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Details:

(FORM UPDATED: 08/11/2010)

**WISCONSIN STATE LEGISLATURE ...
PUBLIC HEARING - COMMITTEE RECORDS**

2009-10

(session year)

Senate

(Assembly, Senate or Joint)

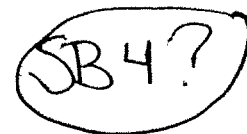
**Committee on ... Children & Families & Workforce
Development (SC-CFWD)**

COMMITTEE NOTICES ...

- Committee Reports ... **CR**
- Executive Sessions ... **ES**
- Public Hearings ... **PH**

INFORMATION COLLECTED BY COMMITTEE FOR AND AGAINST PROPOSAL

- Appointments ... **Appt** (w/Record of Comm. Proceedings)
- Clearinghouse Rules ... **CRule** (w/Record of Comm. Proceedings)
- Hearing Records ... bills and resolutions (w/Record of Comm. Proceedings)
(**ab** = Assembly Bill) (**ar** = Assembly Resolution) (**ajr** = Assembly Joint Resolution)
(**sb** = Senate Bill) (**sr** = Senate Resolution) (**sjr** = Senate Joint Resolution)
- Miscellaneous ... **Misc**

A handwritten note in the top right corner of the page, consisting of the text "SB 4?" enclosed within a hand-drawn oval.**Kahn, Carrie**

From: Sen.Jauch
Sent: Tuesday, March 03, 2009 9:43 PM
To: Kahn, Carrie
Subject: RE: Traveling Sales Crews meeting

now that everyone has met it is ok to schedule the bill for exec.

This is an example as to how erpenbach panicked because he can't think for himself and ran to barb w. My goal is to accomplish due diligence to make sure we are in total agreement on the bill.

Please contact tryg and barb and let them know that we are proceeding as I expected on the bill.

From: Kahn, Carrie
Sent: Tue 3/3/2009 5:21 PM
To: Sen.Jauch; 'Bob Jauch'
Subject: Traveling Sales Crews meeting

Bob,

I just came back from the traveling sales crews bill meeting in Erpenbach's office. Also present was the Molepske, DATCP, DWD and the woman who staffs Molepske's committee for Leg. Council (Anne Sappenfield couldn't be there).

Let me start by saying I think the meeting went well, in that Erpenbach seemed open to discussion and ideas and willing to make some changes. We discussed three main issues:

- 1) **Constitutionality**—Leg. Council summed up the Southwestern's lawyer memo, saying that their argument was weak. We did have a discussion, though, about the issue that came up regarding public places. Jon threw out specifying that those who sell in public places would have to do so from a permitted space/permission from property owner. Leg. Council thought this would cover the concerns raised by Southwestern about art fairs, farmers markets, etc.—this language is being drafted into an amendment
- 2) **Definition of Consumer**—I had mentioned to you this issue brought forth by the Independent Business Association, but they chose not to testify at the hearing. Their concern was that this bill would affect their business to business sales, since small businesses tend to do some selling to other businesses in small groups. Erpenbach's office looked into this issue and determined that they would unintentionally be affected, and therefore are inserting in the definition of consumer language from DATCP admin. rules that would define consumer as an individual. Therefore, this concern should be alleviated.
- 3) **Charter issue**—Jon laid out some of the same concerns against an exemption for Charter that would allow them to do the door-to-door sales in crews—that companies would morph into these types of business models and that by creating an exemption, they would be playing into the constitutionality issue that has been brought up. I threw out the language Anne Sappenfield had provided me that would limit this type of sales to permanent, full-time employees that are not seasonal and would be limited to a few nights a few times a year. Jon seemed very willing to consider it, but both DATCP and Leg. Council brought up concerns that this could present some constitutionality issues. Jon threw out the idea of exempting utilities, but it was brought up that these companies could hire subcontractors to do these type of sales and again, businesses would morph back into the unregulated sales crews.

- Jon and Tryg have looked further into how the bill would affect Charter, and found that because they already do a lot of the regulatory things the bill requires, such as background checks, the only change for them would be that the company would have to post a bond—and this means one \$10,000 bond for the entire company—at a cost of about \$100 for the company. In addition, the certificate of registration their employees are already required to have would just need to be stamped by the municipality upon entering that community.
- They feel this burden is not onerous to the company and those like it, and I tend to agree. Jon indicated he will contact Charter to further discuss this, but they don't plan to make any changes in this case.

Jon and Tryg shared that they've polled Dem. Members on both the Senate and Assembly committees and haven't found any support for the Southwestern amendment. Kedzie also led Jon to believe the day of our public hearing that he would likely vote for the bill as well. Jon asked me point blank if you are scheduling an exec. Session on this, and I said yes. It was in the context of Molepske's scheduled exec. On the 17th, and he asked if we would be doing it then too. I told him it is likely, and I would let them know when I had had a chance to discuss with you.

When I arrived back at the office, Barb Worcester called and asked if we would be exec'ing the bill that week, as the Senate will be in session the next week, probably that next Tuesday the 24th. She shared that it is a high priority not only for Erpenbach, but for them to have that bill before the Senate that next week, and that she'll hold off on Senate Org's meeting to decide the Senate calendar until we've had a chance to exec. Tryg and I spoke again, and he shared that it would be important and symbolic for them to have it exec'd before Senate session on the 24th, as the 25th is the 10th anniversary of the van crash. Tryg let me know that Sheridan has agreed to get it on the Assembly calendar that week as well. Apparently Finance will not begin traveling until Wed. the 25th.

