of the guiding principles driving the direct selling industry, principles not only appealing to women but also extremely forward-thinking. In the past, a woman's duty to family often meant she was tied to the home and couldn't enjoy a career or earn money of her own. For years, direct selling has afforded women with the ability to do both, long before the virtual, work-from-home days of COVID.

Avon, in fact, has been empowering women for more than 135 years and continues to do so today. Avon pioneered direct-to-consumer selling with women in charge, giving back to organizations that benefit women and transforming the cosmetic industry with its innovative products.

A BUSINESS INSPIRED BY WOMEN

In 1886, the year the Statue of Liberty was dedicated, David H. McConnell was a traveling book salesman. He was giving away free perfume with each book sold, when he realized that his customers—mostly housewives—were more interested in the fragrance. This prompted him to start a fragrance company called the California Perfume Company that would eventually become Avon. McConnell noticed that women not only loved the products but also loved to network with other women, so he employed them to help to grow his business.

The first woman McConnell hired was Mrs. P.F.E. Albee, a 50-year-old wife and mother of two from New Hampshire. Considered the first Avon Lady, or Representative as they are called today, Mrs. Albee traveled by horse and buggy and developed a women-only network to sell directly to other women—now known as direct selling. She also helped create one of the company's first fragrance collections, the Little

Above all, Avon upholds its core mission every day, encouraging women to work hard and make a beautiful impact in the world.

Dot Perfume Set. In her twelve years working with the California Perfume Company, Mrs. Albee trained more than 5,000 representatives to sell cosmetics. At this time, only 20 percent of women worked outside the home. It would be another thirty-four years before women received the right to vote. As a firm believer in helping women support themselves, McConnell was truly ahead of his time.

The Avon name first began appearing on products in 1929, in honor of Stratford-upon-Avon, the birthplace of McConnell's favorite playwright William Shakespeare. The company was officially renamed Avon in 1939—two years after McConnell's passing. To this day, Avon upholds the principles McConnell instilled while running the company.

As McConnell once said, "Let no difficulty stand in your way. Bring to bear the spirit of intensity. Put your heart and soul into the fight, and fight to win."

Representatives continue to be at the heart of Avon's direct selling today. Shopping with an Avon Representative is like getting style advice from your most fashionable friend or in-the-know beauty expert. Select a Representative whose selling style you like, and he or she will cater to your beauty needs. Representatives get to know you and what you like, recommending the latest and greatest products that they know you'll love. Avon Representatives are always one step ahead, predicting what you might

Daniel Park, The Avon Company General Manager and Head of LG H&H Americas, discusses New Avon LLC, honoring women who do good, and 135-years of empowering women.



like next and finding beauty products to enhance your life. Avon Representatives are truly the original influencers.

Avon believes in a woman's freedom to earn and learn on her own terms and in her own way. The Avon opportunity gives each Representative flexibility to work their Avon business anytime, anywhere. Avon offers free internal training courses and field management as well as mentoring and support from fellow Representatives. Avon also provides digital direct selling tools to help Representatives grow their businesses in addition to offering rewards, incentives, and financial growth opportunities for all Representatives.

AVON HONORS WOMEN WHO DO GOOD

Avon believes that women can accomplish anything they put their minds to and can look and feel beautiful while achieving their goals. Here are some notable moments over the years giving rise to incredible women.

1940s—Avon's committee of prominent women awarded the Avon Medallion of Honor to World War II nurses and service women who showed great spirit and fortitude in caring for the wounded and for prisoners of war.

1950s—The Avon sales force almost quadrupled in size. In 1954, Avon supported its Representatives and their businesses by airing its first TV advertisement that included the famous slogan, "Ding Dong, Avon Calling."

1967—Avon Running: Avon sponsored Katherine Switzer, the first woman to unofficially run the Boston Marathon.

1975—Avon launched a makeup line called "Avon Shades of Beauty" for Black women that included makeup, skin care, and hair care.

1977—The Avon Tennis Circuit launched for women.

1978—The Avon International Marathon was an annual women's marathon event sponsored by the company. The Avon Women's Marathons broke barriers by giving talented women runners confidence, opportunity, and exposure . . . a chance to prove they could do it.

1999—In 1999, Avon appointed Andrea Jung to be its first woman CEO.

1999—Avon's brand slogan became "The Company for Women."

2008—On International Women's Day, Avon partnered with United Nations Development Fund for Women (UNIFEM) to promote women's empowerment and end violence against women.

AVON CREATES PRODUCTS WOMEN CAN FEEL GOOD ABOUT

Avon has launched innovative products like hydrating and highly pigmented lip color, pioneering anti-aging skin care and iconic brands such as Skin So Soft, a best-selling favorite since 1961. The company was the first to introduce alpha hydroxy acid to the mass market. Avon prides itself on constantly improving its formulas by delivering high-quality, award-winning products that you can feel good about. For example, Avon recently launched a clean and vegan skincare collection called Farm Rx, which features natural, plant-based ingredients and an innovative blend of botanicals that are slowly cold-brewed to extract antioxidants for peak efficacy.



The Avon name first began appearing on products in 1929, in honor of Stratford-upon-Avon, the birthplace of McConnell's favorite playwright William Shakespeare. The company was officially renamed Avon in 1939—two years after McConnell's passing.



CONTRIBUTING TO IMPORTANT CAUSES

Avon has supported the American Red Cross since its early days, helping it raise funds and honoring the women who worked for the organization by sharing the stories of their efforts and achievements. Consistent with its mission, Avon sponsored the centennial make-over of the Statue of Liberty in 1986 by bringing people together for the celebration. Lady Liberty symbolizes freedom and independence for all women.

Today, contributing to a variety of organizations is still at the core of Avon. The fight against breast cancer has become a huge pillar of Avon's mission. Since 1992, Avon has contributed more than \$800 million to breast cancer causes, educated 180 million women about this disease, and funded breast health screenings for nearly 20 million women.

Since 2004, Avon has also partnered with Feed the Children, an organization that works to improve nutrition, hygiene, and education in vulnerable communities around the world. Over the last seventeen years, Avon has donated over 17 million pounds of personal care, hygiene and beauty products, clothing, shoes, and home essentials to families in need. In that time, we've empowered and impacted nearly 1 million families and 4.4 million women and girls in the United States. The Feed the Children x Avon Box is delivered to women and their families year round and in response to disasters. As a result of the delivery of this box, we hear stories of improved self-confidence and empowerment. This box really became critical to women and their families during the COVID-19 pandemic.

Avon is also proud to partner with Gyr! Wonder, a professional pipeline initiative giving rise to ambitious young women of color between the ages of seventeen and twenty-two. Similar to Avon's promoting and inspiring female entrepreneurship through the opportunity to build businesses for hundreds of thousands of Representatives, Gyr! Wonder equips the young woman who has found her passion with the toolkit necessary to turn her interests into a career.

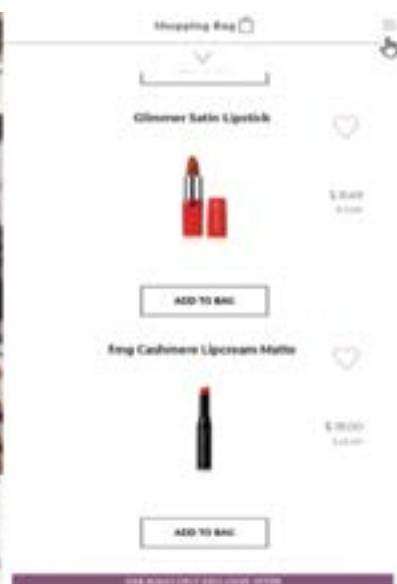
Avon designed its fundraising program so that Representatives can donate a percentage of sales from their stores to an organization of their choice. Avon fundraising is an easy, super-rewarding way for Representatives to grow their business while supporting communities in need.

A NEW ERA

In 2019, the South Korean consumer goods giant LG Household & Health Care acquired New Avon LLC (now known as The Avon Company). This transition ushered in a new era of innovation, transforming Avon's beauty offerings. Under the ownership of LG H&H—with leading positions in all major categories including cosmetics, personal care, and home care—Avon is putting a fresh face forward like never before. With expanded shade ranges, healthy ingredients, clean beauty, and richer, longer-lasting fragrances, Avon is committed to bringing consumers and Representatives top trends, the latest formulas, and world-class products. Avon is shaping the future of beauty through new initiatives such as virtual try-on technology, the award-winning digital catalog, and live online shopping events.

While Avon's portfolio and partnerships are modernizing, it continues to celebrate and support its proud history of empowering women through economic opportunity and entrepreneurship. The Avon and LG H&H partnership is just the beginning of a whole new world of beauty and direct selling.

Above all, Avon upholds its core mission every day, encouraging women to work hard and make a beautiful impact in the world. Avon continues to support and empower women through its business model, contributions to the well-being of women, and the amazing Representatives that are the heart of the company. Women's empowerment is incorporated throughout every facet of Avon because it's not just who we are—it's what we do. **DSJ**



DSA 2022 AWARDS FINALIST ANNOUNCED

DSA's Industry Awards Program recognizes the outstanding achievement of its member companies for innovations in products, services, and entrepreneurial opportunity. DSA extends its congratulations to the 2022 award finalists for their significant contribution to the categories of Product Innovation, Marketing and Sales Campaigns, Excellence in Business, Technology Innovation, Partnership, and Vision for Tomorrow.

"These awards are important for the channel. The major achievements of DSA member companies today will shape direct selling's future and will determine the nature of competition for decades to come," says Joseph N. Mariano, President and CEO, DSA.

DSA will announce the award winners at the 2022 DSA Awards Gala during the Association's Annual Meeting, DSA ENGAGE: Conversion Immersion, in Boca Raton, FL, on June 7, 2022.

PRODUCT INNOVATION

A product or service newly introduced to the marketplace that raises the standard of excellence and innovation.



Arbonne International, LLC - Dermresults Illuminating Skin Therapy Concentrate

Finding that one brilliant product that boosts the effects of any skin-care routine is a challenge. That's why Arbonne created Dermresults Illuminating Skin Therapy Concentrate.

With fewer than ten ingredients, this high-potency antioxidant-rich face serum complements any regimen like liquid gold for your skin. With 15 percent vitamin C, 2 percent bakuchiol, and 1 percent ferulic acid and vitamin E, the concentrate can reduce the appearance of environmental damage caused by pollution and ozone with consistent use.

This vegan formula helps improve the look of wrinkles and dark spots over time, as it enhances the appearance of elasticity, firmness, and texture by supporting the skin's barrier with hydration.



