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**PUBLISHER'S NOTE**

## Direct Sellers Keep up with Technology and Evolving Regulations

Channel sees global growth despite economic and pandemic challenges

Hello direct sellers! I hope that everyone is having a great summer, staying safe and making wonderful memories with your family and friends. It is hard to believe that the year is now half over, but time flies when you are gathering the news and trends for this energetic and dynamic business channel.

It was a thrill to see so many of you last month in Boca Raton, Florida, at DSA Engage 2022. The time I spent conversing with executives, suppliers and representatives of direct selling was truly invaluable to me. And for those that I did not get a chance to visit with, I look forward to catching up and learning about your endeavors at the next event.

I must say that I continue to be extremely impressed with the innovative work that the suppliers of the direct selling channel are doing. Technology continues to advance at a breathtaking pace, and it is exciting to see the ways in which these companies are benefiting the channel by incorporating such advances into their toolboxes.

Whether it be enhanced tools for the field to connect with consumers, new avenues for

e-commerce, advances in AI-powered sales training, or monitoring technology allowing compliance departments to keep up with the exponential growth of social commerce, direct sellers can feel confident that they have at their disposal a state-of-the-art set of options to help grow their businesses, along with the enthusiastic support of all the great minds behind these innovations.

On the news front this month, the Federal Trade Commission is continuing to seek updates to guidelines that affect advertisers, including direct sellers who rely on reviews, endorsements and testimonials to market their products. The public comment period to submit your thoughts on these proposals is imminent, and as always, I encourage everyone to be involved in the regulatory processes that will significantly impact your businesses.

For some encouraging news, please see our recap of the World Federation of Direct Selling Associations' annual global sales report. The WFDSA reports that global direct sales have increased for the third year in a row, despite the difficulties faced from supply chain and COVID-19 disruptions. Great news indeed! I am eager to

see how much additional success direct sellers will achieve in the coming months and years once these global disruptions are resolved.

This channel feels to me like a wound-up spring. I see excitement and optimism at every level that will contribute to the full potential of direct selling being realized once the economic and social disruptions fade and the adjustments to the new regulatory environment are made. When the regulatory agencies complete their current work, I know that the leaders of this channel will not only adapt to these revised rules and guidances, but will embrace the opportunity to grow their businesses with ethical, compliant practices and a continued commitment to building authentic personal relationships at every level.

I thank each of you for reading and for all that you do to support SSN!

Cordially,




DAVID BLAND

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Since then, the FTC has issued multiple statements in regard to the proposed changes to the Endorsement Guides. It also published recommendations for online retailers and review platforms to educate them on the agency's key principles for collecting and publishing customer reviews in ways that do not mislead consumers. The recommendations state that consumers who rely on online reviews of companies, products, and services should be getting a true and accurate picture of what other consumers think. They also advise that if you operate a website or platform that features reviews you should have processes in place to ensure those reviews truly reflect the feedback received from legitimate customers about their real experiences.

In its latest notice released May 2022, The FTC announced that the Commissioners voted 5-0 at an open meeting to submit to the Federal Register the notice detailing all of the proposed changes to the Endorsement Guides.

**The Commission's 2020 request for public comment included the following questions:**

- whether the practices addressed by the Guides are prevalent in the marketplace and whether the Guides are effective at addressing those practices;
- whether consumers have benefitted from the Guides and what impact, if any, they have had on the flow of truthful information to consumers; whether changes in technology or the economy require changes to the Guides;
- whether guidance in the FTC's guidance document "The FTC's Enforcement Guides: What People Are Asking" should be incorporated into the Guides;

- how well advertisers and endorsers are disclosing unexpected material connections in social media; whether children are capable of understanding disclosures of material connections and how those disclosures might affect children;
- whether incentives like free or discounted products bias consumer reviews even when a favorable review is not required to receive the incentive, and whether or how those incentives should be disclosed;
- whether composite ratings that include reviews based on incentives are misleading even when reviewers disclose incentives in the underlying reviews;
- whether the Guides should address the use of affiliate links by endorsers;
- and what, if any, disclosures advertisers or operators of review sites need to make about the collection and processing of publication of reviews to prevent them from being deceptive or unfair.

In late 2021, the FTC began issuing Notices of Penalty Offenses warning of potential false and misleading practices to more than 1,000 direct selling companies. Companies receiving the notice also received a copy of the recently issued Notice of Penalty Offenses concerning endorsements and testimonials.

The letters specified that the FTC was not singling out recipients or suggesting recipients were violating the law, but rather ensuring that the recipients have actual knowledge that the FTC had previously ruled certain acts or practices to be unfair or deceptive.

The FTC also issued Penalty Offense warnings on the endorsements and testimonials to more than 700 large companies and advertisers, reminding them that they could incur significant civil penalties if they use reviews or other endorsements in ways that were found to be unlawful in prior FTC administrative cases.

The Commission issues complaints when it has "reason to believe" that the law has been or is being violated, and when it appears to the Commission that a proceeding is in the public interest.

**Whether it's fake reviews or influencers who hide that they were paid to post, this kind of deception results in people paying more money for bad products and services, and it hurts honest competitors.**

— Samuel Levine, Director of Bureau of Consumer Protection, FTC

In the statement issued by the Commission in May 2022, Director of the FTC's Bureau of Consumer Protection, Samuel Levine, said, "We're updating the Guides to crack down on fake reviews and other forms of misleading marketing, and we're warning marketers on stealth advertising that targets kids." He also added, "Whether it's fake reviews or influencers who hide that they were paid to post, this kind of deception results in people paying more money for bad products and services, and it hurts honest competitors."

**In addition to the proposed revisions to the Endorsement Guides, FTC.gov has:**

- Warned social media platforms that some of their tools for endorsers are inadequate and may open them up to liability;
- Clarified that fake reviews are covered under the Guides and added a new principle that in procuring, suppressing, boosting, organizing, or editing consumer reviews, advertisers should not distort or misrepresent what consumers think of their products. This would cover review suppression like in the FTC's recent Fashion Nova case;
- Clarified that tags in social media posts are covered under the Guides and modified the definition of "endorsers" to bring virtual influencers—that is, computer-generated fictional characters—under the Guides; and
- Added an example addressing the microtargeting of a discrete group of consumers.

Of particular note is the FTC's case against Fashion Nova, a California-based online fashion retailer. In a January 2022 release, the FTC stated the case is the first involving a company's efforts to conceal negative customer reviews. The FTC also alleged Fashion Nova misrepresented that the product reviews on its website reflected the views of all purchasers who submitted reviews

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when, in fact, it suppressed reviews with ratings lower than four stars out of five. According to the case, Fashion Nova used a third-party online product review management interface to automatically post four- and five-star reviews to its website and hold lower-starred reviews for the company's approval.

Levine was quoted in the release stating, “Deceptive review practices cheat consumers, undercut honest businesses, and pollute online commerce. Fashion Nova is being held accountable for these practices, and other firms should take note.”

In March, the FTC finalized the order settling allegations that the online fashion retailer blocked negative reviews of its products from being posted to its website. Under the final order, Fashion Nova will pay \$4.2 million and is prohibited from suppressing customer reviews of its products.

At the time, the FTC also announced that it is sending letters to 10 companies offering review management services, placing them on notice that avoiding the collection or publication of negative reviews violates the FTC Act.

The FTC believes that, whatever the business model may be, business owners should be transparent about their review-related practices and should pay attention to several basic principles that derive from Section 5 of the FTC Act.

**These principles include:**

- Don't ask for reviews only from people you think will leave positive comments.
- If you offer an incentive to consumers for leaving a review, don't condition it, explicitly or implicitly, on the review being positive. Even without that condition, offering an incentive to write a review may introduce bias or change the weight and credibility that readers give that review.

“Particularly relevant for direct sellers and potentially a preview of what's to come on earnings claims, the revised Guides would include new examples of potentially deceptive endorsements and testimonials promoting atypical results as well as cautions against reliance on disclosure tools offered by social media platforms.”

— Donnelly McDowell, Partner, Kelley Drye & Warren LLP

- Don't prevent or discourage people from submitting negative reviews.

Donnelly McDowell, a partner at Kelley Drye & Warren LLP, stated that while there's nothing shocking in the May release, the revisions are another example of the FTC trying to move the needle in terms of standards for advertisers.

“The announcement flew a bit under the radar because the FTC's press release focuses on fake and manipulated reviews, but the proposed changes to the Endorsement Guides are much broader,” McDowell said.

“Particularly relevant for direct sellers and potentially a preview of what's to come on earnings claims, the revised Guides would include new examples of potentially deceptive endorsements and testimonials promoting atypical results as well as cautions against reliance on disclosure tools offered by social media platforms, particularly where the tools create disclosures that are unlikely to be seen or understood by a consumer,” he added.

The FTC has also proposed adding a new section highlighting that child-directed advertising is of special concern and that children may react differently than adults to endorsements in advertising or related disclosures. The Commission will host a virtual event on October 19, 2022, on the topic and will bring together researchers, child development and legal experts, consumer advocates, and industry professionals to examine the techniques being used to advertise to children online and what measures should be implemented to protect children from manipulative advertising.

In a separate statement issued in May, FTC Commissioner Rebecca Kelly Slaughter said, “We began the work of bringing some much needed deterrence and clarity to this market with last year's Notice of Penalty Offenses regarding fake and deceptive endorsements. I'm glad to hear we'll hold a public event later this year on children's capacity to understand and distinguish advertising.”

After a time period to review feedback and public comments submitted, the Commission will consider whether to make additional changes to the Guides.

“Though the Guides are advisory only, the FTC publishes them to put those in the marketplace on notice of what is expected to avoid an enforcement action under the FTC Act's deception sections,” McDowell said.