Long story short, I felt that Jon and Tryg have spent some time looking at ways to strike compromises and quite frankly, I think it makes sense to move forward with this bill and exec on the 17th

Let me know what you think.

Carrie Kahn

Legislative Assistant

State Senator Bob Jauch

P.O. Box 7882

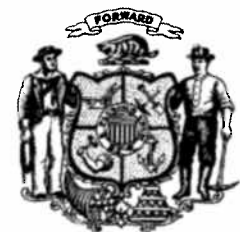
Madison, WI 53707-7882

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WISCONSIN STATE LEGISLATURE



SB4?

Kahn, Carrie

From: Sen.Jauch
Sent: Monday, February 23, 2009 3:12 PM
To: Kahn, Carrie
Subject: RE: Traveling sales crews

Carrie:

I will talk with John although I doubt whether he will accept any substantative amendments. It is his bill and he is free to do whatever he wishes. As chair of a committee I will perform due diligence to attempt to consider all possible constructive changes to any legislation.

The highlighted section below will require a very small amendment.

Bob

From: Kahn, Carrie
Sent: Monday, February 23, 2009 9:49 AM
To: Sen.Jauch; 'Bob Jauch'
Subject: Traveling sales crews

Bob,

I spoke with Tryg from Erpenbach's office. He said they thought the hearing had gone really well and felt that their main themes of protecting kids and consumers were hit home. They felt you represented the issue very well.

As far as the Charter amendment goes, he and Jon are not excited about the proposed amendment, as they feel that is playing into the constitutionality issue by treating one set of business people from Wisconsin differently from those who are not. They have not spoken with Charter since before the hearing, and it doesn't sound like they plan to reach out to them at anytime soon.

I mentioned to Tryg that I had talked to Anne Sappenfield about the constitutionality issue and she had suggested for the purposes of this amendment you could tie an exception to house-to-house sales by employees because it sounds like all of the problem travelling sales crews are independent contractors. It could specify that the salespersons must be full-time or permanent employees. That way, an employer could not hire someone on a seasonal basis to get around the bill's provisions. Also, there could be a limit, such as staying overnight for not more than three nights no more than three times per year. She had no idea how often or for how long they go out, but it should probably be kept to a minimum so it doesn't become a big loophole. She did let me know that as she thinks more about tying the exception to WI residency or a WI company, she doesn't think it's a good idea, that there could be an interstate commerce issue raised.

Anyways, Tryg's response to the suggestion was that regardless, this would be creating an exemption for a company that does this type of door to door business practice infrequently, and he's not sure why we would create this exemption for one company that does not do a majority of its sales in this fashion. He also reiterated that DATCP and DWD are doing analyses on constitutionality.

Furthermore on the issue of the constitutionality concerns raised by Southwestern at the hearing, Anne suggested to me (I have not raised this with Tryg) that to tighten the language that came up in the bill regarding "any other place that is open to the public", she thought perhaps in the definition of "traveling sales crew", it could say those who are selling face-to-face to people in their residences and leave it at that. Anne did say that overall, though, the bill is not clearly unconstitutional.

Following up on Pete Christianson's email, I mentioned it to Tryg, and he told me Phil is just offering to look at the amendment to get information from Pete he is seeking that will help him go after national magazine sales companies. However, Pete and I spoke this morning, and he told me that Phil's attorneys are currently looking at Southwestern's proposed amendment and will give Pete their feedback. In addition, Pete told me he'd allow Phil's attorneys to rewrite the amendment, if they offered an exception that could work for Southwestern. He indicated he was hopeful that they could find real resolution.

That's where things stand right now. I told Tryg that you may want to speak with Jon further about the Charter issue and constitutionality questions, and he was very open to that, so we left it at that for the moment.





HANSEN DORDELL
BRADT ODLAUG & BRADT
ATTORNEYS AT LAW

PROFESSIONAL LIMITED LIABILITY PARTNERSHIP

From 2/19/2009 folder →
SB 4?

REPLY TO:
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(651) 482-8909 fax
(800) 994-6056

Writer's Direct Dial
(651) 332-8748

April 17, 2007

Senator G. Spencer Coggs, Chair
Room 123 South
State Capitol
P.O. Box 7882
Madison, WI 53707-7882

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Frederick E. Kaiser
Joseph G. Twomey
Joan G. Hallock
Jason L. Schmickle
Colleen O. Kaufenberg
Karen K. Hatfield
Patrick W. Ostergren
Trisha A. Vicario
Stacey H. Sorensen

Re: SB80 before the Senate Committee on Labor,
Elections and Urban Affairs

Dear Senator Coggs:

WISCONSIN OFFICE
1700 Tainter Street
Menomonie, WI 54751
(715) 233-9900
(715) 233-9981 fax
(800) 994-6056

Horace R. Hansen
1910 - 1995

RETIRED
Wayne P. Dordell
Gene P. Bradt

With lawyers licensed
to practice in
Minnesota and Wisconsin

hdbob.com

As a lawyer in Minnesota, I have been following with some interest the political debate on WI SB 80. I regret that misinformation has found its way into that debate. I represented Southwestern Company in connection with alleged negligence claims brought by Brian Grewe relative to the personal injuries he sustained in a 2002 automobile accident.