The Avon Company - Farm Rx

Avon's Farm Rx is a vegan skin care collection with natural plant-based ingredients for healthy skin.

Formulated with Avon's innovative Slow Herb Complex™, the collection features a blend of botanicals that thrive in dry conditions, slowly cold brewed to extract antioxidants for peak efficacy.

The result? Skin feels instantly nourished with a fresh, healthy looking, dewy glow.



Nu Skin Enterprises - ageLOC Meta

After seven years of scientific research, Nu Skin scientists launched ageLOC® Meta, a powerful standardized supplement that supports metabolic health and overall well-being.

Many adults aren't getting the nutrients needed from their daily diet in today's modern lifestyle.

Research shows that adding 215 mg of anthocyanins into your daily diet can help boost metabolic health,

aid antioxidant defense, promote a healthy microbiome, and maintain healthy blood glucose.

Anthocyanins are a phytochemical found in certain fruits, berries, and grains. Unfortunately, data suggests that the average adult daily intake is less than 25 mg. ageLOC Meta offers 215 mg of anthocyanins with a unique combination of cyanidin and delphinidin, the two most effective types of anthocyanins. Nu Skin's formula is standardized to guarantee the optimal amount of anthocyanins in each daily dose.



Scentsy Inc. - Scentsy Air Purifier

Most people spend about 90 percent of their time indoors, where pollutant levels are often two to five times higher than typical outdoor concentrations. At Scentsy, we design high-quality, inventive, family friendly, and safe products to "Fill your life with fragrance."

As an extension of that commitment, we began exploring new ways to approach trending air purifier technology. Since we were already filling the air in homes around the world with fragrance, what if we could purify it, too? We knew that blending these two functions would result in an innovative product unlike anything on the market. We introduced the Scentsy Air Purifier on August 1, 2021, in the United States, Canada, Europe, Australia, and New Zealand. The Scentsy Air Purifier is an innovative way to clean the air—fill it with beautiful fragrance—and offer a game-changing opportunity for Scentsy Consultants to grow their businesses. From the initial Air Purifier purchase to ongoing purchases of the consumable products a customer needs to use it effectively, the Air Purifier ensures lasting income and follow-up opportunities.

Air Purifier sales from August through December 2021 brought in \$5 million in new global revenue!

MARKETING & SALES CAMPAIGNS

Initiatives that demonstrate excellence, creativity, and innovation in effective outreach to key audiences.



Arbonne International, LLC - Very Merry Cherry Ginseng Energy Fizz Sticks - Tart Cherry and Ginseng

Fizz Sticks are a consistent top seller and income energizer with five permanent flavors and a vegan formula that delivers a

clean energy boost—without the high sugar— and with a fun, bubbly reaction when added to water.

A highly requested flavor in this bestselling product, Tart Cherry Fizz, was a new option introduced to kick off the holiday season. With an on-trend color and flavor profile, the product was poised for a successful launch campaign that leveraged the excitement of Black Friday shopping and a limited-time release. Creatively, the imagery behind the campaign tied to the rest of our holiday offerings, inspired by the vibrancy of nature.

The tagline “Very. Merry. Cherry.” was used to seamlessly fold in all aspects of the fizz.



Scentsy Inc. – Life’s a Garden

In the spring of 2021, Scentsy had a unique opportunity to bring beauty and joy to people in uncertain times, giving home-bound families a new source of income and by filling their spaces with safe, beautiful fragrances. To expand

on both opportunities, we designed the limited-edition Life’s a Garden collection.

The collection gave Consultants something new and exciting to share with customers to increase their sales during traditionally slower months. It embraced the global trend toward simple ingredients, more meaningful experiences, and the celebration of nature’s bounty—like spending time in your very own kitchen garden. We uniquely marketed a new, garden-inspired Scentsy Warmer for each region and included five new Life’s a Garden fragrances so customers could experience each scent to its fullest. Each bundle included a packet of mixed herb seeds—as customers were invited to grow their own indoor herb gardens to further create an earthy, grounded atmosphere to complement their new fragrances.

Life’s a Garden was a hit among Consultants and customers, resulting in \$3.42 million in new revenue globally, roughly double our forecasted revenue!



SeneGence International – Miss USA and Miss Teen USA Partnership

SeneGence announced this special marketing campaign and partnership with the Miss USA organization at SeneGence’s annual event in Frisco, Texas, in July 2021.

Crystle Stewart, 2008’s Miss USA and the National Director for the organization, joined SeneGence

Founder and CEO Joni Rogers-Kante on stage to announce their partnership and campaign that is particularly meaningful for Joni Rogers-Kante.

The 70th edition of Miss USA and Miss Teen USA awards were broadcast live from the Paradise Cove Theater of River Spirit Casino Resort in Tulsa, OK, in November 2021. Reigning Miss USA Asya Branch of Mississippi crowned her successor Elle Smith of Kentucky at the end of the evening. SeneGence and the Miss USA organization partnership includes exclusivity for cosmetics, TV coverage (SeneGence commercials, a backstage LipSense® lounge, SeneGence cosmetics used on contestants and talent), Miss USA and Miss Teen USA custom LipSense collection, and giveaways. Joni Rogers-Kante served as a judge for the Miss Teen USA portion of the pageant. The Miss USA organization is committed to bringing pageants into the everyday lives of young women across America. Their Pageantry Reimagined® presents a new generation of women of influence who the world has yet to meet.

EXCELLENCE IN BUSINESS

Initiatives that rely on a specific program or tool to enhance training, allowing a salesforce to succeed.



Herbalife Nutrition – HN Grow

Herbalife Nutrition created a custom, mobile-first learning application called HN Grow to engage independent Distributors, boost their confidence, and help them drive their performance.

HN Grow is available in forty-four countries and thirteen languages and hosts more than 1600 localized learning items, including eLearning modules, training videos, podcasts, and presentations.

With gamification in the form of points, badges, and certificates to reward the Distributor through their learning journey, HN Grow has provided “edutainment” to more than 200,000 independent distributors as of December 2021.



Jeunesse Global – Spreading Jeunesse Love Social Media Training & Recognition

Jeunesse® launched the #SpreadingJeunesseLove campaign in 2021 to teach Distributors best practices for utilizing social media to build their business. The campaign demonstrated how to best promote a Jeunesse business on personal social media accounts while it recognized those who were successful.

Jeunesse posted in both the feed and in stories across the company's social media channels seeking Distributors who were spreading Jeunesse love on social media. Distributors were then asked to tag Jeunesse and use the hashtag when sharing content on social media for the opportunity to be re-shared on the company's global social media channels. To tie in the important recognition component to the campaign, Jeunesse created the #JeunesseStars hashtag and posts weekly on its Jeunesse Global Stars Instagram page to recognize individual Distributors who are successfully spreading Jeunesse love (with forty-two posts and counting).

Jeunesse has experienced a significant increase in engagement and user-generated content in which the company is tagged since launching the campaign, and has found that social media engagement increases over 500 percent when sharing #SpreadingJeunesseLove content! The campaign empowers Jeunesse Distributors to create their own share-worthy content while helping them build their personal brand through social media.



Jordan Essentials – Community Classes

2020 provided a number of challenges for those in direct selling, especially party plan companies. Our business model is based on people getting together, interacting, and experiencing the look, feel, and smell of our products.

We supported the pivot of our Consultants in 2020 to online parties, including Facebook parties and ZOOM parties. As we moved into 2021, it was time for another shift. Our field needed a simple system to introduce more people to Jordan Essentials in a fun, interactive way that did not require people to join something. It needed to be quick and easy. We shifted

our focus to host public Community Classes on our Jordan Essentials Facebook Business Page.

The business page is open, easy to share, and all-inclusive. Consultants, customers, and guests participate in a fun, interactive experience. Each month, we share a different topic.

The Community Class introduces Jordan Essentials to a wider audience. Consultants share the class, follow up with guests, and reap the benefits of a growing business. Consultants are encouraged to use the classes for their parties, with hosts and guests attending. Consultants can have multiple parties attend the community class each month.



Pampered Chef – Shared Rewards

As part of a strategic focus on innovating best-in-class experiences for

Consultants and customers, Pampered Chef® conducted independent research across North America to understand buying behavior and found that customers who purchase from direct selling companies often attribute their motivation to supporting the party host.

Based on these findings, Pampered Chef® identified a need to create a new party experience that would attract customers based on the quality of the products, inspiration, and overall party experience. In 2020, Pampered Chef® piloted Shared Rewards—a community party model that offers both hosts and guests the opportunity to share in the rewards. The more everyone shops, the more everyone saves! Based on successful pilot results, Shared Rewards launched in January 2021 as an additional way to party with Pampered Chef. Within one year, Shared Rewards parties drove 39 percent more orders per party, earned 12 percent higher revenue per party, and attracted 70,000 new customers. Guests reported that their primary shopping motivation was their desire to purchase Pampered Chef's® high-quality products.

TECHNOLOGY INNOVATION

Initiatives that demonstrate excellence in the innovative use of technology.



The AVON Company - Avon Life Shopping

Introducing Avon Live Shopping, a new live digital experience for Avon Representatives and their customers. The new live shopping platform allows customers to tune into Avon's live shopping events on a specific day and time to purchase the featured products and take advantage of

exclusive offers all from the comfort of their homes and mobile device.

Each Avon Live Shopping experience offers a specific assortment of Avon products, allowing the host time to explain each one in detail and interact with attendees via chat. These amazing watch-and-shop events are full of exclusive offers, the newest product innovations from Avon and LG H&H, giveaways, and more! Representatives can earn by just sharing their Avon Live link with customers.

They can be confident Avon is supporting them and showcasing products—and they get full earnings when their customers shop.



Herbalife BizWorks Plus App

BizWorks is a tool that helps Herbalife Nutrition Distributors track, manage, and grow their downline business by providing near real-time business insights and reports. The app enables Distributors to make timely and targeted actions and communications to support the growth of their business.

BizWorks has a suite of reports, dashboards, and

widgets available to access on a desktop. In 2021, Herbalife Nutrition launched a new BizWorks Plus Mobile App with the vision to simplify the complexities of managing a multi-level marketing business. This tool helps Distributors stay on top of their business anywhere, anytime; find opportunities through data insights in real-time; and stay engaged and always connected with downlines and leaders from all over the world!