Commissioner Slaughter concluded in her May statement that online reviews and influencer endorsements are ubiquitous on the internet and they present real and new challenges.

“The new Guides make it clear that we intend to investigate breaches of that trust, whether it's by brands manipulating reviews, influencers not disclosing material relationships with companies, or by microtargeting aimed at deceiving specific groups of consumers,” advised Slaughter.

SSN



Stephanie Ramirez is a Social Selling News Contributor.

# Direct Selling Critics Meet for 2nd Virtual Anti-MLM Conference

## Participants accuse channel executives and representatives of a lack of transparency and ineffective self-regulation

By David Bland

On June 11–12, critics of the direct selling channel gathered for a second year in a row for their virtual conference – *Multilevel Marketing: The Consumer Protection Challenge*.

Hosted by The College of New Jersey School of Business and organized by William Keep, a professor of marketing and former dean of business at the college, the conference saw the return of several long-time detractors of multilevel marketing as well as first-time appearances by speakers from a wide range of professions and connections to direct selling.

Similar to the inaugural conference in 2021, this year’s conference excluded direct selling advocates, industry partners and the Direct Selling Association (DSA).

This year’s meeting also, once again, included input from regulators, academics, journalists, former direct selling distributors, consumer advocates, and social media content creators, including an international contingent of speakers representing Australia, the Netherlands, Poland, and Ireland.

### Bonnie Patten Gives Keynote Address

TruthInAdvertising.org (TINA.org) Executive Director and Co-Founder Bonnie Patten provided the keynote address for this year’s conference. Titled, *Self-Regulation in the Direct Selling Industry: Can it Ever Be More Than Symbolic?*, Patten’s

address targeted the Direct Selling Association (DSA) as well as the Direct Selling Self-Regulatory Council (DSSRC).

Patten began her keynote by questioning the usefulness of the DSA’s Code of Ethics, citing examples of violations of some of its member companies. She touted a 2016 TINA.org study of DSA member companies’ compliance with advertising laws and claims that over a two-year span her organization had logged more than 5,000 examples of deceptive marketing claims from over 130 companies.

“These are the kind of data TINA.org has collected over the past nine years, which makes it readily apparent that the DSA code of ethics has been used to give the appearance of self-policing while the trade association has instead served the private interests of its members at the public’s expense.

“Despite the fact that the DSA boasts that its code of ethics ensures standards of conduct more stringent than the law for years, member companies have maximized their profits by violating advertising laws while simultaneously touting the benefits of the code of ethics, Patten said.

Next, Patten cited a TINA.org study from 2017 focusing on DSA member companies’ marketing of their business opportunities. She advised conference attendees that “more than 97% of DSA member companies were making deceptive earnings

claims to recruit distributors and convince low level distributors to stay with the company.”

She then turned her attention to the DSSRC, accusing the Council of shielding the direct selling channel from scrutiny rather than increasing accountability and protecting consumers. While recognizing beneficial actions of the DSSRC, including the speed of action in eliminating problematic claims and flexibility in addressing changing market dynamics, TINA.org’s core problem with the regulatory council is its failure in most cases to disclose the names of culpable companies as well as their problematic marketing materials that initiated the investigation.

Patten also lamented the DSSRC’s lack of enforcement options, as the Council does not have the power to expel member companies or issue penalties or restrictions.

“The vast majority of wrongdoers identified by the DSSRC are never subject to any sort of a public accountability, which runs counter to the council state admission and must negatively impact consumer and governmental confidence in this self-regulatory process,” Patten advised.

Patten closed her remarks by expressing hope that the Federal Trade Commission’s (FTC) recent actions to consider a new earnings claims rule, as well as its recent penalty offense warning to hundreds of direct sellers, will enhance compliance within direct



**BONNIE PATTEN,**  
EXECUTIVE DIRECTOR, TINA.ORG

selling companies and reinvigorate the self-regulatory process.

### Regulators Provide Input

While the number of state, federal and international regulators participating in the conference was less than the year before, a few officials participated in this year’s event.

Kathleen Daffan, Assistant Director, Division of Marketing Practices at the FTC, returned for her second year at the conference. Daffan spoke about anti-pyramid prosecutions, a new wave of pyramid-type schemes and also expressed concern over cryptocurrency scams set up as direct selling companies.

Daffan acknowledged the difficulty in legally establishing that a company is a pyramid scheme and urged consumers to review the FTC website for guidance and red flags to watch for.

Making his first appearance at this conference was Dariusz Łomowski, Director of the Office of Competition and Consumer Protection at the

Gdansk Branch Bureau. Łomowski has experience in product safety and consumer law enforcement and more recently focused on market practices involved in consumer finance and alternative investments, including promotional and pyramid schemes.

### Direct Selling Companies Again Painted as Cults

For the second year, the conference featured cult and undue influence expert Steven Hassan, who has authored several books and peer-reviewed papers on the subject. Hassan maintains that direct selling companies using multilevel compensation plans are by their very nature cults. His website states, “To better understand how MLMs recruit and maintain participants requires we examine them as cults.”

Joining Hassan in suggesting that direct sellers use cult-like recruitment tactics was Josie Naikoi, a former direct selling distributor

and now a YouTube content creator. Her video, “Why I Quit the MLM Industry At The Top,” has been viewed over 1 million times. Naikoi continues her work today by creating documentaries on scams and cults to alert consumers about the tactics of undue influence used by companies.

### Anti-MLM YouTube Creators Given Platform

As previously reported in *SSN*, YouTube has served as the primary hub for long-form anti-direct selling content. Organizers of this conference tapped into this resource to feature several content creators with channels dedicated to persuading viewers to question opportunities provided by direct sellers.

Former MLM participant Taylor Leigh hosts a YouTube channel called “The Antibot” and focuses on investigating specific companies as well as exploring the intersection of the direct selling industry and religion.

Another former MLM participant and a return speaker to the conference, Alanda Carter, analyzes direct selling companies and interviews former distributors on her YouTube channel, “The Recovering Hunbot.”

Author and business owner Savy Leier was also featured as a YouTube creator. Her emphasis is on the exploitation of women, and she argues that many direct sellers are taking up resources in the business world and pushing false entrepreneurial goals to the detriment of women in particular.

### DSA Responds to Conference, Announces Thought Leader Conference

The DSA released a brief synopsis of the anti-MLM conference, emphasizing that they, along with industry partners, were not invited to participate. In its overview, the Association stated that many of the

direct selling companies accused of deceptive behavior during the conference were not DSA members. The Association also announced the Direct Selling Education Foundation (DSEF) National Thought Leaders Conference to take place Oct.13-14, 2022, at Emory University.

The announcement includes an invitation to all media, regulators, and bi-partisan policymakers who participated in the virtual anti-MLM Conference. The DSEF states that the goal of the thought leader conference is to provide field experts and academics the opportunity to “present research and data-driven materials to offer a balanced view of the channel.”



David Bland is the publisher of *Social Selling News*.

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# SSN's Q&A with Channel Critic William Keep

## Organizer of *Multilevel Marketing: The Consumer Protection Challenge* Conference

William W. Keep, Ph.D., is a professor of marketing and former dean of business and interim provost at The College of New Jersey. He has assisted state and federal prosecutors in the prosecution of pyramid schemes and has been quoted in the press (*The Atlantic*, *Wall Street Journal*, *Bloomberg/BusinessWeek*, *Financial Times*, *New York Times*, *Forbes*, etc.) as an expert on multilevel marketing.

**SSN:** How did direct selling get on your radar to the point that you began to challenge the industry?

**WILLIAM KEEP:** I actually focused on retailing somewhat in my graduate studies and then took a position at the University of Kentucky where I was their primary faculty teaching retailing. So, of course, direct selling has been part of retailing since the late 1800s.

Then in the mid-'90s, the Department of Justice came to the business school and asked for assistance. They were looking at an MLM called Gold Unlimited, and they said it was a pyramid scheme. I said, "I don't know what a pyramid scheme is." But they said, "Well, they claimed to be retailing." So I said, "Well, I can tell you whether or not they're retailing." So, that was my first case, and then it kind of went from there.

**SSN:** In last year's conference, Federal Trade Commission (FTC) Commissioner Noah Phillips said in his keynote address, "Multi-level marketing done correctly can benefit distributors and consumers." Do you agree with that statement?

**WILLIAM KEEP:** Yes.

**SSN:** So, if companies are regulated correctly and self-regulate correctly, there's daylight for you there?

**WILLIAM KEEP:** Well, I wouldn't agree with self-regulation. I don't believe that self-regulation in industry is proven to be very effective. Everybody likes to point to one specific example, which is distillers in the distilling industry, but there are lots of other examples where it has failed. So the fact that we can find one example in American business history, it actually doesn't prove a point. So I doubt... I'm very skeptical of self-regulation in any industry and its effectiveness. I worked for a trade association for a few years, so it doesn't mean that I think trade associations are somehow ineffective in helping the industry be aware of issues, or discussing the issues, or bringing in people to talk about the issues. But it, in and of itself, is not the same as regulations.

**SSN:** Why were direct selling advocates kept out of your conference? Would there have been a benefit to reserving part of the time for a debate, or a Q&A? What was the thought process behind setting up that conference in this way?

**WILLIAM KEEP:** Our conference is to give voice to people who have

concerns about the industry. That concern can come from former distributors, academics who are doing research on it, lawyers who have been in cases about it, and a variety of people. So the point isn't for us to get the industry to respond to us specifically, and the industry of course has lots of ways to get its own message out. So, we're not trying to resolve a problem with these conferences. That's not the point of the conference to say, "Well okay, we fixed something with this conference." We are trying to give a vehicle for people to present their research, to present their concerns and experiences. So far it's been pretty good.