Southwestern is quite concerned with false statements relative to the *Grewe* matter that have been made. These false statements have been made not only in your public hearing, and, presumably, in private sessions, but also in the dedicated parents' website.

For instance, the dedicated parents' website contains the statement: "United States District Judge Determines Southwestern Sales Agent To Be An Employee Of The Company And Not An Independent Contractor." The website follows the quoted language with a cite to *Grewe* case, in which I appeared as counsel for Southwestern Company, and a link to an order issued in the case by Minnesota Federal District

April 17, 2007

Page 2

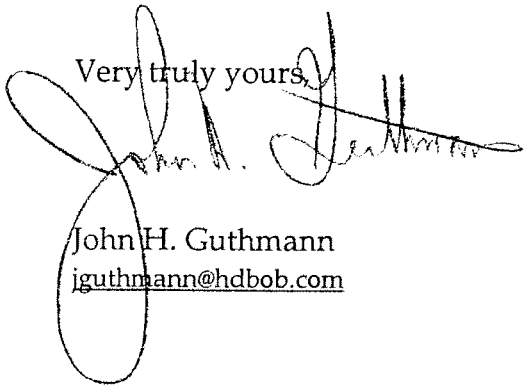
Court Judge John Tunheim. These characterizations of the trial court's purported findings in the *Grewe* case are absolutely false.

Essentially the same misrepresentation with regard to the *Grewe* case was incorporated into the Wisconsin state Senate testimony last week. Again, I know that the representations regarding the *Grewe* case are false because I was there.

Judge Tunheim made NO FINDING that Grewe was an employee of Southwestern. In fact, Grewe himself alleged in the lawsuit that he was an independent contractor. Grewe made no claim in the lawsuit that he was Southwestern's employee. Grewe's presentation of himself as an independent contractor was accepted by Judge Tunheim in his order. Judge Tunheim not only never found that Grewe was Southwestern's employee, he never ruled on the merits of the case at all. Judge Tunheim only ruled that there was a jury issue as to whether Southwestern could be held legally liable for the negligent driving of its independent contractors.

Any allegations or testimony (including misinformation disseminated in connection with the Wisconsin political debate over "traveling sales crews") that Judge Tunheim found Brian Grewe to be Southwestern's employee are both false and highly irresponsible. Please correct the record for the sake of Justice and clarity. You may call me directly if you need additional information about the ruling of Judge Tunheim in the *Grewe* case.

Very truly yours,



John H. Guthmann
jguthmann@hdbob.com





DIRECT SELLING
ASSOCIATION

DIRECT SELLING ASSOCIATION

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John W. Webb

Associate Legal Counsel & Senior Director, Government Relations



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Technical Amendment Language to Traveling Sales Force Legislation
SB4 & AB14

a) Exemption From Definition of Traveling Sales Crew:

No individual shall be considered a member of a traveling sales crew provided:

1. The individual has a signed contract governing buying a supplier company's merchandise at wholesale for the purpose of re-sale by the individual
2. The individual takes title to, and is obligated to the end consumer for delivery of, all merchandise sold by the individual
3. The individual maintains a bank account in the State of Wisconsin in the individual's own name
4. The individual signs a statement to be filed with the Wisconsin DATCP that the individual has received, read, and will comply with the laws applicable to face-to-face solicitation in the State of Wisconsin, or

The individual establishes temporary residency with the intention to stay 30 days or more in a dwelling place that is not a place of temporary sojourn or transient visit.

- b) Amended Definition of Traveling Sales Force Crew:** "More than two individuals who are employed as salesperson or in related support work, who travel together in a group of more than two persons and who are absent overnight from their permanent residences for the purpose of selling goods or services to consumers from house to house, on any street, or in any other place that is open to the public. However, nothing in this legislation shall restrict any commonly recognized business activity of a direct selling company or its independent distributors conducting at a fixed Wisconsin location activities such as conferences, sales meetings, continuing education programs, training, retreats, or similar programs which require overnight travel away from a permanent residence.

- c) Preamble Language:** "Notwithstanding the provisions of this bill, nothing in this legislation shall be construed to restrict the normal business activities of any direct selling company simply by virtue of the fact that its business involves selling consumer products directly through independent distributors under written agreements that involve distributors receiving profits and commissions on sales and who operate outside of fixed, permanent retail locations."



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Better Business Bureau Complaint History of DSA Member Companies

DSA conducted a comprehensive review of complaints against all 193 active DSA member companies, as reported by local Better Business Bureaus.¹ The data showed that on average there was only one complaint for every \$55 million in retail sales or one complaint for every 23,765 individual direct sellers per year. Of those complaints, 97 percent were resolved. The data further indicated that there were on average only 17 unresolved complaints per year. That calculates to one unresolved complaint for every \$1.76 billion in retail sales or one unresolved complaint for every 764,705 individual direct sellers. By any measure, this is an extraordinarily low level of consumer complaints and demonstrates the high level of commitment by DSA member companies to consumer protection and satisfaction.

