DIRECT SELLING ASSOCIATION

Common Misconceptions about Direct Selling

Myth: Most people lose money in direct selling.

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

- Because of the low cost of entry – the average startup cost is $106 – and minimal risk of financial loss upon exiting, direct sales is a low-risk business opportunity.
- There is a safety net in place for sellers who decide to close their business but have unsold inventory: the 90% buyback guarantee from DSA member companies for products purchased within the last 12 months.
- 90% 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% 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 then 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 legitimate direct selling companies, the main source of direct seller compensation is through product sales. There is no meaningful compensation 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 prosecuted to the fullest extent of the law.

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

Fact: Direct selling companies operating in the U.S. 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. A State Attorney General typically enforce state consumer protection laws in states where a direct selling company has salespeople.
- All U.S. direct selling companies are monitored and regulated by the BBB 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 U.S. direct selling companies and their sales force members.
- DSA member companies are required to adhere to DSA's Code of Ethics and commit to stringent consumer protections, including prohibition of inventory loading and the 90% buyback guarantee, as a condition of membership. Independent direct sellers who represent member companies are responsible for upholding these same high standards of business ethics that the 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 with reporting business practice issues directly to the direct selling company. They can also report issues with DSA member companies to the independent DSA Code Administrator and/or 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 provide reports on issues with inventory loading, terms of sale, warranties, and product guarantees, for example, and can file a complaint with the Federal Trade Commission (FTC) or with their State Attorney General.