**SSN:** Let's talk about the FTC. They're currently considering a new earnings claim rule and have recently closed the public comment period on that. Did you and your associates submit comments on that, and what do you want to see in a new rule?

**WILLIAM KEEP:** I submitted a comment, and I'm aware of some others who did. I can't say everyone did. I didn't take a poll or anything, but you can find it, they're all public.

Certainly, transparency is a big deal, and in my comment, I try to highlight that this ground, in terms of a concern about a lack of

transparency, is well trod. We've been talking about this for a long time. According to the FTC's own consumer survey research, victims of this industry occur in large numbers annually. So I started out by reinforcing the sense of a need there. I showed some examples of where I believe the current approach is ineffective. So, certainly, the presentation of data that helps a person appreciate a typical experience would be very helpful. But in any case, disclaimers generally aren't effective and there's research on that. So, it's interestingly an industry that has a lot of data, but that shares no data, not in any meaningful way.

**SSN:** Any specifics on data sharing you would want to see? Are we talking just more of a deep dive into earnings for the whole cross-section of distributors? Where is it that the channel is coming up short in your view?

**WILLIAM KEEP:** Well, they're coming up short across the board. This is not the industry that's known for its transparency. So I can't even verify the industry data itself, right? There's no independent way to verify that. So the way the data is presented, for example, let's just talk about earnings data right now. The way the earnings data is presented obscures the fact

that all averages are created by distribution with underlying distributions, right? So when you say the average is 50, what does that mean? Does that mean everybody got 50 or does it mean somebody got 100 and somebody got zero? What does it mean?

So when you present earnings based on that approach, you really obscure the fact that there's a very skewed distribution, underlying those earnings. They have the data, the data exists. I mean, they know who they pay, right? They know how often they pay. They know which geographic areas they pay. They know how long they've been paying somebody. There's a lot of data, and it's readily available and they choose not to use it.

**SSN:** Do you think that the consumers who sign up, with the sole intention of just acquiring product for themselves and not distributing, are being lumped in with the true distributors? Is there a segmentation problem that's muddying up the data? Because there are a lot of people who choose the preferred customer option with these companies.

**WILLIAM KEEP:** Well, we don't really know that for sure, do we? I mean, we don't really know what that data looks like, and we don't really have any way to verify that either? So again, the company is presenting to us a preferred picture. We can't verify the picture. We don't know how they segment. We don't know when they segment. We don't know to what extent they move people from one segment to another. You will have—I mean, the interesting thing is that this industry didn't seem to care very much at all about preferred customers before the Herbalife settlement.

We're not trying to resolve a problem with these conferences... We are trying to give a vehicle for people to present their research, to present their concerns and experiences.

— William Keep, Professor of Marketing at The College of New Jersey, and Conference Organizer

**SSN:** If we see the FTC finalize this new rule, and they incorporate strict enforcement of that rule—along with the civil penalties that they've recently sent out those letters on—going full bore in terms of enforcement, would that satisfy you and your colleagues?

**WILLIAM KEEP:** I can't speak for all of the conference participants. There's a lot of different views among the people who participate—some views that I don't agree with. And some topics that I don't claim to have any expertise on. So, I think it's very hard to give a good answer to that because there's a big difference in the distance between where we are now and where we would be, given what you just described, and we've never been there, ever. Any attempt to get there was fought by the industry in terms of the business opportunity role. So it's not clear to me what that hypothetical action looks like. There are two components just as you described. There's the component of what is the actual language of the rule, whatever that rule might be. Then the other one is the enforcement. It is easy to find

MLM companies making statements like, "Well, we can't be operating illegally because if we were, the government would shut us down."

Well, we know that's not the case. MLM companies operated for years before they got shut down. So what's that enforcement look like? I'm not sure what rigorous enforcement is going to look like. I actually am not even sure if the FTC is willing to put the resources in to make it happen. I don't know the inside operations of the FTC, but you're really talking about an environment that this industry has never, ever seen.

**SSN:** You mentioned some things you may not agree with that came out of the conference. Several presenters at your conference suggest that MLMs are cults. What is your opinion on that and is that painting with too broad a brush?

**WILLIAM KEEP:** I think a reasonable position is to be careful about making really broad statements. So, some of the people who have a shared interest with me, in terms of being a critic of the industry,

some of them are more willing to make broad statements than I am. You have never heard me or can find a piece that I've written where I've called an MLM a cult.

**SSN:** What are your thoughts on gig work, in general, and the phenomenon over the past 10 or 20 years of supplemental income being accessed by increasing numbers of people?

**WILLIAM KEEP:** I don't think that gig work is as important to our economy as the media makes it out to be. It's really a dinky, dinky part of our economy. It's not something that I am overly excited about, that this is the new wave, or we're all going to be doing gig work, or some ridiculous thing like that. So that's part of it. The other part of it is, people have always been able to have, and have had, side gigs. They've made wax candles and sold them at the farmer's market. So this notion of entrepreneurship, again, seems to be offered as an alternative for a socioeconomic environment that has offered less social mobility than it used to.

As if it's a solution to a bigger problem. So there's no doubt that we've lost social mobility. There's no doubt that we have more unequal income distribution, and that's coming mostly from differences in employment and those kinds of things. So the excitement about the gig community, sometimes this is to me, kind of a bit of an overlook about entrepreneurship in general. It's a bit of an overlook of a bigger issue. Now hopefully, the economy will be cooking along. I'm not pessimistic like some people are, even though my retirement took a hit just like everybody else's.

SSN



William Keep was interviewed by David Bland on behalf of *Social Selling News*.

# WFDSA Releases Annual Sales Report

## Global direct selling sales and participation increase in 2021

By SSN Staff

The World Federation of Direct Selling Associations (WFDSA) this week released its report on global direct selling's sales and salesforce for 2021. The Washington D.C.-based organization announced worldwide direct sales of \$186.1 billion for that year, representing a year-over-year increase of 3.3% when excluding China and a 1.5% increase including China, based on a constant currency basis. By using constant currency to report sales figures, the impact of foreign exchange is negated.

The three-year compound annual growth rate spanning 2018-2021 was reported as 3.8%, excluding China and -0.1% with China included. The report notes that during Q1 of 2019, the Chinese government implemented a 100 Day Review of the nutrition supplement industry, which "had a significant impact on certain sectors of the industry." This problem was dramatically compounded by the disruptions associated with COVID-19 that were occurring at the same time.

### Wellness Products Lead Sales

The WFDSA's data shows that the Wellness sector led all direct selling segments with a 35% share of global direct sales. Wellness product sales in the Asia/Pacific region performed particularly well, representing over 50% of total sales in countries such as India, Indonesia, Malaysia, Taiwan, and Thailand, and over 80% of sales in the Philippines and Vietnam. Cosmetic and Personal Care sales were a strong second, representing 25% of global sales while the Household Goods and Durables segment totaled 16%. Each of the remaining categories—Clothing and Accessories, Home Care, Books and Toys, Food and Beverage, Home Improvement, Utilities, Financial Services—represented between 2% and 5% of global direct sales. The report states that these figures are based only on DSA member companies, except for Taiwan and the U.S. where the numbers represent the entire direct selling channel.

### Salesforce Grows

The WFDSA's report confirmed an increase in the global direct selling salesforce. In 2021, 128.2 million independent distributors worked full-time or part-time, representing a slight increase of 0.7% over 2020. The data shows that the number of men in direct selling increased globally by 4% to 30% of the salesforce and also provides news of a significant increase of 12% over 2020 in the share of representatives working full time in direct selling.

### More Companies Offer Preferred Customer Option

As another option for direct selling participants, the WFDSA reports that 40% of direct selling markets now report a Preferred Member option, with just under 30 million people worldwide participating in these programs in 2021.

The WFDSA's preview of its report suggests that not only is the segmentation of Preferred Customers good for companies that wish to distinguish between customers and representatives, but it can help grow the salesforce as well.

"Many of those joining Preferred Customer programs would previously have joined as independent representatives primarily to access discounted products," the WFDSA stated. "The benefit of these programs is that they often provide a more customer-oriented experience for these participants, more consistent with their goals at this stage of their journey with Direct Selling. Many eventually go on to pursue the business opportunity based on their richer experience as a customer. We expect to see this trend continue as these programs develop further, ultimately providing a much clearer view of how participants engage with the Direct Selling industry."

### Sales By Region and Country

In 2021, the Asia/Pacific region claimed the highest percentage of global direct sales at 42%. Sales in the Americas represented 36% of the total, with Europe at 21%. When broken down by country, the United States led all countries in sales at \$42.7 billion—more than twice the sales for the second place country, Korea, with \$19.4 billion in sales. Germany was a close third at 19.0%. The top 10 countries represent 78% of total global direct sales.

TOP 10 MARKETS IN THE WORLD*		
1. United States	42,670	
2. Korea	19,421	
3. Germany	18,959	
4. China	17,961	
5. Japan	14,248	
6. Malaysia	8,367	
7. Brazil	7,048	
8. Mexico	5,788	
9. France	5,419	
10. Taiwan, China	4,901	

\* in USD millions  
Sales figures are expressed in 2021 constant USD at estimated retail, less value-added tax.

### WFDSA - Over 40 years of Relationship Building

The WFDSA was founded in 1978 and is a non-governmental, voluntary organization that assists direct sellers and their regional direct selling organizations in more than 170 countries. The WFDSA is governed by a CEO Council and is chaired by a council member to serve a three-year term. The current chairman is Roger Barnett, chairman and CEO of Shaklee Corp, Hacienda Campus. Today, WFDSA is based in the United States capital, Washington, D.C. The organization works with more than 60 regional DSAs to promote ethical conduct and beneficial partnerships with government, consumer and academic representatives.