Some of the most loved and used features include the Royalty Estimator, which approximates earnings in real-time; Personalized Data insights and recommendations, which use the power of Artificial Intelligence; Push Notifications to send notices on new downlines, preferred customers, production trends, and new opportunities to earn more; Social Media Messaging as a way to share achievements on social media and reach out to downline via WhatsApp, Telegram, Message, or Call; and Profile Picture to create a visual association and stay connected with downline from all over the world.



Mary Kay Inc. - Mary Kay App

The Mary Kay® App was designed to help Mary Kay Independent Beauty

Consultants boost product sales and run their businesses more efficiently in a rapidly changing marketplace.

By providing a digitally dynamic resource featuring an abundance of technological benefits, this app has allowed customers to shop their favorite products on demand and directly from their Independent Beauty Consultants with ease.

If a potential customer does not have an Independent Beauty Consultant, this app will help them locate one, providing a seamless shopping experience with unparalleled customer service.



Pampered Chef - Table

As demand for virtual party experiences has drastically increased, so has the reliance on third-party apps and social media platforms.

The ever-changing social media algorithms were time-consuming for Consultants, and third-party restrictions posed a significant risk to Consultants' businesses. In response, Pampered Chef built and launched Table, a digital platform that enables Consultants to hold customized virtual parties that deliver a unique and engaging experience.

This innovative platform reduces the time Consultants spend creating virtual parties, allowing them to dedicate time and energy to build customer

relationships without the limitations of third-party platforms. Consultants can easily customize party content or use customizable templates with videos, recipes, an interactive product catalog, and educational games. Table also features a virtual kitchen experience—a highly visual, immersive way for consumers to learn about products and recipes. As a custom-built resource, Pampered Chef owns the data that will help drive improved personalization and customization.

Within the first four months post-launch in 2021, virtual parties held on the Table platform drove more revenue per party compared to parties held on social media, and 82 percent of hosts and guests reported a positive party experience.

PARTNERSHIP AWARD

A supplier company that provides a product or service that has a measurable impact on the growth and development or increases the profitability of a direct selling member company.



Nexio

Nexio was created as an open payments platform, designed to give back the leverage and the power every business needs to control and dictate its payments strategy, both locally and globally.

Nexio/CMS is a gateway and processor agnostic external tokenization hub that consolidates all payment services into one simple dashboard. Developers built Nexio for developers. Its straightforward API speeds up clients' time to market by helping remove the complexity of a complicated integration process. This enables companies to consolidate their payment infrastructure into one single integration point.

At Nexio, we are giving companies control over their payments, connecting them to the best-in-class tools, and the ability to scale where and when they are ready. We provide a payment orchestration layer built with a modern technology stack in a modular and agile form. With one straightforward integration, companies have access to all the payment technologies needed to participate in the world of global commerce.



Rallyware

Rallyware Performance Enablement Platform (PEP) supercharges distributed workforces to perform the right business activities at the right time. PEP is a data-driven technology that makes it fun and rewarding for individuals to take steps toward success at every stage of building and growing their businesses.

Rallyware has been adopted by dozens of direct selling companies in fifty-seven countries, supporting over twenty languages for millions of their distributed workforces.



Service From the Heart



ServiceQuest

Every company has a purpose. Because the purpose of direct sales is to create a customer, there are two basic functions: marketing and innovation that attract and develop productive distributors who find and support customers.

At ServiceQuest, we guide our clients through the direct-to-consumer journey to ensure happy customers and productive, successful distributors. We are known for our emphasis on the experience—why they join, why they stay, and why they leave. And we translate decades of serving hundreds of clients into practices and training to launch new companies, revitalize stuck companies, and serve the unique needs and projects of global direct sales giants.

From customer service training and scripts, tech implementation, compliance, and unique problem solving to strategies and accelerators that create new seasons of growth, we specialize in helping our clients win with direct sales.

VISION FOR TOMORROW

A philanthropic project or program that makes an impact beyond the bottom line.



Arbonne International, LLC - Flourishing for the Future

In 2021, Arbonne invited its Consultants to join the company in completing acts of social and environmental impact to ensure that people and the planet will flourish in the future. To gamify and bring to life this giving campaign, Arbonne partnered with fellow B Corporation, Xsocial, to track customer acts of altruism that supported its mission of sustainable and

healthy living. For Arbonne's annual Flourishing for the Future Award, Consultants completed challenges centered on the five Stakeholder Pillars in the company's Sustainability Compass. To hold them accountable, the company measured its community's total impact against the Sustainability Compass and the United Nations' Sustainable Development Goals.

BUILDING A BRIGHT FUTURE FOR STUDENTS IN KENYA



Jeunesse Global - Jeunesse Kids™ Funds WE College School of Business & Entrepreneurship in Kenya

Jeunesse Kids™ partnered with WE Charity to build the WE College School of Business & Entrepreneurship in Kenya to offer higher education to rural students who would not otherwise have the opportunity to attend college. This \$1 million project was fully funded by Jeunesse distributors around the world. With construction completed in 2021, the school's inaugural class of twenty students began their life-changing journey in January 2022. Equipping rural Kenyans with the knowledge, skills, and tools necessary to start, operate, and expand a business is a key tactic in alleviating long-term poverty. Attaining a college degree can be a life-changing experience, particularly for young women who might otherwise be subject to early marriage, forgoing their dreams for a lifetime of limited opportunities. Students who complete the entrepreneurship degree program can change their circumstances and lift their communities out of poverty by starting businesses that provides jobs, increase wages, improve local economic growth, and address

societal issues for real, lasting impact. The School of Business & Entrepreneurship will act as a lifeline to impoverished students and communities for decades into the future.



Plexus Worldwide - Nourish One

In 2018, Plexus launched Nourish One, a cause-related marketing campaign designed to address food insecurity in cities across the United States. The company teamed up with Feeding America®, the nation's largest domestic hunger-relief organization, which provides meals to individuals by supplying 200 community food banks in cities nationwide. Plexus celebrated this new partnership at its annual convention by inviting Feeding America representatives onstage and presenting them with a \$100,000 donation.



Young Living Essential Oils -The D. Gary Young Living Foundation's Developing Enterprise Program

The D. Gary Young Living Foundation's Developing Enterprise Program, a Global Artisan Collaboration, partners with women-led artisan groups across the globe to provide fair wages and opportunities for women to become more financially independent by selling their handcrafted items through Young Living's marketplace. Helping women entrepreneurs prosper is part of the company's holistic vision to develop a rising generation that is free to thrive and create positive change. Young Living believes investing in women strengthens communities and helps women in breaking the vicious cycle of poverty for their children. Since the program's start in 2020, Young Living has connected with more than fifteen groups, including those that have experience with extreme poverty, disability, displacement, trauma, exploitation, or violence. The artisanal items are made of ethically and sustainably sourced materials from eleven different countries, including India, Ecuador, Uganda, and Nepal. Young Living's commitment to helping these resilient women build strong and sustainable enterprises will lead to more income-generating opportunities for those rising out of poverty. With fair and consistent pay, the company's partner artisans are better able to support themselves and their families while developing new skills that have a life-long impact.



TRAINING YOUR FIELD TO BE SOCIAL SELLERS VS SOCIAL ROBOTS

By Samantha Hind, Co-Founder and Director, Auxano Marketing

Personal branding, social selling, and influencing are all the buzzwords of 2022. Direct selling companies have already embraced the latest digital platforms and emerging technologies. But how much is too much for an industry that builds relationships with highly personalized service? What if we rely too much on technology? Have we crossed a bridge only to wonder where we're going?

Direct selling companies that enter the ever-evolving digital world will see ongoing innovation. Bots that allow distributors to communicate with their customers quickly, easily, and regularly to build that all-important relationship are old news. New, customized social selling platforms that will enable your distributors to schedule an array of content options in minutes are on trend. Affiliate-style sellers are using a fantastic new technology to set up a link-sharing system, passing commissions downline to benefit the original distributor and those customers who share the message. Like an influencer whisperer who pays it forward!

With all the options out there, why are only 10 percent of social media users thriving, while many are left wondering why it doesn't work for them? After all, they have every tool, the training, and all the support they need, right?

How can we fail with all this technology at our fingertips? The answer is that it's easier than ever. Cutting through the noise of social media is tough. The secret is not found in the best technology, skills, or most sassy dance moves on TikTok. The secret to social

The biggest mistake we see is using social media inconsistently when it hasn't been prioritized as a core business strategy."

media success is unique content, relatability, and personality—the very things we lose when we make technology the priority and endgame.

Social media content becomes stale with the systemizing of regular, attractive content that isn't real or relatable. Personal branding is what makes this industry what it is. Our people.

My partner Greg Hind and I have been teaching social selling and personal branding online to direct sellers exclusively for more than seven years. In just the past year, we worked with over 150,000 distributors globally from all walks of life. We see one common pattern emerging—everyone is being less and less themselves online. They are selling and telling rather than sharing and relating. A lack of results on social media and a whole lot of wasted time has taken a toll on their confidence. To address the problem, many companies will offer them more automated systems, turning our distributors into social robots who can't get results. Sadly, many people give up, thinking, "I'm just not tech-savvy enough."

So, what is a personal brand and why is it so important? How do we build relationships online? Personal branding is not complicated. You encourage your salesforce to be themselves and to share their passion, story, and love of the company and products. Personal branding gets folded into the strategy and structure of your social media plan. When distributors become overwhelmed by technology, worry about being left behind, or feel incapable, they tend to give up. Without knowing some simple steps for creating their brand, they will stand still or mimic others, such as the leaders who are training them.

Should we step back from technology? No way! We can embrace the challenge of teaching our distributors to use the tools at their fingertips to showcase their unique personalities, develop relationships, and attract their ideal customers.

At Auxano Global, we think of social branding as a recipe. Each distributor has a personal brand whose content will require numerous ingredients in differing quantities added in at different times. Knowing who you are serving and understanding their tastes is key. This is how to build a tribe. Creating this recipe takes trial and error. You must pay attention to what is and isn't working and adjust accordingly. Most importantly, a personal brand that is authentic will speak directly to your tribe.

Not all tactics work for everyone. Although reels are a powerful tool, you won't catch me dancing and singing on any platform just because everyone is doing it. That's not who I am; therefore, it's not my personal brand. Instead, I use reels to fit with who I am, making them a powerful ingredient in my own recipe.

We can teach our distributors to build a successful personal brand with the help of three basic steps.

First, they need to understand in simple terms how the platforms work and how they use content. The misinformation that is out there causes big mistakes, wasted time, low self-confidence, and non-compliant content. Understanding what Facebook is looking for, how hashtags are used on Instagram vs Facebook, and how to write a powerful caption on each platform is key in getting the algorithm to deliver content! No one needs to be a tech guru. You just need enough information to make smart decisions on social media.