DSA 193 Companies

Complaints

- 547 complaints on average per year - 97% resolved rate
- 2.8 complaints per year per company
- 1 complaint for every \$55 million in retail sales
- 1 complaint for every 23,765 individual direct sellers

Unresolved Complaints

- 17 unresolved complaints a year
- .08 unresolved complaints per year per company
- 1 unresolved complaints for every \$1.76 billion in retail sales
- 1 unresolved complaint for every 764,705 individual direct sellers

¹ DSA staff reviewed the reliability reports for all DSA active member companies <http://search.bbb.org/> (May 31, 2006).



Direct Selling Association Active Members

As of February 2009

4Life Research, LC
5LINX Enterprises, Inc.
Accentz
ACN, Inc.
AdvoCare International,
LP
Aerus LLC (formerly
Electrolux LLC)
Agel Enterprises, LLC
Aihu, Inc.
All Dazzle
Aloette Cosmetics, Inc.
Amazon Herb Company
AmeriPlan USA
Amkey, Inc.
AMS Health Sciences
Inc.
Amway
Angela Moore, Inc.
Antioch Company
Arbonne International
AtHome America, Inc.
AuraStella
Avala
Avon Products, Inc.
B's Purses &
Accessories
Baby Splendor
BabyCrazy
Barefoot Books
Bead Retreat Ltd.
Become International,
Inc.
Big Ear, Inc.
Big Planet (Division of
Nu Skin Enterprises)
Blessings Unlimited
The Body Shop At
Home
Body Wise
International, LLC

Butterfly Worldwide,
LLC
Carico International
Celebration Fashions,
Inc.
Cleure
Clever Container
Conklin Company, Inc.
Cookie Lee, Inc.
Cooksey Keepsakes
Creative Memories
CUTCO/Vector
Marketing Corporation
CyberWize.com
Daisy Blue Naturals
DEAXIS, LLC
Demarle At Home, Inc.
DeTech, Inc.
Discovery Toys, Inc.
Dove Chocolate
Discoveries
Dudley Beauty Corp,
LLC
Earth's Elements
EcoQuest International
ENERGETIX GmbH &
Co. KG
Entertaining at Home
Essential Bodywear
F.A.I.T.H. Company
Family and Friends
Financial
Fifth Avenue Collection,
Inc.
For Every Body
For Every Home
ForeverGreen
International
FreeLife International
The Fuller Brush
Company

Genesis Pure
Global Domains
International, Inc.
Global Health Trax
GNLD International
Gold Canyon
Goldshield Elite
The Happy Gardener
Heart Warming
Creations
Herbalife International
of America, Inc.
Heritage Makers
Home & Garden Party,
Inc.
Homemade Gourmet,
Inc.
HTE USA
Hy Cite Corporation
Ignite, Inc.
International Global
Opportunity Network,
LLC Db. Igonet
Immunotec, Inc.
Initial Outfitters
Initials, Inc.
Innovage LLC
Integris Global, LP
Isagenix International
Jafra Cosmetics
International, Inc.
Jeunique International,
Inc.
Jockey Person To
Person
Jordan Essentials
Kara Vita, LLC
The Kirby Company
Kirks Folly Design
Kitchen Fair (Regal
Ware, Inc.)

Latasia & Company
L'Bri Pure N' Natural
Learning is an Art
Let's Do Tea, LLC
Lia Sophia
Life Force International
Lifestyles USA
The Limu Company,
LLC
Livinity, Inc.
The Longaberger
Company
M Studio, Inc.
Mannatech, Inc.
Market America, Inc.
Mary Kay Inc.
Max International
Melaleuca, Inc.
Michele Baratta atHome
Momentum Plus
National Companies,
Inc.
Nature's Own
Nature's Sunshine
Products, Inc.
Nefful U.S.A., Inc.
New Vision USA, Inc.
Neways Worldwide
NHT Global, Inc.
Nikken, Inc.
Noevir USA, Inc.
Northern Lights At
Home
NSA
Nu Skin Enterprises
Orenda International,
LLC
Oxyfresh.com
The Pampered Chef
PartyLite Gifts, Inc.
Pharmanex (Division of
Nu Skin Enterprises)
Pink Papaya, LLC
PM-International
Nutrition and Cosmetics
POLA U.S.A., Inc.
Premier Designs, Inc.
Primerica Financial
Services
Princess House, Inc.
Private Quarters
Purse Party Inc.

RBC Life Sciences
Regal Ware, Inc.
Reliv International, Inc.
Rena Ware
International, Inc.
Rexair LLC
Rodan and Fields
Saladmaster, Inc. (Regal
Ware, Inc.)
Scentsy, Inc.
The Scott Fetzer
Company
Sensaria Natural
Bodycare, Inc.
Seriesse International
Shaklee Corporation
Share the Wealth
Shure Pets, Inc.
Signature HomeStyles
Silpada Designs
SimplyFun, LLC
Smart Circle
International
SMC Specialty
Merchandise Corp.
Southern Living At
HOME
The Southwestern
Company
Sportron International,
Inc.
Stampin' Up!
Stanley Home Products
Stella & Dot
StemTech
HealthSciences, Inc.
Success University
Sunrider International
SwissJust
Symmetry Corporation
Synergy Worldwide
Syntec, Inc.
T.F.A. In-Home, Inc.
Tahitian Noni
International
Take Shape for Life,
Inc.-Medifast
TARRAH Cosmetics,
Inc.
Taste of Gourmet
Tastefully Simple, Inc.
Tealightful Treasures