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# DSA Announces Strategic Plan 2022

By SSN Staff

On June 4, the Direct Selling Association's (DSA) Strategic Planning Committee unanimously approved the DSA Strategic Plan 2022 to represent the Association's priorities through 2026. The plan seeks to refine and focus the DSA's current objectives to meet the marketplace and regulatory changes anticipated in the coming years.

The Association's strategic priorities through 2026 are organized into four workstreams. The first of these is a plan to **Foster Vibrant Commercial Growth** by becoming an industry attractive to young nano and micro-entrepreneurs. This goal is outlined in a six-part plan that includes action items such as brand repositioning to target a younger salesforce, education of member companies on changing technology and social commerce, promoting digital transformation, talent acquisition, and diversity and inclusion.

The second workstream outlines a plan to **Ensure a Supportive Regulatory Environment**. The DSA states its intent to "actively participate in and advocate for the industry in the current round of FTC (Federal Trade Commission) rule-making efforts around money-making opportunities and testimonials/endorsements." This workstream also commits to advocating for the industry in ongoing independent contractor legislation, which it refers to as an "existential consideration for the industry."

The third component of Plan 2022 is to **Continue the Self-Regulatory Efforts of the Association**. This workstream lays out the goal of building awareness of the Direct Selling Self-Regulatory Council (DSSRC) amongst the industry and regulatory agencies, as well as providing DSSRC guidance on earnings claims, testimonials, and product claims. In addition to continuing the focus on its Code of

Ethics, the DSA calls for the establishment of a standard for social media participation as well as the development of aligned salesforce policies governing social media content for potential inclusion in the Code of Ethics.

The final workstream outlined in the Association's Strategic Plan is a goal to **Expand Community and Collaboration**. This action plan calls for assisting member companies to rebound from the COVID-19 pandemic as well as creating relationships with tech companies and influencers on platforms such as Twitter, Facebook, Instagram, YouTube, TikTok, and Amazon. To help improve direct selling's image, the plan also calls for the cultivation of partnerships with the media and third-party critics to "foster more balanced viewpoints."

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# 5 Risk Areas to Avoid for Canadian Direct Sellers

By Robert G. Kreklewetz, Guest Contributor

Canada is often viewed as a natural extension of the American direct selling ecosystem: It has a common dominant language, similar culture, convenient land border and a market of over 38 million people.

While having many similarities, there are still unique legal and regulatory features that prove to be risk areas for direct selling businesses operating in Canada. But all of this can be easily avoided with the right planning, structuring or advice, including an appropriate “Canadianization” of Plan Documents and overall business strategies.

Below, is a review of five recent Canadian developments that direct selling companies operating (or thinking about operating) in Canada should consider knowing about.

## 1. Structural Recruitment and the Canadian Competition Bureau

Most Canadian provinces and territories require direct selling companies operating there to be licensed, and many require different levels of licensing and registrations. Sometimes, these licenses require the direct seller to obtain a positive “Advisory Opinion” from Canada’s version of the FTC—which is called the Canadian Competition Bureau (the Bureau).

The Advisory Opinion is generally a good thing and confirms that the recipient direct seller’s compensation plan complies with

the multi-level marketing provisions of Canada’s Competition Act, which are codified “anti-pyramid rules.” Further, many in the industry regard a positive Advisory Opinion as the gold standard of Canadian direct selling compliance, leading many U.S.-based direct selling companies to wish that the FTC would provide similar opinions.

In 2017, the Canadian Bureau began taking the position that Advisory Opinion would not be provided to any compensation plans that required a participant to recruit more than a single person into the plan (i.e., structural recruitment), on the basis that stipulations requiring structural recruitment were improperly “compensating for recruitment” and potentially illegal “schemes of pyramid selling” under section 55.1 of the Competition Act.

While initially confined to Advisory Opinions for new market entrants, the Bureau has now started asking existing direct selling companies (even those present in the Canadian market for decades) to update their compensation plans in order to obtain new Advisory Opinions where required for provincial licensing purposes.

Accordingly, the Bureau’s structural recruitment policy is expected to require significant changes to compensation plans and business strategies north of the border for all direct sellers, and thus poses a current risk for Canadian direct selling operations: Effectively, there are

potential problems in the future wherever recruitment of multiple downline distributors is required to advance in rank/level or achieve increased compensation, bonus, or commissions.

Professional guidance and experienced professionals are usually required to come up with viable business alternatives to “recruitment-focused” compensation plans, with customer-centric and sales-volume-based changes being front and center.

## 2. NFR Issues

Direct sellers of natural health products (NHPs) wanting to test the Canadian marketplace have been relying on Health Canada’s Personal Importation Policy (the Policy). Commonly referred to in the industry as the “not-for-sale” policy, or “NFR” for short, NFR can be properly structured and used to send NHPs into Canada on a non-commercial basis.

Unfortunately, NFR is not well understood, and often is misused or incorrectly used. This risks increased scrutiny from Health Canada and potential stoppages or seizures at the border at the time of initial import.

Perhaps the most misunderstood part of NFR is that it is aimed at and intended for non-commercial imports. The policy requires that products be imported for “personal use,” which precludes the “commercialization” of the import (e.g., Health Canada expects that the import will NOT be a result of commercial sales efforts in

the Canadian marketplace, such as payment of Canadian distributors in respect of the sales or a common relationship with active Canadian subsidiaries).

A second common problem is seen in poorly structured NFR programs, which while well intentioned, do not actually conform to the requirements needed to make them administratively acceptable.

Where NFR is used improperly, the first point of contact is usually the Canada Border Services Agency (CBSA), which has the power to stop, inspect and detain goods (even those imported on a “personal” basis) at the Canadian border. CBSA will generally then refer them to Health Canada for further review, and Health Canada will attempt to determine if the importation of the unlicensed NHPs is in contravention of Canada’s Food and Drugs Act (specifically in subsection 4(1) of the Natural Health Products Regulations).

Such a conclusion usually results in a seizure and detention of the goods, problems for the direct selling company, and a number of unhappy customers—all risks that are generally fully avoidable.

The key to risk avoidance here is relying on the NFR structure appropriately, and proper structuring.

## 3. Canada Customs Audits

Outside of the NHP space, direct sellers have also been facing more and more commercial

import audits—perhaps as a result of CBSA’s post-COVID-19 push to extract tax revenue from cross-border business.

These include CBSA verifications focused on the value of the imported goods, the proper tariff classification of the goods (especially nutritional products and starter kits), and the origin of goods being imported to Canada (including qualification for zero-duty status under the United States-Mexico-Canada Agreement (USMCA), which replaced the former NAFTA in 2020).

The risk of a CBSA audit is often exacerbated by problems in a company’s logistics department, with technical staff not fully realizing that Canada is not the 51st state—and treating shipments to Canada like “domestic” shipments (e.g., “if we can truck it, it must be domestic!”). To the contrary, Canada has its own particular customs formalities, which are over and above state-to-state shipments.

Another common risk issue appears to involve the use of couriers and freight-forwarders to move goods into Canada, with some recent cases illuminating the potential issues. For example, in *Landmark Trade Services v. President of the CBSA* (2020)

where CBSA had a difficult time determining who the importer was (as between the Canadian customer, the freight-forwarder type of entity and the U.S. customer).

CBSA tried to make Landmark (the freight-forwarder) liable for additional duties on an incorrectly imported product but lost in court. CBSA then appears to have begun targeting U.S. vendors of those types of freight-forwarding services and assessing them directly for the same additional duties, on the basis that they were the “owners” of the goods at the time of import. These are live issues and not easily defended, if the wrong structures were implemented in the first place.

Again, proper structuring can probably avoid these types of results, but many in the industry appear to be employing problematic structures.

## 4. Individual Direct Seller Licensing

Established Canadian direct selling businesses know that in addition to their own direct seller license, certain provinces and territories require each individual distributor to obtain their own direct seller license before they can sell in that jurisdiction.

Oftentimes, however, these requirements have been honored more in the breach than the observance (e.g., 400 contracted distributors, but zero licensed in Manitoba). The risk level for issues in this area has been ramped up substantially in the past two years with some provincial regulators now regularly asking direct selling businesses to explain discrepancies between contracted distributors and those licensed in the province—all BEFORE agreeing to renew the company’s required provincial direct selling license.

This has led to the implementation of additional internal procedures (e.g., during sign-up or post-sign-up verification) aimed at “helping and encouraging” new distributors to become licensed in their provinces of residence as they are legally required to do.

Other direct selling businesses have reexamined their internal threshold for determining whether participants in the compensation plan are actually distributing products (requiring licensing), or merely making personal purchases (not requiring licensing) and developing Affinity Programs to deal with the latter group.

Given the diversity of plans and structures in the industry, there are no one-size-fits-all solutions, but professional advice can again assist in reducing the risks in these areas.

## 5. Independent Contractors vs. Employees

The status of distributors as independent contractors or employees remains a particularly Canadian issue, as Canadian direct selling companies do NOT have the benefit of the IRS’s special deeming rule in 26 USC 3508 (which deems direct sellers to be independent contractors).

A recent Canadian judicial decision in the case, *Fédération des caisses Desjardins du Québec*,

*v. Canada (National Revenue)*, 2020 FCA 182 (CanLII), shows the risks in this area for direct selling companies using only a non-negotiable standard “you are an independent contractor” clause for dealing with this issue.

The Tax Court found that an individual working for Desjardins (a bank) was an employee and not an independent contractor based, in part, on the fact the contract was not negotiated (i.e., it was a standard form contract) and that the individual had an obligation to work exclusively for the appellant, Desjardins. It unfortunately took until Desjardins appealed to the Dearl Court of Appeal to turn the case around.