Second, the biggest mistake we see is using social media inconsistently when it hasn't been prioritized as a core business strategy. Author and Facebook marketer Mari Smith once said, "Facebook is too important to leave to the marketing department," meaning that posting for the sake of posting—without purpose, passion, and the social connection of the distributor relationship—is just a huge waste of time.

Third, the greatest news is that the answer is to simplify! The magic ingredient for using social

media to build relationships is the authenticity of the connection.

I was fourteen years old when I started my first direct selling business. I didn't have the internet to rely on, so I simply met and connected with people. In two years, I reached a top ten position in Australia—simply by getting to know people—by becoming a professional friend maker!

As a corporate marketer for more than twenty years and as a digital marketing specialist, I see a great disconnect in the way we interact with people in person vs the way we relate to the very same people online. This disconnect is particularly dangerous ground for the direct selling industry, where relationships are at the heart of all we do. Yet every day, people use social media as an isolated tool to do business, not to connect.

We can see the looks of relief and often hear, "It's so much easier than I've been making it; this feels so much nicer, and it gets far better results!" in response to our training. Ultimately, the result is increased sales.

We have seen hundreds of incredibly laid out and complex training on everything social media. For your field to be successful online, your social media strategy needs to address these issues:

- Feel confident that people want to hear from you.
- Don't overwhelm; many of your field didn't grow up with technology.
- Give clear and simple direction and active support.
- Know how to share your own journey and story (compliantly).
- Have clarity on the tribe: when you speak to everyone, you speak to no one!
- Repeat the above messages.

No one wants to be compared to "that person over there" in the perfect home with the picture-perfect posts and sassy dance moves. We empower everyone to be their amazing, unique selves.

The technology we provide distributors must be easy to learn, strategic, and authentic for social sellers. Then the social robot disappears. **DSJ**

WHAT IS YOUR COMPANY'S RISK PROFILE?

By C. Brent Kugler, Partner, Scheef & Stone, LLP

Risk Management

Direct selling companies operating in the United States face a constantly evolving legal and regulatory landscape. Business practices and methods that were once viewed as acceptable or compliant may now invite significant legal or regulatory risk to a company and its stakeholders. Companies should, therefore, regularly evaluate their business practices to ensure that their risk profile has not increased due to business activities that are now deemed noncompliant or illegal.

Commit to Policing Improper Earnings Claims

Improper earnings claims are typically what will put a company on the radar of the Federal Trade Commission. Recently, the FTC launched a new rulemaking initiative to address deceptive earnings claims. Companies that do not have issues with improper earnings claims are much less likely to attract FTC scrutiny. Therefore, ensuring that your company is not publishing improper earnings claims is a logical place to start. In its complaint filed against AdvoCare, the FTC listed numerous examples of improper earnings claims made at AdvoCare-sponsored events and on company-created social media posts and webinars. Companies should ensure that their marketing personnel are properly trained on what is and is not a permissible earnings claim.

Just as importantly, companies must publish accurate data reflecting the earnings of all program participants. An income claim is considered deceptive if information is not disclosed showing what potential participants can typically expect to earn. A company's Income Disclosure Statement (IDS) is a critical document. The FTC's issue with AdvoCare's Income Disclosure Statement was that it only reported earnings data for active distributors. AdvoCare defined active distributors as participants who earned income in the previous year. The FTC alleged that AdvoCare's IDS was deceptive because less than 30 percent of all AdvoCare distributors earned income. By only disclosing the earnings data for active distributors on its IDS, the FTC alleged that the IDS was misleading because it failed to include earnings data for more than 70 percent of AdvoCare distributors. Done properly, the IDS can be an important insurance policy for

MLM companies. A full and transparent disclosure of all participant earnings will significantly reduce a company's exposure to regulatory scrutiny. On the other hand, an incomplete or misleading IDS can provide evidence the FTC relies on in concluding that a company has made deceptive earnings representations in violation of Section 5 of the FTC Act.

The biggest challenge a company faces in reducing exposure for improper earnings claims is in policing claims made by members of its sales force. The FTC has unequivocally stated that it intends to hold MLM companies responsible for improper earnings claims made by their distributors. Companies must do much more than simply have policies in place that prohibit distributors from making improper earnings claims and occasionally enforce those policies. In today's regulatory climate, companies must implement a training program that educates distributors on what is and is not a permissible earnings claim. Companies must also commit to terminating distributors at any level or rank who persist in making improper earnings claims. Companies must also actively monitor distributor social media posts and compel the removal of social media posts that contain improper earnings claims.

Take a Fresh Look at Your Company's Compensation Plan

In the current regulatory climate, the FTC has prioritized scrutiny of MLM compensation plans. This heightened attention means that all MLM companies should review their compensation plans to avoid getting caught in the FTC's crosshairs. Here are a few things to consider when evaluating your company's compensation plan:

- The compensation plan should reflect that commissions and advancement awards are based primarily on verifiable retail sales volume, not participant purchases.
- Regardless of a compensation plan's terminology, an emphasis on recruiting over selling products is



SCHEEF & STONE
SOLID COUNSEL

WE MUST BE DOING SOMETHING RIGHT

We don't view spending millions of dollars to win (or lose) a legal battle with the FTC as a successful outcome.

At Scheef & Stone, we believe your company's interests are better served by avoiding regulatory scrutiny altogether. For more than 20 years, Partner Brent Kugler has advised direct selling/MLM companies on business practices with this singular focus. The result? No FTC or state Attorney General investigations or enforcement actions against any of our MLM clients. **None.**

How We Help MLM Companies

- MLM Litigation
- Regulatory Advice
- Distributor Terminations
- Solicitation and Raiding Disputes
- Trade Secret Protection
- Independent Contractor Issues

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viewed by the FTC as indicative of an illegal pyramid scheme. In its 2019 complaint against AdvoCare, the FTC was critical of a Rookie Bonus that rewarded AdvoCare distributors who recruited at least three new distributors while generating sales volume from the new recruits. The FTC found this bonus to be indicative of an emphasis on recruiting rather than retailing products. This is important. Many companies have similar programs that incentivize recruiting by rewarding new volume (new volume can only be generated by recruiting new participants). The FTC's allegation directed at the AdvoCare Rookie Bonus is untested. It's a reminder that companies that offer rewards or bonuses for new volume should be explicit in their program materials that the reward is based on new, verifiable retail sales volume and that the reward does not emphasize the recruiting of new distributors in the program description.

- Policies requiring retail sales to nonparticipant consumers should be in place and be enforced.
- Words and terms used in the compensation plan matter. Volume should be defined to reflect an emphasis on retail sales to nonparticipants. Many comp plans define volume as the volume from participant personal purchases and the volume generated from retail sales to nonparticipant customers. If volume is defined this way, the compensation plan can conceivably allow rewards to be earned based on participant purchases only, with no retail sales activity. Even if this is not how commissions are generated, a loose definition of volume could convince a regulator that all rewards available in a company's compensation can be achieved with no retail sales activity.
- Companies must demonstrate that revenues are derived primarily from the retail sale of products to nonparticipant purchasers. The FTC views failure to collect this data, or the non-existence of such data, as indicative of an illegal pyramid scheme.
- Activity or maintenance requirements should ideally be based on retail sales volume, not personal purchases by program participants. At a minimum, any activity requirements of participant purchases should be limited to an amount that a participant can reasonably be expected to consume or use within the relevant time period.

Is Your Distributor Agreement Enforceable?

The inability to enforce the terms of the independent distributor (IBO) agreement is a recurring problem for many MLM companies. Can the company demonstrate that it has a legally enforceable and binding agreement with its independent sales representatives? A company does not want to discover in the middle of a lawsuit defending a consultant termination or retraining a rogue distributor that it cannot or is unable to enforce the terms of its consultant agreement.

The online enrollment process of IBOs poses a potential problem. All documents that comprise a company's

distributor agreement (such as online terms and conditions, policies and procedures) should be available, in their entirety, to a new distributor at the time of enrollment. A company should not process a distributor's enrollment without creating a valid electronic record of (i) the distributor's acknowledgment that she or he has reviewed the entire distributor agreement, and (ii) the distributor's agreement to be bound by the terms of all such documents. This is particularly important for companies that incorporate policies and procedures or other documents that reference an online distributor agreement. If not done properly, a judge or arbitrator may decide not to enforce the policies and procedures because the company cannot prove that the distributor agreed to those terms at the time of enrollment. The result may be harsh—such as a company's inability to enforce an arbitration provision, forum selection clause, or class action waiver—if those provisions are included in an unenforceable policies and procedures document.

A second enforceability issue can arise with similar or identical provisions in different parts of the distributor agreement (for example, a dispute resolution provision in the online terms and conditions and a second dispute resolution provision in a policies and procedures document). If a company amends one set of provisions but neglects to amend the other set, the two provisions may conflict and be unenforceable. This discrepancy in documents forced one MLM company to defend a class-action lawsuit that could otherwise have been avoided if not for conflicting provisions in the company's independent distributor agreement and policies and procedures.

A third potential problem can occur when an independent distributor agreement is void due to unconscionability. An agreement is unconscionable (and unenforceable) if it is determined to be inherently unfair. State laws vary, but an unconscionability analysis is usually a two-step process. The first inquiry is focused on whether the contract is procedurally unconscionable, and the second inquiry focused on whether the contract is substantively unconscionable. A contract that is deemed to be both procedurally and substantively unconscionable is legally unenforceable. Because most MLM companies use a standardized independent distributor agreement in which a prospective distributor is given no meaningful opportunity to negotiate the terms, the majority of MLM independent distributor agreements are likely to be deemed procedurally unconscionable. As a result, companies must ensure that their independent distributor agreements are not substantively unconscionable. In assessing substantive unconscionability, the primary inquiry is whether the agreement terms are mutual or one-sided. For example, a contract provision that requires a distributor to assert a claim against the company within one year from the date of the occurrence or breach—but does not require the company to do the same—is arguably substantively unconscionable. If your company's distributor agreement contains numerous one-sided provisions that are overly favorable to the company, then the agreement (or certain provisions) may be unenforceable due to unconscionability. **DSJ**

Compensation Plans in Today's Regulatory Environment

In the current regulatory climate, the FTC has prioritized scrutiny of MLM compensation plans. In the past two years, FTC Commissioner Noah Phillips and current and former FTC attorneys have stated their view that MLM compensation plans that emphasize recruiting can turn an otherwise legitimate business opportunity into an illegal pyramid scheme. The FTC continues to state publicly that aggressive scrutiny of MLM companies is one of the agency's top priorities. It is therefore critical that MLM companies evaluate their compensation structures and business practices in light of FTC's current interpretation of what constitutes an illegal pyramid scheme.