Thirty-One Gifts
Thrivent Financial at
Home
Tianshi Health
Products, Inc.
Tomboy Tools, Inc.
Touchstone Crystal,
Inc.
Traci Lynn Fashion
Jewelry
The Traveling Vineyard
Tristar Enterprises, LLC
Two Sisters Gourmet
U Design Jewelry
Unicity International,
Inc.
Univera
USANA Health
Sciences, Inc.
Usborne Books at
Home
Vantel Pearls in the
Oyster
Vision For Life
International
VIVA Life Science, Inc.
Viviane Woodard
Vorwerk USA Co., L.P.
Warm Spirit, Inc.
Wildtree Herbs, Inc.
WineShop At Home
World Book, Inc.
Wynlife Healthcare, Inc.
XanGo LLC
XELR8
YourNetPlus.Com, Inc.
YTB International, Inc.
Zermat International,
LLC



FACT SHEET

U.S. DIRECT SELLING IN 2007

2007 U.S. Direct Retail Sales \$30.80 Billion

Percent of Sales by Major Product Group

Clothing & accessories/personal care	32.8
Home & family care/home durables	25.6
Wellness (weight loss products, vitamins, etc.)	21.4
Services/other	16.2
Leisure/educational (books, videos, toys, etc.)	4.0

Percent of Sales by Location/Medium

Face-to-face selling	77.1
In the home (incl. sellers' self consumption)	70.4
At a temporary location (fair, exhibition, etc.)	3.7
In the work place	2.5
Other locations (direct seller's office, etc.)	0.5
Remote selling	22.9
Internet (World Wide Web, e-mail)	11.4
Phone	8.8
Other (mail, fax, etc.)	2.7

Percent of Sales by Census Region

South	31.6
West	26.8
Midwest	23.3
Northeast	18.3

Percent of Sales by Sales Strategy

Individual/person-to-person	64.5
Party plan/group	27.7
Customer placing order directly with firm (in follow-up to a prior face-to-face solicitation)	6.6
Other (mail catalogs, infomercials, etc.)	1.2

Percent of Sales, Direct Sellers and Firms by Type of Company Compensation Plan*

	Percent of		
	Sales	Sellers	Firms
Multilevel	97.3	98.2	95.0
Single level	2.7	1.8	5.0

2007 U.S. Direct Sellers 15.0 Million

Percent of Direct Sellers by Distributorship Type

One-person distributorship	88.6
Two-person distributorship	9.0
Multi-person distributorship	2.4

Percent of Direct Sellers by Hours Worked

Full-time (30 or more hours per week)	9.9
Part-time	90.1

Percent of Direct Sellers by Gender

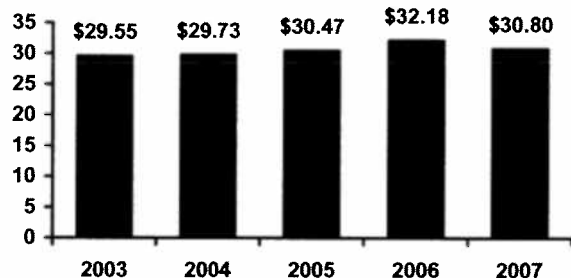
Female	87.9
Male	12.1

Source: 2008 Growth & Outlook Survey Report: U.S. Direct Selling in 2007 and other sources.

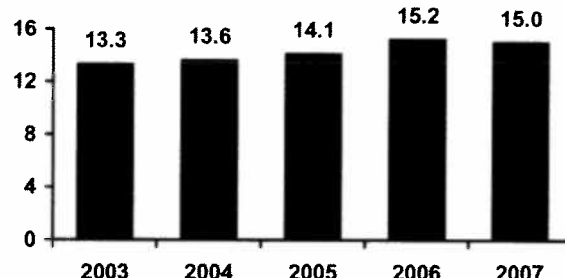
*A direct selling company may use a multilevel plan or a single level plan or both to compensate direct sellers. A direct selling company offering a multilevel compensation plan is classified as multilevel even if it offers a single-level plan as well.

To view graphic depictions of these findings, please go to: <http://www.dsa.org/pubs/numbers/>

U.S. Direct Retail Sales (\$Bil)



U.S. Direct Sellers (Mil)



For further information contact Amy M. Robinson, VP of Communications & Media Relations, or Eileen Creamer O'Neill, VP of Research Services.

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Phone: (202) 452-8866 / Fax: (202) 452-9010 / E-mail: info@dsa.org / Website: www.dsa.org

Direct Selling Offers an Incredible Variety of Products and Services

Most people know that housewares, cosmetics and clothing can be purchased through direct selling. But those product categories represent only a fraction of the products and services available from members of the Direct Selling Association (DSA).

Just about any consumer product or service can be purchased through direct selling. The wide variety of items available means there's something for everyone - whether you're interested in buying or selling, it's likely you'll find something that interests you.