Given the potentially disastrous consequences of a government entity finding that a company’s distributors are actually “employees” of the company and not independent contractors, the Canadianization of the Rep or Distributor Agreement is always a must. Issues such as control, ownership of tools, risk of loss, chance of gain, and integration all need to be expressly addressed in Canada.

## Conclusion

Canada remains a vibrant marketplace for direct selling, but successful businesses know how to plan and avoid the usual risk areas involved in opening up in an international market. And in this area, the old adage is apt: *An ounce of prevention is worth a pound of cure.*



SSN



Robert G. Kreklewetz is a lawyer with Millar Kreklewetz LLP, a boutique tax law firm focused on direct selling in Toronto, Canada.

# Does Your Company Build ‘Corporate’ Leaders?

Mentoring culture begins in the corporate office

*Third in a series on exploring the impact of company culture*

By Jenna Lang Warford

Creating a sustainable, growing corporate culture in the aftermath of the Great Resignation isn't something “other industries and channels” face—direct selling companies are facing it, too. “It’s funny, direct selling is huge on ‘leadership development,’ but when you mention these words to anyone within the industry, their thoughts go immediately to the field,” says Sean Eggert, founder and CEO of Hanna Shea Executive Search. “It is vitally important for an organization to have a strong internal corporate leadership development focus.”

Logan Stout, founder of **IDLife**, believes that developing internal leaders is the only way to be congruent with the culture desired within the field. “You can’t tell your field to do one thing and then inside the four walls of corporate it’s different. You’ll lose all credibility,” Stout says.

Perhaps it’s because many direct selling executives experienced mentorship at a young age. “I was raised by my mom, and she’s my hero,” Stout adds. “But there’s something my dad was phenomenal at: believing in me and getting me to dream. Even to this day, every time he sees me, he asks, ‘Hey, what new company have you started?’ I’ll laugh and say that I have enough on my plate, I don’t need another one. He’ll say, ‘But you’d be so great at this!’ He is the one that instilled in me to dream. He’s never told me how to do that. He’s never taught me how to do that, but he modeled it.”

The majority of corporate employees—perhaps the majority of management and director levels or even executives—don’t experience that modeling or mentorship from a young age. That’s where mentorship can take someone from an above-average worker to an extraordinary employee that makes a difference in productivity, culture and the bottom line.

“Oftentimes the best person for a role is someone that is already a team member, understands your organization well, and has an intimate knowledge of its challenges and strengths,” Eggert says. “When your employees see a coworker promoted to a higher-level position, it embeds in them a sense of loyalty and comfort knowing that they will hopefully be given the same opportunity for growth as their coworkers if they are able to excel within their given role and even beyond.”

One obvious solution to developing internal leaders is mentoring employees.

**Mannatech** is another company that has a history of developing internal employees with a strong cultural fit and high performance into leadership roles. “Promoting from within our company shows we are an organization that values our employees and supports an environment of growth and opportunity,” says Al Bala, CEO and president.

The company takes mentorship very seriously, and employees are experiencing the benefits. “Supervisors and managers identify high-performing employees during reviews who are then mentored by their immediate supervisors,” says Patty Anthe, vice president of customer experience at Mannatech.

Anthe began with the company as senior director of events, incentives

and recognition, and after several promotions will be announced later this month as a prominent executive in the company’s North American business.

Companies looking for mentoring program models will find that Mannatech includes both formal and informal mentoring. The formal mentoring, as expected, includes challenges that stretch employees.

Anthe recalls a moment when a formal mentor, Landen Frederick, chief sales and marketing officer of Mannatech, took her out of her comfort zone and straight onto stage. “We were in Hawaii and he said, ‘I’m not going on stage today about the incentive. You go, you can do it.’ He *has* confidence in me, and he has *built* confidence in me. I love that. And I think it’s key that you have somebody behind you to support you. We all have doubt, but if you have that person always saying, ‘You’ve got this, we know you can do it,’ you can.”

Strong relationships with Mannatech’s external consultants is also an opportunity for gaining growth, she says. “Paul Adams (of Adams Resources) works with a lot of us here. I meet with him once a week. We talk about strategies—about moving forward. It’s mostly business, but it also impacts my personal growth. The company has also brought in other really strong, personal development people to help support us and mentor us, both

from a management perspective and a personal-growth perspective. I think the combination of the two is key because you have outsiders that aren’t concerned about evaluating you at year end. I love that if you want to move forward, at Mannatech we have both internal and external resources to help support you,” says Anthe.

## The Satisfaction of Mentorship

“There can be teachable moments within any relationship, but I’ve also (had mentees) who would schedule time with me, and we would address specific situations they were facing,” says Lela Tucker, a marketing and product development executive who has worked at four top direct selling companies. “It’s never about me. It’s about them and how they can shine,” she says.

Sharing an example, Tucker says, “I needed an intern for a marketing role, and found one on the team

for the call center. I mentored him, working with him quite a bit. He launched some really great programs while he was on my team. Then he just moved up the ranks, and it was so amazing to watch that happen.”

But, she adds that keeping the focus on the mentee is key for good mentorship. “For me, mentorship is not about taking any credit. It’s about letting them take the win and celebrating them in a huge way when they do get that win.”

Anthe agrees. She recalls when her plate became too full to handle the call center, which had been added to her plate as part of her responsibilities over customer experience. “There were three people reporting to me in the call center, three supervisors. I said, ‘you know what? I need to select somebody from that group that I think would step up, and have them put in applications for the

“When Amazon was hiring for \$21 an hour to work in the warehouse, our people faced temptation to work for them. With (the promoted mentee’s) ideas... we have never had better reviews from our field on customer service.”

— Patty Anthe, Vice President Customer Experience, Mannatech

CONTINUED ON PAGE 21

“You can’t tell your field to do one thing and then inside the four walls of corporate it’s different. You’ll lose all credibility.”

—Logan Stout, Founder, IDLife

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- Andrew Smith  
Federal Trade Commission



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DOES YOUR COMPANY BUILD, CONTINUED FROM 19

**Wharton School of Business found that 71% of Fortune 500 companies offer mentoring programs to their employees.**

position.” As it turned out, she says, none of them wanted to risk failing and losing their job.

Anthe's solution was to offer close mentorship. “I talked to (one of them), let her know that I'd coach her for a couple months and told her, ‘It's plain to see, you can do this. I know you've got this. We have confidence in you!’ I also assured her that she wasn't going to go anywhere if it didn't work out; we would just hire a new manager.”

The result? With that mentorship, the data proves she's succeeding: a 9.6 approval rate.

Anthe says, “She is absolutely rocking it. All the people love her. They respect her. She's getting ready to have another promotion coming up in the next couple weeks.”

In fact, the mentored call center manager solved a problem many call centers in the Dallas-Fort Worth metroplex face. “When Amazon was hiring for \$21 an hour to work in the warehouse, our people faced temptation to work for them. So we had to do a blanket upgrade. Now, with (that manager's) ideas, all of them are working from home as well as received a pay increase. We worked together to make her shine within that group. And we have never had better reviews from our field on customer service.”

### Law of the Lid

For executives interested in establishing mentorship within their companies, keep in mind that not all mentorship is face-to-face or even Zoom-to-Zoom. Tucker notes that when she needed guidance, she sometimes found it outside of personal connection. “You've got to find the mentor that works for you, and it doesn't have to be a person. I find some of my best mentors have

been books,” she says, citing some by John Maxwell. One of the most revelatory lessons gleaned from his books is “The Law of the Lid,” which taught her when the answer lay in finding someone with the experience and personal growth to take a team to the next level.

Eggert agrees. “Oftentimes, an organization can benefit from outside resources when they lack the internal experience needed for certain roles, or when there is a culture change needed, or more diversity required. Additionally, it is very common for us to see organizations that have simply ‘outgrown’ their existing employees. Sometimes people that have been so key to success in achieving a certain level of revenue are not well-equipped to help achieve your next level,” he says.

“We see this a lot when we work with companies that are at around the \$50 million or \$250 million per year point and have hit a plateau in their sales. They have stretched their team as far as they can, and it is necessary to bring in some new leadership to help navigate the challenges faced by these different milestones.” He adds, “It really is through no fault of the company or the employees, it just takes someone familiar with steering a ship of that size in order to effectively get over those humps and create a strategy that allows for greater growth.”

### Employee Retention

That said, Eggert believes that having a strong mentorship program within an organization has a much greater impact on the overall organization than on just the employees being mentored.

“It increases retention rates and job satisfaction,” he says. “There is a

greater level of connectedness when an organization has a mentorship program. It gives everyone involved a greater sense of ownership and pride in doing their job and working for their employer.”

### The Stats Agree

Information from LinkedIn cites that 94% of workers would stay longer if their employer offered more learning and career development opportunities. This includes workers at practically every level (individual contributor, manager, senior manager, and vice president), who are significantly less likely to consider quitting if they have a mentor, according to CNBC. CNBC's information also shows that 90% of workers who have a mentor report being happy in their job.

For those who doubt that a mentorship program is a realistic goal, the Wharton School of Business found that 71% of Fortune 500 companies offer mentoring programs to their employees.

This is important because, per Gallup, the cost to replace an employee can be up to two times the employee's salary.

### Value Proposition

“(Mentorship) is easily one of the most valuable things a company can do and can control to ensure the health of their organization and the job satisfaction of their employees,” Eggert says. “Every organization, no matter how small, should have a strong mentorship program and should always be pushing their employees to get outside their comfort zones and grow.

“I have found that companies that empower their employees and provide

ongoing opportunities for growth are some of the most successful.”