This heightened scrutiny means that all MLM companies—new and old, large and small—should undertake a review of their compensation plans to avoid getting caught in the FTC's crosshairs. FTC attorneys have stated that the agency asks two preliminary questions when evaluating an MLM compensation plan:

- 1) Does a compensation plan incentivize recruitment rather than product sales?
- 2) Does the compensation plan create incentives for distributors to purchase more products than they actually need?

At first glance, these questions do not appear to pose much of a challenge. A company's MLM compensation plan, in structure, terminology, and practice, should emphasize payment of compensation to program participants based on verifiable retail sales of products or services to bona fide, verifiable retail customers. Sounds doable, right? This is consistent with the FTC's position in its 2016 enforcement actions against Herbalife and Vemma as well as the 2018 FTC Guidance to the MLM Industry. If these two questions mark the current regulatory guardrails for compensation plans,

then most companies with current compensation plans are either operating in a compliant manner or capable of doing so with relatively minor modifications.

But the inquiry does not end there. In October 2019, former FTC attorney Andrew Smith announced three compensation plan characteristics that the FTC views as suggestive of an illegal pyramid scheme: threshold-based rewards, convex rewards, and duplication-based rewards. These concepts were reaffirmed by current and former FTC attorneys at the 2021 College of New Jersey MLM conference. Threshold-based rewards are rewards that begin or increase exponentially at specific thresholds (for example, earning a 4 percent commission for the first \$1500 in product sales; 6 percent in commission for up to \$5,000; and 8 percent for sales of more than \$5,000).

Convex rewards are rewards where greater levels of expenditure by a program participant earn greater rewards. Duplication-based rewards are rewards that are only available for participants who recruit other participants (e.g., if there are rewards in a compensation plan that are not available to a program participant who has no downline but personally retails \$1 million of product).

The vast majority of MLM compensation plans used by companies operating in the United States contain one, if not two, of these reward types. If your company's compensation plan allows a participant's commission percentage to increase at a specified volume threshold, then the compensation plan has a threshold-based reward. If your compensation plan offers rewards based on team volume, or rewards based on volume generated by personally sponsored participants, then your compensation plan has a duplication-based reward. These are two very typical features of MLM compensation plans. Yet, the FTC has made public statements



suggesting that these features are characteristics of a business that is operating as an illegal pyramid scheme.

These potential new criteria for evaluating compensation plans are not grounded in case law or any published guidance to the industry. Moreover, this new interpretation appears to go beyond the Koscot definition of an illegal pyramid, which is “the payment by participants of money to the company in return for which they receive (1) the right to sell a product and (2) the right to receive in return for recruiting other participants into the program rewards which are unrelated to sale of the product to ultimate users.” Moreover, this criterion has not been challenged in court. We don’t yet know to what extent these characteristics will become part of a new definition of an illegal pyramid scheme. For the time being, companies should review and adjust their compensation plans as necessary to avoid FTC scrutiny. Below are some things to consider:

- Modern compensation plans should reflect that commissions and advancement awards are based primarily on verifiable retail sales volume rather than participant purchases.
- Regardless of a compensation plan’s terminology, an emphasis on recruiting over selling product is viewed by the FTC as indicative of an illegal pyramid scheme. In its 2019 complaint against AdvoCare, the FTC was critical of a Rookie Bonus that rewarded AdvoCare distributors who recruited at least three new distributors while generating sales volume from the new recruits. The FTC found this bonus to be indicative of an emphasis on recruiting rather than retailing product. This is important. Many companies have similar programs that incentivize recruiting by rewarding new volume (new volume can only be generated by recruiting new participants). The FTC’s

allegation directed at the AdvoCare Rookie Bonus is untested. It’s a reminder that companies that offer rewards or bonuses for new volume should be explicit in their program materials that the reward is based on new verifiable retail sales volume and not emphasize the recruiting of new distributors in the program description.

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DIRECT SELLING GIVES BACK TO THE GLOBAL COMMUNITY



Across the United States and around the world, a direct selling presence brings more to a community than just a business opportunity. It brings a commitment to good citizenship—a pledge to give back to those communities where direct sellers live and work and to respond to the needs of others in times of a national or global crisis.

Philanthropy is a hallmark of the direct selling industry. Charitable initiatives have their roots in the values of company founders. Some companies start their own charitable foundations: the USANA Foundation, Herbalife Nutrition Foundation, and Nu Skin Force for Good Foundation are a few examples. Others create, develop, and support ongoing partnerships with charities and non-governmental organizations (NGOs), such as The Avon Company's long-time partnership with Feed the Children to help end childhood hunger, Natura's continuing work to protect the Amazon, and PM International's contributions to the relief, development, and advocacy organization World Vision.

Our companies, representatives, and customers have a long track record of stepping up in times of crisis. Direct sellers were among the first to donate to the victims of the earthquake in Haiti, the aftereffects of Hurricane Harvey, and the fires in the western US and Australia. Many companies aided in efforts to help stop the spread of the coronavirus. Amway turned its manufacturing facilities into production lines for hand sanitizers. Recently, companies such as Young Living, dōTERRA, MONAT, Sunrider, 4Life, and Southwestern contributed to the relief efforts in Ukraine.

Direct selling has a presence today in more than 100 countries. Its economic impact from the last few years can be measured in the record sales—\$179.3 billion in 2020—number of sellers, and number of customers. Not as easily measured is the tremendous impact direct selling makes on people everywhere whose

Nearly 70 percent of the companies that participated in the WFDSA's *2020 Direct Selling Worldwide Corporate Philanthropy Survey* focus their charitable initiatives on children's causes, with another 25 percent supporting causes for women.

lives have been positively affected by the generosity of the industry.

Corporate Giving

In its *2020 Direct Selling Worldwide Corporate Philanthropy Survey*, the World Federation of Direct Selling Association (WFDSA) confirmed that 1 in 4 direct selling companies was founded with philanthropy as a major tenet of their vision, and 9 in 10 direct selling companies partnered with charities or NGOs. As for donations:

- Nine in ten make cash donations
- One-half make in-kind donations
- 62% contribute through cause-related marketing (selling products with a portion of proceeds going to a charity)
- 53% contribute through volunteerism
- 44% give through sponsorships
- 35% contribute through matching fund programs

Nearly 70 percent of the companies that participated in the WFDSA's survey focus their charitable initiatives

on children's causes with another 25 percent supporting causes for women. Other data includes:

- 91% of direct selling companies with philanthropy activities support health and human services through financial donations or volunteer participation
- 66% support education
- 47% support environmental protection and conservation
- 28% support economic development
- 19% support art and culture

GIVING EXAMPLES

The following are examples of 2021 philanthropic initiatives by DSA member companies.

THE AVON COMPANY

Avon Beauty of Giving Campaign

Avon's Beauty of Giving campaign celebrated and commemorated the brand's 135th anniversary and incredible history of giving back to important causes. The campaign supported Avon's longtime partner, Feed the Children, by donating in one month more than 3.4 million essential products for families in need. Representatives, Associates, and the entire Avon community rallied around the cause to make a huge difference for this important social impact initiative.

NU SKIN

Nourish the Children

In 2002, Nu Skin created the Nourish the Children (NTC) initiative to address the tragedy of childhood hunger and malnutrition with a highly nutritious food known as VitaMeal, developed by Nu Skin's nutritional scientists. Nourish the Children contributions help about 120,000 children thrive every day. Since the program began, the company has donated 750 million meals to children in more than fifty countries. NTC's third-party charity partners provide malnourished children with the nutrient-dense food purchased and donated from Nu Skin sales leaders, customers, and employees. Manufacturing plants for VitaMeal in Argentina, Malawi, and China provide jobs and economic development opportunities for locals. Many VitaMeal donations go to school programs to encourage and motivate impoverished families to send their children to school for a consistent source of food. With world hunger on the rise, Nu Skin's mission to be a force for good around the world is even more relevant, as it works to reach the goal of 1 billion meals purchased and donated worldwide.

SUNRIDER INTERNATIONAL

Engage Now Africa, Wonber Maternal Center

Sunrider International has been instrumental in the groundbreaking of a new maternity clinic in Wonber Miriam, Ethiopia (Liban). The Women's Health Center was made possible by a Sunrider philanthropic marketing campaign that donated more than half the proceeds of each ticket purchased for its 2021 Grand Convention to charitable projects. The Engage Now Africa philanthropic campaign raised nearly \$25,000 for the construction of the Wonber Maternal Clinic that will serve and support about 30,000 women and children per year.

USANA HEALTH SCIENCES

USANA Garden Towers

The USANA Foundation is a nonprofit organization created by USANA Health Sciences to expand and enhance the company's ongoing charitable efforts. The USANA Foundation provides immediate and longterm global food relief for those in severe need through a network of community-driven partnerships to nourish, equip, and eliminate hunger and malnutrition throughout the world. The USANA Foundation's Garden Tower Initiative—developed with considerable thought and effort—plants seeds of hope across the globe. The USANA Garden Tower is a simple, powerful solution that provides sustainable, nutritious food for people in varying countries and climates. Made from a long-lasting, durable material, each tower can hold up to 120 plants and be harvested for many years. A full-grown USANA Garden Tower can provide more than five meals a week for a family of six. Garden Towers use 30 percent less water than a traditional garden. USANA has spent the past three decades working to make the world a better place through its health and wellness products and philanthropic ventures. The company announced its next big humanitarian goal—raising enough money to fund 30,000 garden towers around the world by USANA's 30th anniversary convention this year. **DSJ**





GETTING OUT OUR COLLECTIVE UMBRELLAS FOR THE REGULATORY STORM CLOUD

By Brian Bennett, Senior Vice President, Government Affairs & Policy, DSA

Weather is fickle. When we know the storm is coming, we have time to accommodate our plans to minimize the disruption to our lives and schedule. Other times, an unexpected dark cloud suddenly appears, ruining the day we've planned outside while we're caught without an umbrella.

Advocacy and government affairs are no different. Issues that adversely affect the direct selling business model can be built throughout the various levels of government for months and years. However, if we're not prepared for a sudden regulatory storm, we may have little chance to grab our umbrella.

Most executives who are involved in advocacy are aware of the regulatory risks facing the direct selling business. Our collective voice on behalf of direct selling needs to be heard as we advocate for a range of issues that include consumer protection and the independent contractor status of our salesforce. If we don't step up, our legitimate businesses will suffer.