The following is just a partial list of products and services available through direct selling:

- Air filters/water treatment systems
- Apparel for men and women
- Baby Products
- Books
- Children's learning tools, activity and craft supplies
- Cooking tools and lessons
- Gift wrap and holiday decorations
- Financial services
- Gardening supplies
- Jewelry
- Insurance
- Lingerie
- Nutritional supplements
- Oral hygiene products
- Pet products
- Photo shoots
- Scrapbooking products
- Spa treatments
- Sporting goods
- Toys and Games
- Travel packages
- Wine and wine accessories



**DIRECT SELLING
ASSOCIATION**

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Washington, DC 20006
(202) 452-8866 • (202) 452-9010
E-mail: info@dsa.org



The Benefits of Shopping Through Direct Selling

Annual sales of goods and services through direct selling are robust. In 2007, annual sales reached more than \$30 billion as Americans increasingly choose to shop in the comfort of their own homes or workplaces. Here's why:

Quality Customer Service Comes First

- Direct selling offers personal contact with trained, knowledgeable sales reps who know they must provide excellent service to win and keep the business of their customers.
- Professional and friendly service is more than a plus. It's a MUST. Every company works to provide the best customer service.
- DSA members are required to provide a complete description of any warranty or guarantee, limited or full, and a complete explanation of return and cancellation policies.

Endless Choices When and Where You Want Them

- DSA member companies sell everything from cosmetics, books and toys to housewares, spa treatments and travel packages. For a complete list, visit the DSA Web site at www.dsa.org.
- Direct selling allows customers to customize their shopping experiences without the hassle of long lines, traffic, and inattentive salespeople. Customers can schedule their sales calls and visits to fit around their busy schedule.
- Purchases can be delivered directly to customers—at home, at work, or any convenient location.

Unmatched Product Expertise with a Personal Touch

- Direct sellers are knowledgeable about their products and services and take the time to personally demonstrate and explain them to customers.

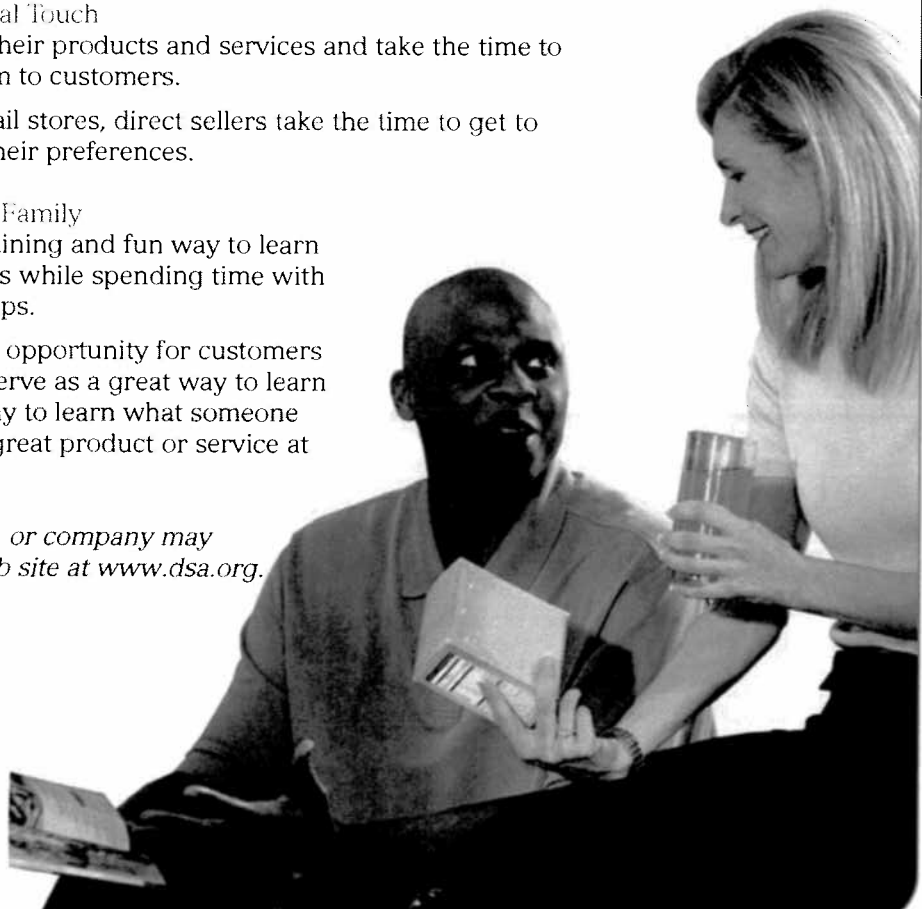
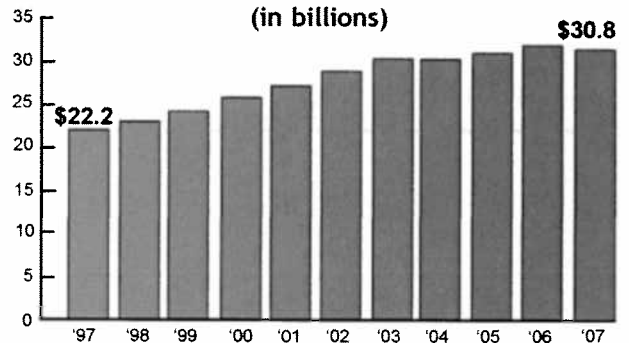
Unlike many sales representatives in retail stores, direct sellers take the time to get to know their customers, their needs and their preferences.