### Promoting Internally vs. Hiring Outside

That said, he adds that there is a balance between mentoring employees and elevating them to key roles within the company. “Having a strong understanding of your team's strengths and weaknesses along with company goals, such as international expansion, may require you to look for outside help in order to try and make sure you are not making costly mistakes that could have been avoided by hiring someone that has ‘walked the walk.’ Having a hiring strategy in place that allows you to ‘weigh’ the benefits of hiring a possibly more experienced outsider versus promoting internally gives you the information you need in order to make a more informed choice regarding which is best for your organization.”

The Law of the Lid is a great guide in this scenario, also, says Tucker. “I've been able to really see, okay, this person has really reached their max. They cannot go any further at this point because of the Law of the Lid.”

Regardless of whether a company is ready to institute a fully operational mentorship program, Eggert adds, “Engaging your employees, training them well, treating them right, and offering them the opportunity for continued education and growth are all keys to a healthy organization.”

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Jenna Lang Warford is a Social Selling News Contributor.

# Building Corporate Leaders

Mentor relationships are an investment that pays off



## Money Matters When It Comes to Mentoring



The cost to replace an employee can be up to 2x the employee's salary per Gallup.

- Workers at practically every level (individual contributor, manager, senior manager, and vice president) are significantly less likely to consider quitting if they have a mentor, according to CNBC.
- 94% of workers would stay longer if their employer offered more learning and career development opportunities. (LinkedIn)
- 90% of workers who have a mentor report being happy in their job, says a survey by CNBC.

## What happens within formal and informal mentoring relationships?



- Conversations about the industry
- Conversations about problem solving
- Constructive feedback

## What also happens within a formal mentoring program?



- Formal Goals: 41% of mentoring relationships have formal goals. (Olivet Nazarene University)
- Advocacy: 27% of sponsors advocate for their mentee's promotion. (Coqual)

## Money & Career Advancement



- 25% of mentees experienced an increase in their salary, compared to 5% of people not involved in mentoring. (Sun Microsystems)
- Employees involved in mentoring are promoted 5x more often than those not involved in mentoring. (Sun Microsystems)
- Those who serve as a mentor are 6x more likely to be promoted to a higher position. (Sun Microsystems)

## Is a Mentoring Program Realistic?



71% of Fortune 500 companies offer mentoring programs to their employees.

## A Good Mentor



- A desire to develop and help others
- The ability to develop others
- The ability and availability to commit real time
- A willingness to share failures and personal experiences
- A growth mindset and learning attitude
- Current and relevant industry knowledge & skills

## A Good Mentee



- Responsible and accountable
- Able to seek and accept feedback
- Clear about their career goals
- Committed to expanding their capabilities
- Time to meet and also to work on developing skills

## X% of Your Sales Field Is Female



Are you mentoring women in your corporate office?

- Firms with a larger number of women serving in executive-level positions enjoyed a 6% increase in net profitability. (PIIE)
- 63% of women report that they've never had a formal mentor. (DDI)
- 67% of women rate having a mentor as extremely important to their career advancement. (DDI)

## Forbes Suggests These Keys to Success

### Contact and response guidelines

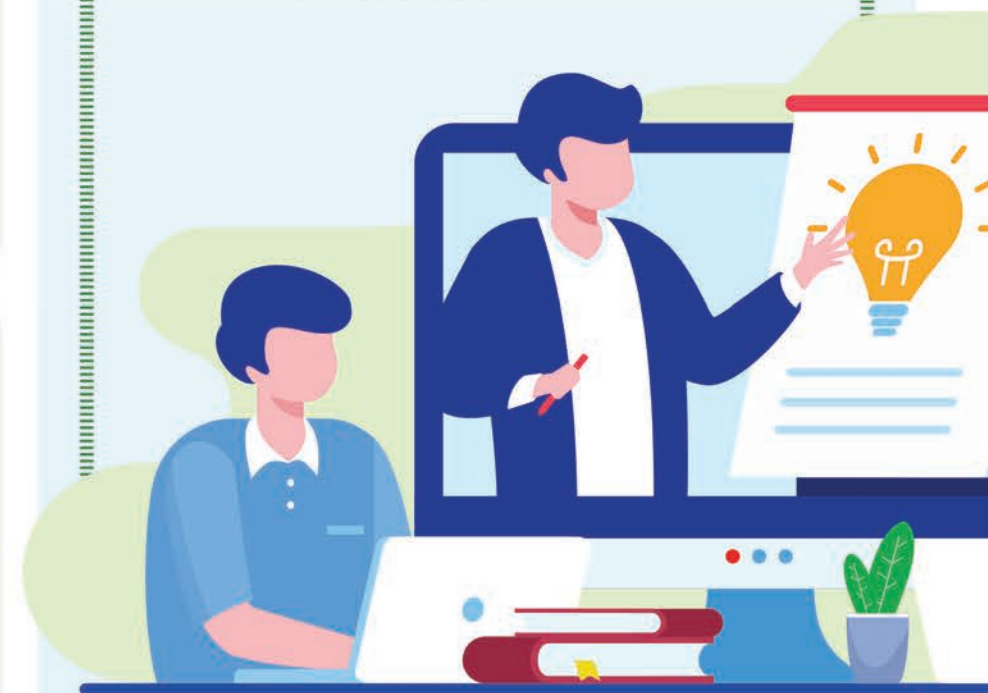
- » Who contacts whom? How?
- » What are acceptable response times?

### Meetings

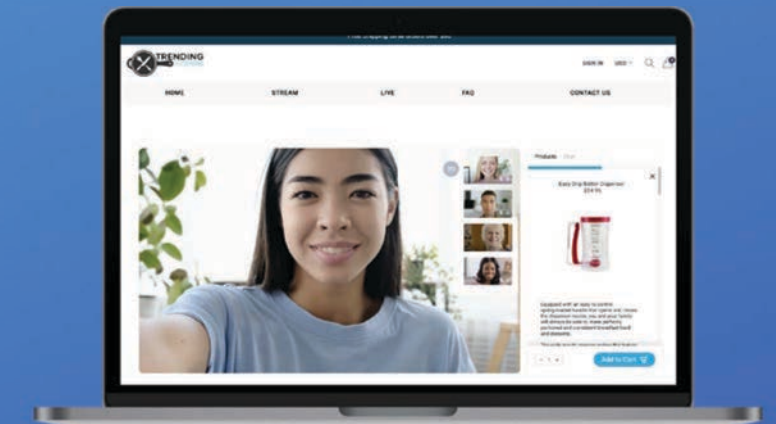
- » Where, when, and how often?
- » Meeting in person? On the phone? Virtually?
- » Confidentiality: What's shareable and what isn't?
- » Parameters: What's in and out of bounds?
- » Feedback: What are the expectations around giving and receiving feedback?

### Goals and accountability

- » What would each party want from this experience?
- » How does the mentee want the mentor to hold her accountable?
- » How does the mentor want the mentee to hold her accountable?



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THE **RANKS**

**MERCHANT PROCESSING COMPANIES**

**RANKED BY NUMBER OF DIRECT SELLING CLIENTS**

Each month, *The Ranks* spotlights companies, people or trends that are important to the direct selling channel. This month, *The Ranks* lists merchant processing companies that work specifically in the direct selling realm, ranked by number of current direct selling clients. If client information was not provided, "did not provide" is used in the column and the company is listed alphabetically. *The Ranks* will vary monthly in type of information and in number of items included.

RANK	COMPANY NAME & LOCATION	NUMBER OF DS CLIENTS	KEY CONTACT	3 REPRESENTATIVE CLIENTS	WEBSITE	CONTACT INFORMATION
<u>1</u>	Nexio/CMS Orem, UT	299	Colt Passe	Pure Romance Immunotec Rain International	nex.io	801-623-4000 colt@nex.io
<u>2</u>	Nuvei Phoenix, AZ	250	Scott Fitzpatrick	Herbalife Infinitus Avon	nuvei.com	866 296 0443 sfitzpatrick@nuvei.com
<u>3</u>	Metrics Global Las Vegas, NV	100	Dee Oldroyd	It Works! SeneGence Red Aspen	metricsglobal.com	702 757 6900 info@metricsglobal.com
<u>4</u>	Global Payroll Gateway Newport Beach, CA	75	Jayne Amirie	Did not provide	globalpayrollgateway.com	855-342-5474 sales@gpgway.com
<u>5</u>	ACI Worldwide Miami, FL	Did not provide	Melissa Brady	Did not provide	aciworldwide.com	904-629-3710 melissa.brady@aciworldwide.com
<u>6</u>	Checkout.com San Francisco, CA	Did not provide	Chris Perry	Did not provide	checkout.com	415-218-5695 chris.perry@checkout.com
<u>7</u>	Paymenture Lindon, UT	Did not provide	Lars Johnson	Did not provide	paymenture.com	801-362-7574 lars@paymenture.com
<u>8</u>	Propay Lehi, UT	Did not provide	Darrel Welling	Did not provide	propay.com	801.341.5643 dwelling@tsys.com

## COMMISSION PAYMENT COMPANIES



**Colt Passey**  
SVP of Business Development, Nexio  
nexiohub.com

“As a company, Nexio has simplified and streamlined our suite of payment solutions by focusing on the direct sales industry. Payments can be increasingly complex, confusing, and challenging to navigate for companies of any size. From fraud to redundancy, to chargeback management, international payments, to declines – the list goes on. But this is why so many businesses have turned to us because Nexio has a complete payments solution platform to help manage the chaos of payments, so you don’t have to.”



**Scott Fitzpatrick**  
AVP Direct Selling & Integrated Payments, Nuvei  
nuvei.com

“Nuvei (Nasdaq: NVEI) (TSX: NVEI) is tomorrow’s payment platform. Designed to accelerate customers’ business, Nuvei’s modular, flexible and scalable technology allows leading companies to accept next-gen payments, offer all payout options and benefit from card issuing, banking, risk and fraud management services.