DSA's *raison d'être* is to protect and promote direct selling. We engage with federal, state, and local policymakers to ensure that they understand the impact onerous regulations will have on the direct selling business. We advocate for consistency, clarity, and reasonableness of law and regulation every day. To ensure members fully understand the impact of DSA's work, we consistently update them as regulatory events unfold, and we summarize our advocacy activities in DSA's annual reports that can be found on the DSA website.

Like the saying "all politics is local," all advocacy is local. Policymakers and regulators engage with us much more readily when we represent your companies and the many small businesses in their hometowns, cities, and states. Working and partnering with our member companies is vital to our regulatory work. We may speak with one voice, but we need the voices of millions to help buttress these efforts.

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Over the years, DSA has found success in effectuating a more positive regulatory environment by focusing on the personal experiences and connections that policymakers and regulators have with our business. During a virtual briefing with the Congressional Direct Selling Caucus, the caucus co-chairs reiterated their support for direct selling.

"I had a direct selling business in college—and learned a lot through that experience—which has led to my success as a member of Congress. The flexibility the business provides for families in my district, especially those in the military, is a vital aspect," said Rep. Richard Hudson (R-NC).

"I value the work that direct sellers do as a huge part of the economy in the Dallas-Fort Worth Metroplex. It is important that we keep that success going and share with others what direct sellers do in their communities," said Rep. Marc Veasey (D-TX).

DSA also works to bring these connections directly to members of Congress. DSA hosted five Women's Entrepreneurship Roundtables with bipartisan members of Congress in just the first quarter of 2022. These events highlight the impact that direct selling has in their districts and for their constituents. The

Association has hosted a dozen roundtables in the last three years.

Rep. Markwayne Mullin (R-OK), who participated in one of the roundtables, said this about the experience: "Direct selling has been a part of my life since childhood. I was impressed hearing from these women in my district on how the business has adapted over many years to be successful, and I look forward to supporting that evolution as a member of Congress."

In addition to its Congressional work, DSA has been advocating for our policy priorities on the state level for many years. And now, thanks to an expansion in technology and a shift in mindset over the last two years, it's easier than ever to be involved in our efforts. You can contribute right from your office by sending letters and participating in virtual meetings with state policymakers. And there's always the traditional option of traveling to state capitols across the country—still the most ideal and personable way to present the messages of your company and the Association.

Legislators are not the only elected officials or regulators at the state level that can impact direct selling. State attorney generals can as well. Our member companies would do well to get to know these officials

in all fifty states, who are mostly elected. Engagement with these officials is crucial in building the broader narrative and positive impact of direct selling.

Joining us by taking advantage of these engagement opportunities, and by creating your own as a company, is vital to sharing the larger message of the direct selling business model. We understand this participation requires the time and resources of executives and salesforce members. While the benefits of our long-term strategy may not be immediately recognizable, we know our efforts will bear fruit when the time comes with positive policies implemented instead of ones that can harm our businesses and those of millions of Americans.

We can always do more to join forces as we advocate on behalf of direct selling and our member companies. We do not want to be in a position of looking back and regretting what more could have been done to prevent a negative outcome from regulation. If there is no chance of storms and a downpour occurs, you hope not to get completely soaked. When a storm is in the forecast, you grab your umbrella and raincoat to stay dry. Bad weather is in the forecast . . . and if we band together now, we are much more likely to stay dry. **DSJ**

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STRONGER BY ASSOCIATION

Over the years, DSA member executives have shared stories of how joining DSA changed the trajectory of their company's future for the better.

We know that an after-hours call to then DSA VP of Membership Eileen O'Neil resulted in the launch of Creative Memories. From that conversation, a publishing house executive turned a fledgling product into a line of photo and memory items that launched a decade of scrapbooking success for a generation of direct sellers and their customers.

Consider the lunchtime conversations at DSA conferences that start with a CEO asking another CEO a question about compensation plans. The friendly exchange develops into a wide-ranging discussion covering various topics. From that talk, the CEO concludes that her original idea—had it been pursued—could have bankrupted the company.

Outcomes that seem like kismet are commonplace when colleagues and peers come together to engage in the safe, private, and confidential meeting spaces provided by DSA.

These in-person opportunities are a catalyst for much more. The direct selling culture of sharing and helping one another is replicated in the Association's DNA for all its members.

THE POWER OF ASSOCIATION: Living DSA's #StrongerTogether Brand

The term direct selling includes more today than even before. Some of direct selling's brightest brands describe themselves in several ways: social sellers, network marketers, and party plan consultants, as well as door-to-door, person-to-person, and big-ticket distributors. No matter the name, those choosing this go-to-market strategy have the channel in common.

"The Association publishes insights and research on the DSA way of doing business for member

In 2004, Heidi and I had an idea for a business that led us to the Direct Selling Association.

Through DSA, Heidi and I met friends and mentors who guided us through our company's initial years. Scentsy is the company it is today because of the lessons learned from the Association and its events.

I still remember the first DSA workshops, where speakers inspired us and gave us vision. We met friends, freely compared notes, and learned what it would take to build a great company. DSA ENGAGE and the VISION Sales & Marketing conferences always gave us something to bring back home to put to work right away.

Scentsy belongs to DSA for its advocacy work, government relations activities, affinity program, insurance program, and the friends and mentors that come with being a part of this Association.

DSA is the reason we go back to our business with the best ideas to make our company the best it can be.

—Orville Thompson, Co-CEO, President & Chief of Staff, Scentsy, Inc.

RESOURCES AVAILABLE TO DSA MEMBERS

Regional Councils

Exclusive one-to-one collaboration opportunities and DSA's four Regional Councils—the Coastal, Mountain, Capital, and Cactus Councils—convene top direct selling executives to share information, learn about industry trends, and participate in the policies and actions of the Association.

Career Center

Executives engaged with DSA are the channel's most dynamic players. DSA's Career Center connects company executives with the direct selling's most qualified and experienced executives.

Communications Toolkit

In today's increasingly competitive climate, DSA empowers member companies with a full range of communications resources that tell the direct selling industry story.

groups perform in the marketplace. The DataTracker survey reports on net sales, new recruits, order size, and the number of orders processed each quarter and year-to-date. This research assesses quarterly changes in the salesforce dropout and productivity rates while offering insight into companies' upcoming sales expectations.

The **DSA QuickPulse** survey has helped DSA members monitor the pandemic's impact on US and global markets. The long-standing **DSA Growth & Outlook Annual Survey** measures the number of sellers, customers, and sales in the US direct selling market. The benchmarking information, insight into macroeconomic and consumer trends, and forecasting results are from data shared by DSA member companies.

"DSA's research publications are designed to help direct selling companies—no matter their size or growth stage—to navigate market conditions so that they can plan for the future," explains **Monica Wood, Chairman of the DSA Industry Research Committee and Vice President, Consumer and Member Insights, Herbalife Nutrition**.

"What makes our business model unique—our personalization, training, and accessible path to entrepreneurship—is also what brings our community together as we seek insights to plan for what's next," **Wood** continues.

Since March 2020, a growing number of direct selling companies have joined DSA for its continued programming and engagement as businesses everywhere pivoted to virtual.

"DSA's membership is tremendously varied within its Big Tent. Our executives understand that by sharing knowledge and insights, we help each other confront and overcome the challenges. Success is the journey we take together," **Burke** continues.

SHARING OUR STRENGTH: Paying Our Accumulated Knowledge Forward

Doris Christopher, the storied Founder of Pampered Chef, once noted that she joined DSA for the networking opportunity with companies long heard about and admired, and the learning opportunities with brand new, fresh companies trying things with new ideas that one only wishes one could have thought about and tried.

Rarely does a business start and catapult ahead, bringing only success. I pay it forward through DSA because I remember what I learned from my CEO peers and the Association. Direct sellers are entrepreneurs. I want to give back to others with the same generosity afforded me.

—Joni Rogers-Kante, Founder and CEO, SeneGence International

Direct selling offers the possibility of a harmonious experience in business achievement, life lessons, and personal satisfaction. DSA shares the unique story of our channel using a single unified voice. The whole of our channel is greater than the sum of its parts. The Association ensures that we can make a difference with our powerful story.

—Kevin Guest, CEO & Chairman of the Board, USANA Health Sciences, Inc.

One such publication—the quarterly **DSA DataTracker** exclusively for DSA members—gives our companies timely information about how they and their peer

“Direct selling is a culture pays it forward because those who have been lent a hand in the past repeatedly reach out to help others as they were once supported,” says Melissa Brunton, Senior Vice President, Education & Meeting Services DSA.

Since March 2020, the **DSA ENGAGE Webinar Series** has brought together direct selling executives from communications, technology, legal, compliance, marketing, and sales disciplines to share insights gleaned through the pandemic. Collaborations between DSA and leaders from the **National Retail Federation, Oxford Economics, the Department of Homeland Security Cybersecurity and Infrastructure Security Agency, and the Vaccine Development and the Regional Biocontainment Laboratory, University of Tennessee Health Science Center** are just some of the examples of the breadth of information shared through DSA webinars.

“DSA has a culture of community with values rooted in the commitment to helping others as one was once helped. The Association’s ability to provide members with access to senior executive insight, cutting-edge case studies, and frank, candid, one-on-one sharing is truly unique among associations,” shares **Jeannie Price, Chairman of the DSA Education Committee and Executive Vice President of Sales Americas, Europe, USANA Health Science, Inc.**

Even during the early days of 2021, about 50 direct selling executives attended the **2022 Compliance Officer’s Retreat** and General Counsel Retreat held in person at **Herbalife Nutrition’s** Los Angeles headquarters, with a virtual option for those who were unable to be on site.

This year, DSA will return to in-person learning with the third iteration of the **DSA Direct Selling Compliance Professional Certification Program (DSCP-CP)**, which promises to add to the more than 200 direct selling executives who already hold the DSCP credential.

This year’s **DSA 101**, a program that helps onboard executives new to the direct selling channel while keeping seasoned professionals updated on their knowledge, takes place in conjunction with **DSA ENGAGE: Conversion Immersion** in Boca Raton, FL, on June 5–8.

BEYOND THE CHANNEL: Building Bridges to New Friends and Allies

In 2016, DSEF began to devote all its resources to growing its academic programs.

The Foundation’s vision was to partner with 200 professors as **DSEF Fellows** to reach 60,000 students. DSEF Fellows develop important analytical resources for direct sellers and channel observers while serving as independent voices dedicated to researching and offering insight into the channel. Today, the ranks of DSEF Fellows have swollen to more than 300, reaching more than 300,000 students with professor-led content created in concert with DSEF.