A Fun Way to Spend Time with Friends and Family

- Direct selling gatherings offer an entertaining and fun way to learn about and test new products and services while spending time with friends, family, co-workers or other groups.
- Direct selling gatherings provide a great opportunity for customers to share their product preferences and serve as a great way to learn about creative gift items. What better way to learn what someone wants than by watching them admire a great product or service at a gathering you both attend?

Those looking for a specific product, service, or company may find more information by visiting DSA's Web site at www.dsa.org.

Annual Sales Through Direct Selling
(in billions)



**DIRECT SELLING
ASSOCIATION**

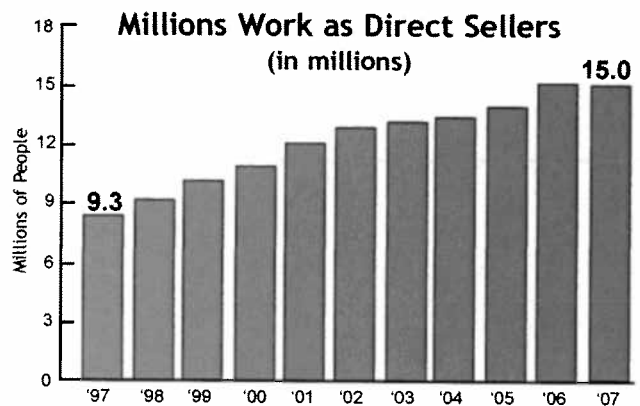
1667 K Street, NW, Suite 1100
Washington, DC 20006
(202) 452-8866 • (202) 452-9010
E-mail: info@dsa.org

The Benefits of Working as a Direct Seller

The number of Americans who work as direct sellers has increased steadily for many years, to more than 15.0 million in 2007. Experienced and novice direct sellers cite many reasons for engaging in this increasingly popular activity:

The Chance to Be Your Own Boss

- Direct sellers are independent contractors who own their businesses. They make all the important decisions, set their own hours and schedules, and success is ultimately up to them.
- Direct selling businesses are very portable. Many representatives who are military spouses are able to relocate their businesses anywhere in the country as their husbands or wives are assigned to new locations every few years. Consultants who were displaced by hurricanes Katrina, Rita and Wilma quickly re-established their businesses in their new communities.



The Opportunity to Earn Extra Money

- Most direct selling representatives work part time to earn extra money – either as part of the family income or for a special purchase.
- Direct selling can be a full-time job. Many representatives use direct selling to support themselves and their families.

Anyone Can Be Successful in Direct Sales

- One key to success is to believe in the product or service. With the incredible array of items available through direct selling, everyone can find something they really want to sell.
- Successful direct sellers are a diverse group, and succeed with a variety of approaches to sales.
- Because the number of people who shop through direct selling is growing quickly – about 50% of Americans in 2003 – representatives will find a large and willing customer base.

Support from Companies and DSA

- Direct selling companies provide training and support to their representatives and often provide substantial incentives to succeed.
- DSA members must abide by clear guidelines for professional and ethical standards established by their own companies and by the industry as a whole. DSA's Code Administrator investigates and seeks to resolve all complaints.
- As the industry's trade association, DSA works to educate the public in the U.S. and around the world about the benefits of direct selling.



Find out more about the benefits of becoming a direct seller on the DSA Web site at www.dsa.org.



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DSA Members Adhere to a Rigorous Code of Ethics

To protect both consumers and sellers, the Direct Selling Association (DSA) has established a mandatory Code of Ethics.

An independent Code Administrator, not connected to any member company, investigates and seeks to resolve any complaints to the satisfaction of everyone involved. Members agree to abide by all Code Administrator decisions.

A Strong Commitment by Members and Sellers

- Prospective members must complete a one-year pending period during which the company's business plan is reviewed to ensure compliance with the Code. Active members must comply with the Code as a condition of continuing membership.
- Each DSA member appoints a Code Responsibility Officer (CRO) who communicates the tenets of the Code of Ethics to employees and their independent salesforce members.
- Displaying the DSA logo is a privilege given only to companies that honor the Code of Ethics. It should be regarded as a pledge to do right and a promise to make a situation right in the event a problem does arise.

The DSA Consumer "Bill of Rights"

The DSA Code of Ethics establishes that direct sellers must:

- Tell prospective customers who they are, why they are approaching them and what products they are selling.
- Explain how to return a product or cancel an order.
- Respect privacy by calling at a time that is convenient for the customer.
- Promptly end a demonstration or presentation at the customer's request.
- Provide accurate and truthful information regarding the price, quality, quantity, performance and availability of their product or service.
- Offer a written receipt in plain language.
- Provide his or her name and contact information as well as the contact information of the company he or she represents.
- Offer a complete description of any warranty or guarantee.

How to File a Code Complaint With DSA

- Contact the seller immediately and explain your concerns.
- If the seller cannot or will not correct the problem to your satisfaction, contact the company, explain the situation and outline the steps you would like to see taken.
- If a DSA member company does not resolve your problem, visit the DSA Web site at www.dsa.org/ethics/ and file a complaint online, or send a complaint by mail.
- Your information will be forwarded to the DSA Code Administrator who will investigate the situation and contact you directly.



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Traditional Retailers Recognize the Advantages of Direct Selling

With annual direct selling sales topping \$30 billion in 2007, many traditional retailers have launched direct selling arms to reach new markets and customers.