Connecting businesses to their customers in more than 200 markets, with local acquiring in 45+ markets, 150 currencies and more than 550 alternative payment methods, including cryptocurrencies, Nuvei provides the technology and insights for customers and partners to succeed locally and globally with one integration.”



## COMMISSION PAYMENT COMPANIES



**Dee Oldroyd**  
Vice President of Business Development, Metrics Global  
metricsglobal.com

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## WHAT'S NEW ▶▶

### DSA Reports US Retail Sales Hit \$42.7 Billion in 2021

The **Direct Selling Association's (DSA)** recently released annual Direct Selling Growth and Outlook Survey for 2021 saw the industry reach record high retail sales in 2021 in the U.S., with \$42.7 billion in retail sales and 44.6 million customers served by the channel. While the number of direct sellers decreased 5.2% during 2020 to 7.3 million, it remains higher than the total reported in 2019. According to Joseph N. Mariano, DSA president, 2021 numbers are returning to levels seen before the "record-setting sales and growth" during the COVID-19 pandemic in 2020. Still, 2021's retail sales are up 6.4% over that year. And the new customer numbers show an increase of 7.2% over 2020, with significant growth coming from preferred customers. DSA was joined once again by Nathan Associates, which has worked with the association since 1995 to analyze data and provide research for the Growth & Outlook Survey.

### Tastefully Simple, Initials Inc. Enter 'Business Relationship'

**Tastefully Simple Inc.**, an industry legacy company that makes and sells sauces, seasonings, and easy-prep meals, has joined forces with **Initials Inc.**, a direct seller of personalized products. This "business relationship," according to Jill Blashack Strahan, founder and CEO of Tastefully Simple, will create a synergy between the two brands with business owners and sales representatives that have a matching culture and products that complement each other as well. Britney Vickery, founder and CEO of Initials Inc., will become part of Tastefully Simple's executive team as chief business development officer and work on various business strategies. As part of the agreement, Initials Inc.'s 2,000 independent sales reps will join Tastefully Simple's network and have the opportunity to sell its exclusive products moving forward. Tastefully Simple is also launching several new soft goods, such as totes, coolers and food carriers, in its upcoming catalog in August. Initials Inc. will close operations over the next few months.

### FTC Shuts Down Financial Education Services

The Federal Trade Commission has taken action against **Financial Education Services** and its owners, Parimal Naik, Michael Toloff, Christopher Toloff and Gerald Thompson, as well as a number of related companies, for scamming consumers out of more than \$213 million. In response to a complaint filed by the FTC, a federal court has temporarily shut down the credit repair company. The FTC's complaint alleges that the company preys on consumers with low credit scores by luring them in with the false promise of an easy fix and then recruiting them into a pyramid scheme to sell the same services to others. According to the FTC's complaint, Michigan-based Financial Education Services, also doing business as United Wealth Services, has operated since at least 2015.

### DSA Award Winners Announced for 2022

The DSA recognized the industry's leading companies recently at its 2022 DSA Awards gala in Boca Raton, Florida. In celebration of "member companies for their innovation and dedication to enhancing communities" through business opportunities as well as innovative products and services around the globe, the DSA Awards brought attention to stand-out programs by member companies in numerous categories. The 2022 DSA Awards winners are: Product Innovation – **Scentsy Inc.**, Scentsy Air Purifier; Marketing and Sales – **Arbonne International**, Very Merry Cherry; Partnership Award – **Rallyware**, Performance Enablement Platform (PEP); Vision for Tomorrow – **Young Living**, Developing Enterprise Program; Excellence in Business – **Herbalife Nutrition**, HN Grow; and Technology Innovation – **The Pampered Chef**, Table.

### Medifast Opens Innovation Center to Expand Product Offerings

**Medifast**, the parent company of direct seller **OPTAVIA**, has recently opened a product and innovation center with a focus on research and development in Owings Mills, Maryland. The Baltimore company plans to go beyond weight-management to develop new products for the \$230 billion health and wellness market. Employing about 20 people, the 18,000-square-foot facility houses offices, research and product development labs, as well as a pilot plant for small-scale batch tests of powders and bars. As Medifast has shifted from being seen as a manufacturer that runs weight-loss centers and sells products through doctors' offices, its OPTAVIA business and coaching programs have helped the company grow with revenue surpassing \$1 billion for the first time in 2021. Medifast operates several manufacturing and distribution centers in Maryland and has offices in Utah, Hong Kong, and Singapore.

### Modere CEO Recognized as Entrepreneur of the Year

**Modere** CEO Asma Ishaq was named the winner of Ernst & Young's Entrepreneur of the Year 2022 Pacific Southwest Award. This award is one of the most competitive awards out there and is given to forward-thinking leaders of high-growth companies. For over 35 years, Ernst & Young has honored leaders building successful, energetic businesses across the globe. The Pacific Southwest program celebrates those based in Arizona, Hawaii, Nevada, New Mexico, and Orange County and San Diego, California. Ishaq was recognized by an independent panel of judges made up of prominent entrepreneurs and top business leaders and was chosen from a group of finalists. Modere's business focuses on a science-backed, clean lifestyle and health and wellness products. As the Pacific Southwest program winner, Ishaq is eligible for EY's Entrepreneur of the Year 2022 National Awards taking place in November. That winner will then be considered for the EY World Entrepreneur of The Year Award in June 2023.

### LegalShield Economic Stress Index Shows Consumer Struggles

**PPLSI's LegalShield** Economic Stress Index, published in May, revealed data consistent with current economic trends in the U.S., where households and small businesses are each dealing with their own concerns. According to its 2022 Consumer Stress Index, one of five sub-indices that reflect the demand for various legal services, consumers are beginning to feel financial pressure. While average wages grew 5.2% year over year, inflation has outpaced this growth. The LegalShield Bankruptcy Index looked good and decreased in May by 2.3% with numbers down 19% compared to a year ago. The Foreclosure Index shows foreclosures have been moving back into pre-pandemic levels but continue to be low when compared to historic levels. High demand for homes has continued to bump up the Housing Construction Index, but rising mortgage rates and materials costs are expected to slow activity soon. Housing Sales, though healthy, have also begun to drop, nearing summer 2020 levels.

## WHAT'S NEW ▶▶

### CBD Maker Mons Pura Transitions to Network Marketing

**Mons Pura**, a premium CBD growing and manufacturing enterprise, has launched a full-scale network marketing business in the CBD health and wellness realm. They previously sold their products through e-commerce and retail partners. Mons Pura had a soft launch in January, which allowed it to use a controlled environment to work through any potential challenges with their processes, including their backend software platform. Mons Pura has already enrolled over 300 influencers and customers during this phase and recently held a summer event in June in Park City, Utah. The company was founded by sixth-generation farmer Mark McDougal and his two sons, Richard and Aaron. Mons Pura is a vertically integrated CBD company, which means it controls every step of the process. Founded in 2019, the company is based in Pleasant Grove, Utah, with other locations in New Castle, Utah, and Vineyard, Utah.

### eXp World Holdings Acquires Zoocasa Realty

**eXp World Holdings Inc.** has a pending acquisition of Zoocasa Realty Inc. and Zoocasa.com, a consumer real estate search portal and brokerage based in Toronto, Canada. eXp World Holdings, Inc. is the holding company for **eXp Realty**®, Virbela and **SUCCESS**® Enterprises. With this purchase, eXp Realty would have the opportunity to improve its online lead generation, home search opportunities, and listings portal prospects for its agents and brokers. eXp World Holdings' acquisition of Zoocasa Realty is expected to finalize in July. Zoocasa is owned by CEO Lauren Haw and a group of investors. The company provides an all-inclusive, scalable listings platform that has a customized home search experience, market insights and access to local real estate experts. The platform currently has nearly 12 million annual visits and 150 in-house real estate agents.

### DreamTrips International Purchases TRVL

Texas-based **DreamTrips International**, a direct seller of global travel and lifestyle club memberships, has acquired **TRVL Ventures**, a Georgia-based luxury travel MLM company. TRVL was founded by Spencer Iverson, Jonathan Green, and Mark Sterling, who all have prior experience in the direct selling travel space. They launched TRVL with a focus on developing a luxury lifestyle travel club that would appeal to the masses. The deal gives TRVL sales representatives and customers access to DreamTrips' personalized travel experiences around the world, as well as DreamTrips' travel agency and global network of experienced hosts. In addition, this expands travel options for customers to dozens more locations, as well as the opportunity for global business growth.

## THE SUPPORTERS ▶▶

## MEET OUR PARTNERS

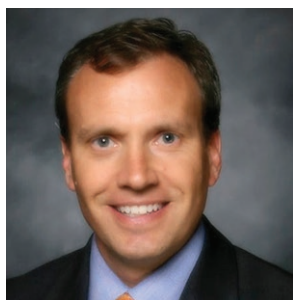
Below is a listing of all of the suppliers who placed display advertising in this month's issue. We are grateful for their participation and support in bringing news and information to the social selling channel.

<b>EXIGO</b> .....	<b>02</b>	<b>TRINITY</b> .....	<b>17</b>	<b>HANNA SHEA</b> .....	<b>31</b>
<b>BYDESIGN</b> .....	<b>04</b>	<b>XIRECT</b> .....	<b>19</b>	<b>DSA</b> .....	<b>34</b>
<b>DIRECT SCALE</b> .....	<b>08</b>	<b>BLOO KANOO</b> .....	<b>23</b>	<b>VERB</b> .....	<b>35</b>
<b>MOMENTUM FACTOR</b> .....	<b>15,20</b>	<b>METRICS GLOBAL</b> .....	<b>24</b>	<b>INFOTRAX</b> .....	<b>36</b>

# People on the Move



**FRANK VANDERSLOOT, MELALEUCA**  
Melaleuca has appointed **Frank VanderSloot** as executive chairman of its board of directors. VanderSloot has served as CEO since he founded the company in September 1985 and will now focus on its corporate strategy, messaging, new product development and corporate culture. He will also continue to direct and manage marketing and legal.