THE SUCCESS OF OUR DIGITAL PIVOT AND NEW OPPORTUNITIES TO ENGAGE

- The 60+ DSA ENGAGE On-the-Go Learning Webinars that reached 6,000+ direct selling executives
- Publishing the digital and print editions of the Direct Selling Journal, with every issue reaching more than 3,000 individuals
- The virtual DSA Social Media Day conference that engaged 300+ direct selling executives and the blended model that brought 500+ channel leaders to DSA ENGAGE in New Orleans

The success of DSEF Fellows can be measured by the expanding body of research and study that help define direct selling and by the shedding of new light on direct selling’s economic and social impact in the United States. This work is an investment in understanding who we are today and what we will become as we grow alongside a new generation of consumers and business leaders.

—Al Bala, CEO & President, Mannatech, Inc.

“DSEF Fellows work with DSA member companies to co-create content for students and provide a data-driven, accurate picture of the direct selling channel for the media and other important audiences,” explains Kimberly Harris Blinton, Senior Director, Academic Initiatives, DSEF. “The case studies, articles, and research developed by our Fellows helps to crystalize the market dynamics driving the modern direct selling channel.”

The Foundation has a long and proud history of educating a wide range of people on how direct selling empowers individuals through entrepreneurial opportunities. As a DSEF Fellow, I appreciate the role direct selling plays in business today; I believe that including explanations of this go-to-market strategy in my teaching is something that will give my students

Results of the Direct Selling Self-Regulatory Council (DSSRC)

- From January 1, 2021, through July 31, 2021, the Council monitored 585,908 unique URLs and identified nearly 46,000 potential incidents involving health-related product claims and business opportunity/lifestyle claims on social media and video platforms.
- DSSRC opened 122 inquiries; 331 product claims and 378 business opportunity and earnings claims comprised these inquiries.
- Of that year's inquiries, 39 were COVID-19 related; 66 product performance claims and 10 claims discussing the pandemic as an earnings opportunity comprised these inquiries.
- Because direct selling companies discontinued or significantly modified the claims at issue, 87 of the 122 inquiries have been or are being administratively closed.
- Of the 122 inquiries initiated, all but 2 originated from DSSRC monitoring, with those 2 cases being brought to Council's attention by non-governmental organizations.
- During the life of the DSSRC, 15 cases were referred to government agencies for non-response/non-compliance with inquiries.



insights and a competitive advantage in whatever they do.

—Sandy Jap, Sarah Beth Brown Endowed Professorship of Marketing Chair, Emory University Goizueta Business School

As an example of the program's success, Harvard Business Publishing's website will list Direct Selling: A Global and Social Business Model. The book, authored by DSEF Fellows Sara L. Cochran (Indiana University), Anne T. Coughlan (Northwestern University), and Victoria L. Crittenden (Babson College), explores the long-term sustainability of the direct selling business model and how the channel benefits society.

"DSEF's work—particularly the efforts of DSEF Fellows—provides a clear and compelling description of the direct selling business model and dispels misperceptions about the channel," notes Gary Huggins, Executive Director, DSEF. "The actionable research plays a key role in helping to modernize the channel's image while providing valuable business insights for DSA member companies."


Still, as the challenges that face direct selling continue to evolve, DSA will continue to engage in conversations that help protect against challenges to the independence of our salespeople.

"The direct selling story is powerful. When we reach beyond our community to those who can make a difference for our businesses, the results are significant," explains Joseph N. Mariano, President, and CEO, of DSA.

The **Direct Selling Self-Regulatory Council (DSSRC)**, founded in 2019, operates today under the auspices of the Better Business Bureau's National Programs. The program works in tandem with the DSA Code of Ethics to help ensure consumers and salespeople have the utmost confidence in the direct selling business model.

DSSRC independently monitors earnings and product claims disseminated by all members of the direct selling community, regardless of a company's DSA membership status. Since the Association has had a long-term commitment to self-regulation, the channel already is seeing results from this vital effort in public and policymaker recognition.

Together—companies big and small, party plan and network marketing—we created the DSSRC. While there's more work to be done, we're in a better place as a result.

—John Parker, DSA Past Chairman and Chief Sales Officer & Regional President West, Amway 

SOUTHWESTERN ADVANTAGE: 154 YEARS OF BUILDING ENTREPRENEURS AND LEADERS

By Trey Campbell, Director of Communications, Southwestern



Words can be powerful motivators. When used with a positive approach, words can inspire, persuade, and encourage. For generations, a quote has both roused and rallied the entrepreneurial spirit of young people from around the world. Proudly displayed in the halls of Southwestern Advantage in Nashville, Tenn., it states, “A great leader is a great recruiter.” A seemingly simple statement, but behind those seven words, a company culture has been established that’s transformed the lives of generation after generation of college students. Southwestern Advantage is not only the oldest direct selling company in the US, but it is also the longest-running entrepreneurial program for college students.

The direct selling industry has long been a pioneer of the entrepreneurial pursuit. Recruiting—or team-building—plays a prominent role in the quest for personal growth and professional progress. In addition, for those rapt with the thought of running their own businesses, having a side hustle to help make extra money, or even seeking to develop life skills that sales and team-building can teach, direct selling can be a gateway to goals. Southwestern Advantage has bred leaders who, in turn, recruit others they see potential in and train them to be leaders in not just sales but life. At a recent seminar, our CEO Dustin Hillis recalled a conversation he had with former Chairman of the Board Spencer Hays, in which Hays shared some wisdom gained from a lifetime of direct selling. Hays told him

Southwestern Advantage is not only the oldest direct selling company in the US, but it is also the longest-running entrepreneurial program for college students.

a little secret: “Southwestern Advantage is not a sales company. It’s a recruiting company. Recruiting built the business, and it is the foundation of the business. The company’s success is based on the talent we locate, engage, and train to be the company’s next level of leadership. Great leaders find other people to develop into great leaders.” Southwestern Advantage happens to do this through the direct selling business model. Sales is a means to an end. People are our product.

Starting in 1868, countless numbers of college students have knocked on countless more doors. This was the year that Reverend J.R. Graves, who operated a mail-order business selling Bibles, books, and religious tracts, noticed an uncertain, challenging situation. Graves’s observations fixated on how students were having trouble paying for their education in the late 1860s. His solution? Start a business where the students could sell the products he published to families using the

door-to-door selling model. This would have a dual benefit: getting his products in more homes while helping students fund their education.

Upon being offered the opportunity, the early students participating in the program flourished. They were the first of many who would realize the long-term benefits far outweighed the short-term benefits. They acquired management and leadership skills, which would have an incredibly significant ripple effect that is now seeing its 154th year. The program is, and always has been, a training ground for transferrable skills. When given an opportunity to spread their wings, students will not only fly, they will soar to new heights.

These initial students traveled to Nashville after their spring semester for what would eventually become known as “Sales School.” Described as “boot camp meets pep rally,” Sales School is a week of intensive instruction based on all of the things the company has found to make students to be successful in running their business—from the psychology of standing at a side profile when knocking, to the crucial importance of positive self-talk, to everything else in between. In addition to the training that happens on their campus prior to summer sales, Sales School also offers a crash course consisting of product training, sales presentations, business principles, operating systems for their business, mentorship, and ethics to name a few. No page in the training manual goes unturned, and no student leaves unprepared. The facilitators and trainers have walked in the shoes of those before them, one door at a time, helping one family at a time, leading by example as their leaders did before them.

Since Rev. Graves, a bountiful harvest of leaders have followed, cutting their teeth and busting their knuckles door-to-door. A few examples include P.B. Jones, who came up through the sales and leadership program and purchased the company in 1899; owner J.B. Henderson,

The program is, and always has been, a training ground for transferrable skills.

who lost his net worth in the Great Depression and still kept the company afloat; legendary recruiter Fred Landers, for whom the corporate headquarters is named (Landers Plaza); Direct Selling Association Hall of Fame winners Spencer Hays and Jerry Heffel; along with former DSA Board member Dan Moore, President and Chairman of the Board, Henry Bedford, participated in a leveraged buyout of the company from Times Mirror in the early 1980s. All of these company owners and executives gained the character of strength to move mountains because they crafted their work ethic and problem-solving skills through a literal process of hard knocks.

Today, the new class of leadership carries on the tradition of those who have come before them. After all, “A great leader is a great recruiter.” Bedford, Hillis, Moore, and Mark Rau, Vice President of Sales, are leading a new generation of students who are still selling door-to-door and still following through on the Southwestern Advantage mission of helping young people develop the skills and character they need to achieve their goals in life.

These skills and character traits have served each student well in their quests to achieve individual goals, and none more so than in 2020. For a company that has sold door-to-door for more than a sesquicentennial, a worldwide pandemic can be a frightening notion—something that could shut the door on selling to families in their homes. Finding courage in the face of adversity is just a part of the DNA at Southwestern Advantage. The top leadership mentioned above, sales leaders, and executive staff developed a “find a way” attitude and a “do whatever it takes” mentality not only to survive the pandemic but also to prosper through it. Helping



families with their sudden at-home educational struggles was of urgent importance. The leadership all came together to find solutions for never-thought-about problems posed by the pandemic. When all was said and done, a company famously synonymous with door-to-door sales shifted to virtual sales.

This was a seismic shift for everyone who had never done this. Technology and the gig economy were embraced. Zoom became the new method of interaction, Airbnbs became the new base of operation, and the presentation was converted from sample books to digital product screens. Our company initiated a massive research project to find communities throughout the United States that literally would open their doors to our students. We made investments in never-before sample kit items such as masks, sanitizer, and t-shirts, identifying students as selling at-home educational resources.

The summer of 2020, and subsequently 2021, saw many heroes emerge associated with the company. Throughout the uncertain times, company leadership always put the focus on two things: safety over sales and victory through values. This kind of leadership defines a company and distinguishes its culture. In fact, we created a commemorative book to honor those who not only led the way but who found a way. Southwestern Advantage never broke stride and never ceased operation. The company adapted. Because of this, many college students were able to reach their own financial goals while serving the needs of families

who felt the pain points of their home being the new classroom.