**JERRY FELTON, MELALEUCA**  
Melaleuca has promoted **Jerry Felton** to CEO, succeeding Frank VanderSloot. Felton, who for the past decade has overseen the company's international operations, will take over daily operations. He started at Melaleuca in 2009 as senior vice president of sales, bringing with him 17 years of experience as an executive at UPS.



**FABIO BARBOSA, NATURA & CO**  
After a complex business integration, **Natura & Co Group** has promoted non-executive director **Fabio Barbosa** to CEO and executive chairman. Roberto Marques, the company's current leader, will step down but remain on the board, retiring later this year. Barbosa brings management experience from publishing as well as the Brazilian banking federation Febraban.



**MARTIN GONZALEZ, NATURE'S SUNSHINE**  
**Nature's Sunshine Products Inc.** has named **Martin Gonzalez** as vice president of global supply chain. Gonzalez has more than 30 years of operations experience with well-known brands, such as Sara Lee, Molson Coors/SABMiller, and Unilever. Gonzalez joins Nature's Sunshine from Bowery Farming, where he served as vice president of operations and excellence.



**CARLA STENT, TELECOM PLUS**  
**Telecom Plus** has appointed **Carla Stent** to serve as a non-executive director and Audit Committee Chair. Stent already holds a non-executive board role with other companies, including JP Morgan Elect plc and Marex Group. As an executive, Stent served in the C-suite at virgin group and Barclays Bank, among others.



**JEFF BELL, PPLSI**  
**Jeff Bell**, CEO of **PPLSI**, the parent company of **LegalShield** and **IDShield**, is retiring. Bell first joined the organization as CEO of **LegalShield** in 2014. While searching for the next CEO, current board member **Stefan Pepe** will serve as executive chairman. Scott Grissom, chief financial officer, has departed with **Steve Williamson** returning as interim CFO.



**KATY HOLT-LARSEN, KYÄNI**  
**Kyäni** has named **Katy Holt-Larsen** as CEO. Holt-Larsen had served as president since 2020. She succeeds Founder Carl Taylor who will remain chairman of the board. Holt-Larsen has more than 25 years of experience, including serving as **Jeunesse Global's** president of North America and holding senior leadership roles at **Piphany** and **MonaVie**.



**MIGUEL BEAS, KYÄNI**  
**Miguel Beas** has been appointed chief sales officer at **Kyäni**. Beas joined **Kyäni** as vice president of Latin America in December 2021 and previously served as sales director USA at **PM-International** and president of Latin America for **Jeunesse**. **Renzo Higinio** will assume Beas' spot as **Kyäni's** managing director of Latin America.



**MICHAEL BRESHEARS, KYÄNI**  
**Michael Breshears** has been named president of Asia at **Kyäni**. Returning to **Kyäni**, in his new role, he will steer the company's strategies for the market. He had served as CEO at **Kyäni** several years ago after stepping into senior leadership roles at several other multimillion-dollar companies in direct selling.



**KRISTEN KNIGHT, KYÄNI**  
**Kristen Knight** has joined **Kyäni** as a board member. Owner of marketing firm **KKnight Consulting**, since 2012, Knight had been consulting **Kyäni** for several months, and in this new capacity she will play an even greater role in guiding product and marketing strategies. Previously, she worked at **Young Living**, **Nu Skin**, and **Needles**.



**DAISUKE NAKAJIMA, DREAMTRIPS**  
**DreamTrips International LLC** has hired **Daisuke "David" Nakajima** as executive vice president of global sales and operations. Nakajima has been a leader at multibillion-dollar brands such as **Amway**, **Jeunesse Global**, **Nike**, **Adidas** and **Foot Locker**. He will now drive the company's global expansion, product development and global market growth.



**ANDREAS LAABS, LR GLOBAL**  
**Andreas Laabs**, Ph.D., currently chief financial officer and chief operating officer at **LR Global Holding GmbH**, will now succeed **Andreas Friesch** as CEO. Friesch will also step down from his other positions in the company. Laabs joined LR Global in 2014 as managing director, having previously served as managing director at **Thalia Holding GmbH**.



**GORDON HESTER, PM-INTERNATIONAL**  
**PM-International** has hired **Gordon Hester** as its new general manager of sales for USA and Canada. Hester has over 30 years of experience in multiple industries, including serving as CEO of **Roberti Enterprises** for 25 years and as chief innovation officer for **Zurvita**. He has also collaborated with **DSA** and **DSEF**.



**PAULO MOLEDO, HY CITE**  
**Hy Cite Enterprises** has promoted President **Paulo Moledo** to the additional role of CEO. Moledo joined Hy Cite in 2019 as senior vice president of strategy. Born in Brazil, Moledo was previously president USA at **JaFra** and has more than 30 years of experience including with **AOL**, **Revlon** and **Ford Motor Co.**

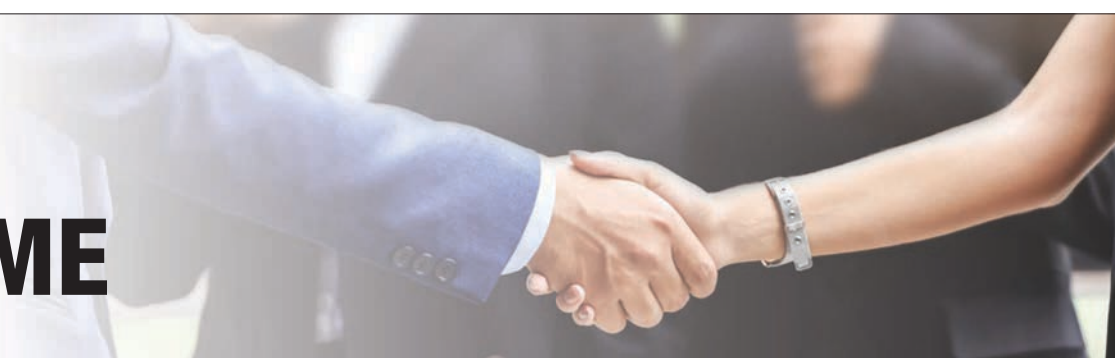


**SHANE MORAND, DECENTRA**  
**Decentra** has appointed **Shane Morand** as chairman of the board. With an extensive background in entrepreneurship, Morand co-founded **Organo Gold** in 2008. He continues to mentor and is the author of **Victory Book**. Morand will work with the board to help with business strategy and partnerships.

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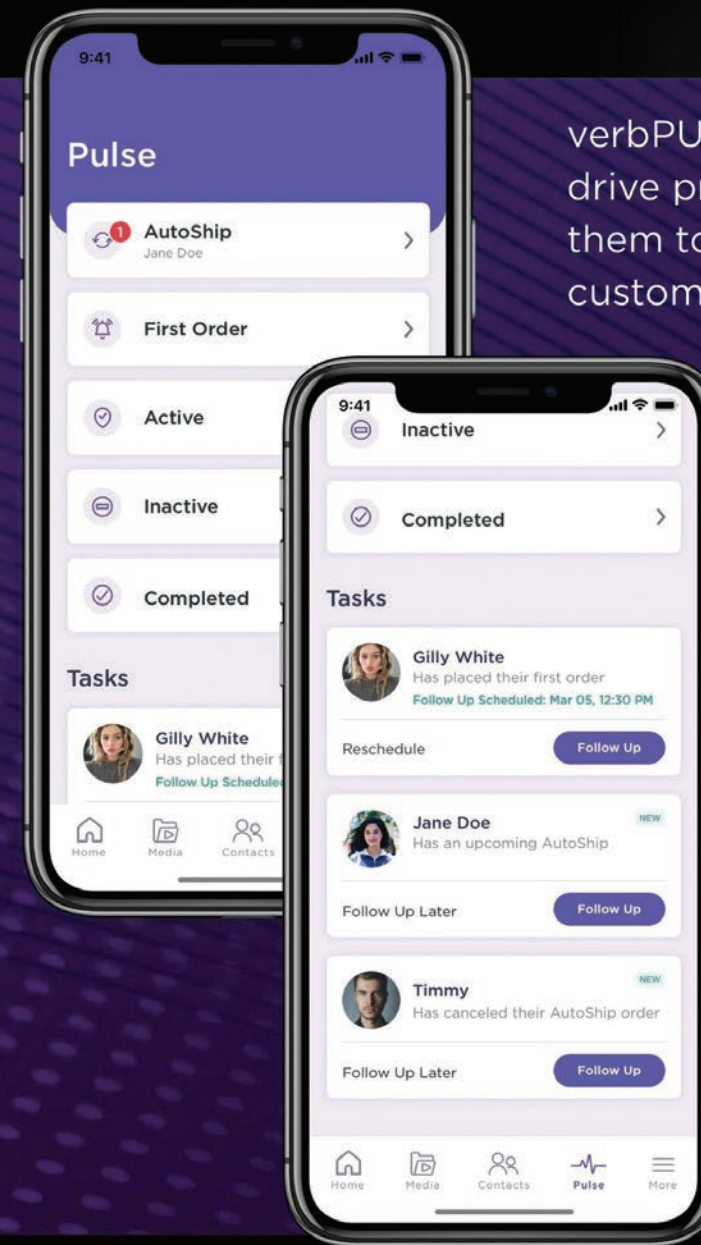


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