Returning to the quote once again, “a great leader is a great recruiter,” it’s easy to see why Southwestern Advantage has outlasted competitors and continues to build a future based on the power of the past. Strong roots make for strong foundations. Great leaders becoming great recruiters have led to great businesses being born through a process of corporate diversification, primarily through the efforts and talents of those who have been through the sales program. Spencer Hays would always say, “We don’t build companies. We build people. And those people are building great companies.” Southwestern Advantage has long had a storied history of helping students become successful using direct sales as a means to hone their schedule and attitude, handle rejection, and overcome adversity. Each year, around 1,500 students from over 200 campuses worldwide are taught the time-tested principles that a multitude of successful alumni before them have experienced. Many outside companies have seen the value students receive in the form of training, management, and leadership. Fortune 500 companies have long desired to have Southwestern-bred students in their workforces.

Passing on the wisdom and lessons to those who come after us is vital not only to the future success of the company, but also to the futures of the next generation of salespeople and entrepreneurs.. [DSJ](#)





BENEFITS

HELPING ENTREPRENEURS GET STARTED IN DIRECT SELLING

More than 47 million Americans voluntarily quit their jobs in 2021. For those hoping to start a business venture, direct selling offers a variety of opportunities—from hundreds of well-known and respected companies—and much-needed assistance on the crucial elements of business ownership from the Direct Selling Association (DSA) and its Supplier Partners.

People familiar with direct selling know that its benefits compare quite favorably with gig work. Direct selling's advantages include the ability to work from home, the flexibility in work hours, and the earning potential based on the effort put into the work. What sets the industry apart from other gig work is the opportunity for anyone to join and be successful. Direct selling is appealing—and welcoming—to all age groups. For young entrepreneurs who want to start a business, direct selling offers the opportunity to work full-time selling a wide variety of products such as cosmetics, energy services, and items for improved health and wellness. Direct selling has varying levels of engagement for older Americans who may need part-time work to supplement their income and for retirees who want to keep busy with a side hustle. With its focus on personal development, direct selling embraces the spectrum of age groups in teaching newcomers the essential skills needed to run a business, including sales and selling, developing leadership qualities, and setting up digital networks.

Many gig opportunities do not offer assistance in two key areas of concern for first-time business owners: finding health insurance to replace their previous employer plan and navigating the various tax responsibilities required with a business operation. In contrast, the direct selling industry excels in offering guidance to entrepreneurs in both areas.

“The scariest thought in leaving a job is the loss of health insurance. We all need it, especially in these days of COVID. Sadly, about 10 percent of the US population goes without it—and that can lead to financial ruin if an emergency arises. What holds people back is replacing the employer plan.”

— Richard Fuchs, President & CEO, PRO Insurance Managers Inc.

Healthcare Insurance

The leading reason an unhappy or unfulfilled worker will not leave a job is fear of losing health benefits. Even those who want to start a business stay put if they believe entrepreneurs face difficulties finding healthcare insurance. Richard Fuchs, President and CEO of PRO Insurance Managers Inc., understands the fear, as he has seen it often.

“The scariest thought in leaving a job is the loss of health insurance,” he says. “We all need it, especially in these days of COVID. Sadly, about 10 percent of the US population goes without it—and that can lead to financial ruin if an emergency arises. Replacing the employer plan holds people back.”

For those entrepreneurs looking to start a career in the direct selling industry, there is good news in obtaining healthcare solutions. The Direct Selling Association (DSA) has teamed with Fuchs and his company to

ensure new business owners have the protection they need when it comes to their health.

DSA has endorsed PRO Insurance as an insurance broker for a variety of programs since 2005. After a two-year vetting process, DSA chose PRO Insurance Managers, which currently serves about sixty-five direct selling companies, including Mary Kay, Herbalife, Avon, Pampered Chef, Scentsy, AdvoCare, and Arbonne.

According to Fuchs, PRO Insurance Managers is among the top insurers in the nation. Their à la carte suite of services focuses on supporting the field, consultants, distributors, and representatives. Direct selling business owners can choose from several health insurance packages—health and life as well as dental and vision—and liability insurance specifically designed to protect a direct selling business.

“We offer liability coverage to protect business activities for homeowners who typically do not have inventory coverage,” Fuchs says. “Inventory that gets lost in a fire or is stolen is not usually covered by the homeowner’s insurance because it falls under business activity. The same is true if a customer slips or falls on your property. We offer a variety of coverage for both the benefits side and the business side.”

While not all new business owners need health insurance right away, an awareness of what is available can remove the fear that initially comes with starting a business. Most newcomers who enjoy direct selling as a part-time pursuit fall under their spouse’s medical plan. The ability to customize and build a family plan with coverage that takes immediate effect is one less barrier to taking the leap to business ownership.

Fuchs says that the healthcare landscape has changed in the last decade, particularly since the passage of the Affordable Care Act (Obamacare). Today, more people are taking advantage of short-term plans, which he believes is the better way to go.

“The old-school plans for preventative illnesses, medical needs, and prescriptions have higher deductibles, higher co-insurance, and higher co-pays,” Fuchs says. “The option is to go with short-term health plans because they are literally one-half or one-third of the costs of Obamacare.”

Fuchs says that a short-term health insurance plan is not as benefit-rich as Obamacare or an employer plan. It pays for medically necessary items like seeing your doctor if you have the sniffles, an ER visit, hospital stay, or surgery. It pays for many items covered in most plans but not preventative or prescription coverage. PRO offers both, which can be bought individually or bundled together.

“The better plan today is to buy the short-term health insurance plan at a third of the cost of Obamacare, with substantially lower out-of-pockets, and buy a

“Becoming a direct seller means one is now self-employed, yet most direct sellers have very little knowledge about the tax ramifications of being self-employed.”

— Joe DePetris, Jr., Owner, One Source Tax Management LLC

preventive care plan so you can get all the tests that Obamacare mandates for free—100 percent free, no co-insurance, no co-pay,” Fuchs says. “You save thousands of dollars a year.”

With short-term plans, you do not need to wait for open enrollment like you do with Obamacare. There is no open enrollment period. You can buy coverage tomorrow.

“The one truism today is that health insurance affects everyone,” Fuchs says. “We are hammered as kids to buy auto or home insurance because we know if something happens, they’ll put us in a new car or a new home. Do we ever have claims? Not often and sometimes never. So, who makes money? The insurance company makes money. But if something does happen, they are going to make good on the bills and put you in a new house or new car. The same is true of health insurance. With the cost for care so phenomenally expensive, people recognize that being without coverage could be financially ruinous. They must have coverage. Can they afford coverage? Yes. There are customized plans available to get coverage—and peace of mind—for moving into direct selling full-time.”

Tax Preparation

Tax preparation is another major concern for first-time business owners. Direct selling consultants have specific tax filing obligations with the Internal Revenue Service (IRS) since they are considered self-employed if earning more than \$600 a year from their business. In addition to filing Form 1040 for their individual tax return, they are required to complete a Schedule C, Profit or Loss from Business, to report all income and expenses from their direct selling business. (The consultant’s company submits a Form 1099-MISC to the IRS with the consultant’s payment amounts.)

Business owners have other tax considerations to address, such as deductions and earned income tax credits.

“Most direct sellers have never been self-employed and, consequently, are unfamiliar with tax responsibilities that can cause major stress when filing returns,” says Joe DePetris Jr., CPA and Owner of One Source Tax Management LLC. “Becoming a direct seller means one is now self-employed, yet most direct sellers have

DIRECT SELLER LIABILITY INSURANCE

According to PRO Managers CEO Richard Fuchs, direct seller liability insurance provides \$1 million in coverage for \$195 annually (about \$16 per month).

- Protection covers wherever consultants/distributors/representatives do business—home, away, or at events. Direct selling companies do not provide general liability for claims incurred from selling activities.
- Vital coverage ensures consultants/distributors/representatives are protected for their direct selling activities.
- Homeowners insurance, umbrella coverage, and auto coverage do not provide protection for direct selling activities.
- Businesses write-off: according to tax consultants, the full cost can be deducted as a business expense.
- Liability lawsuits are especially dangerous because individuals can make liability claims years after an incident occurs.
- Liability coverage will respond to claims of bodily injuries (slips and falls) or property damage caused.

very little knowledge about the tax ramifications of being self-employed.”

DePetrus became involved with direct selling in the early 1990s when he was introduced to an Amway distributor. The distributor had a consultant in his downline who was in the midst of an IRS audit. The IRS claimed that the distributor was conducting a hobby and not a trade or business, and promptly disallowed their business losses. DePetrus intervened, and the losses were reversed.

As time went on, DePetrus saw audits and hobby loss claims become a regular pattern. The IRS’s not having a consistent reason for claiming that direct selling was a hobby made it difficult for distributors to defend themselves in an audit. After conducting more than 400 IRS audits for distributors around the country and tracking various reasons why hobby loss claims

were alleged, DePetrus, DSA, and a major company teamed up to approach the IRS with a solution to the agency discounting the legitimate business expenses of direct selling. The fruits of that collaboration yielded the publication, *Direct Seller Audit Technique Guide*, produced in 2005.

“The IRS publishes the Audit Technique Guide to help auditors understand various industries and audit issues,” says DePetrus. “The guide’s contents were primarily written by us. We recommended a set of rules for distributors to follow to be treated as a trade or business rather than as a hobby. The guide also calls for distributors to do monthly bookkeeping, monthly profit and loss statements, written budgets, budget variance reports, and so forth.”

For distributors and consultants to be able to comply with the rules, DePetrus created a simple, subscription-based website that led him to his experience with DSA and his Supplier Membership. He is a regular speaker about distributor tax issues at DSA regulatory conferences.

“In fact, at one of those conferences, I personally helped cause a change in the 2017 Tax Act that would have cost all profitable distributors with an S-Corporation thousands of dollars,” he says.

DePetrus’s biggest advice to new business owners is to keep detailed records of all transactions. The common mistakes he sees made by most direct sellers include failure to keep receipts and invoices to support their deductions and failure to keep proof of payment for expenses such as bank and credit card statements.


“Another common mistake is the failure to properly document business auto mileage and travel expenses,” he adds. “Both of these expenses require documentation as to who, when, where, and the business purpose for each trip.”

He also warns that deducting large losses for long periods can cause an audit that often results in the IRS successfully alleging a hobby loss.

“Doing one’s own tax return can lead to an audit,” DePetrus says. “Many tax return preparers do not understand the direct sales business. When searching for someone to prepare your taxes, inquire about the person’s experience with direct sales.”

DSA Tax and Health Resources

For new business owners needing help with understanding tax responsibilities, DSA has created a dedicated Tax Center at dsa.org/dsa-resources/resources-for-salesforce. Resources include the *Direct Selling Audit Technique Guide*.

The site conveniently links to PRO Insurance Managers, where various health insurance options are available to direct sellers. 

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