They join many companies—both big and small—that seek to capitalize on the many advantages of direct selling.

- Research shows that time-starved shoppers, particularly women, see direct selling as a way to avoid crowded stores where they often cannot find someone to help them.
- Research also shows that younger shoppers, particularly those in their 30s, are attracted to direct selling because they can customize their shopping experience, deal with knowledgeable representatives and have fun in the process.
- Direct selling can be more profitable because overhead costs are low and direct selling representatives work on commission.
- Products tend to sell better when they are presented by knowledgeable sellers who only succeed when they provide a personal touch and excellent customer service.

For more information on the benefits of direct selling, visit the DSA Web site at www.dsa.org.

Select Traditional Retailers With Direct Selling Divisions

- Aerosoles
- Berkshire Hathaway
- Bertelsman
- The Body Shop
- Citigroup
- Hallmark Cards
- Jockey
- Reader's Digest
- Sara Lee
- Time Warner
- Unilever
- Vanity Fair
- Virgin Companies



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Direct Selling

Providing Opportunities for Personal Service and Personal Achievement



DSA
DIRECT SELLING
ASSOCIATION



Direct Selling Association

The Direct Selling Association (DSA) is the national trade association of the leading firms that manufacture and distribute goods and services sold directly to consumers. More than 150 companies are members of the association, including many well-known brand names.

The Association's mission is "To protect, serve and promote the effectiveness of member companies and the independent business people they represent. To ensure that the marketing by member companies of products and/or the direct sales opportunity is conducted with the highest level of business ethics and service to consumers."

Message from Neil Offen

President & CEO, Direct Selling Association



"Thank you for your interest in learning more about direct selling and the Direct Selling Association."

Millions of individuals worldwide are a part of this dynamic industry, either as direct sellers or as consumers of products that are sold directly. The opportunities available in direct selling are amazing – in direct selling, you will find no inequality in pay rate, nor will you find any glass ceilings or barriers relating to education, ethnicity or physical ability. What you will find are quality people selling quality products presented to the consumer in a person-to-person manner, typically in a home setting – in other words, opportunities for

personal service and personal achievement. Further, when working with member companies of the Direct Selling Association, you can be assured that your interests, whether you are a distributor or a customer, will be protected by DSA's Code of Ethics.

Every day, I hear stories about people who have set and achieved personal goals through direct selling. Most of these goals are modest, but all are meaningful. I'm proud to be associated with an industry that offers so much to those who put forth the energy required to succeed.

In this booklet, you'll find information about direct selling both as a job opportunity and as a source of consumer products and services. Whether you're already affiliated with a direct selling company, are considering an opportunity or just want to know more, this booklet is a place for you to start. I also encourage you to visit our Web site at www.dsa.org for more information.

Sincerely,
Neil H. Offen
President & CEO
Direct Selling Association



Table of Contents

Opportunity and Products for Everyone	2
A Cross-Section of the Population	3
The Products You Need, When You Need Them	4
Providing Convenience, Quality and Service	5
Multilevel Marketing Defined	6
Pyramid Schemes – How to Recognize and Avoid Them	7
The DSA Code of Ethics – Working for You	8
DSEF – Building Bridges of Communication	10
WFDSA – Direct Selling Around the World	11
Excellence in Direct Selling – DSA Industry Awards	12

Direct Selling:

Opportunity and Products for Everyone

Definition of Direct Selling:

The sale of a consumer product or service, person-to-person, away from a fixed retail location.

Annual US Sales

2007 – \$30.80 billion
2006 – \$32.18 billion
2005 – \$30.47 billion
2004 – \$29.73 billion
2003 – \$29.55 billion
2002 – \$28.69 billion

Annual US Salespeople

2007 – 15.0 million
2006 – 15.2 million
2005 – 14.1 million
2004 – 13.6 million
2003 – 13.3 million
2002 – 13.0 million

Source: 2007 DSA Growth and Outlook Survey

Direct selling is a growing and vibrant industry based on the idea that through the sale of quality products and services, individuals can achieve personal and financial goals on their own terms with little risk. On the consumer side, customers have the opportunity to purchase a wide variety of items, in all product categories, in the comfort of a home setting following a product demonstration. It's a "win-win situation" for everyone involved. Direct sellers are able to own their own businesses and consumers receive personal service unrivaled by other methods of product distribution.

Depending on the company, salespeople may be called distributors, representatives, consultants or various other titles. However, almost all direct sellers are considered independent contractors under federal and state tax law.

Direct selling can be the answer whether you're looking for an alternative to conventional employment, seeking supplemental income or just enjoy the rewards of being your own boss. In 2007,



15 million people in the United States participated in direct selling – that's five percent of the population. These direct sellers made \$30 billion in retail sales.

One of the most attractive aspects of direct selling for many people is the low startup cost and the ease with which one can begin direct selling. The total startup cost for most legitimate direct selling companies is a few hundred dollars or less; the median being about \$99. Many companies, including all members of the Direct Selling Association, will also repurchase, at not less than 90 percent of the purchase price, any marketable inventory and sales aids that have been purchased in the prior 12 months if a direct seller decides to leave the business.

Direct Selling:

A Cross-Section of the Population

The direct selling opportunity is available to anyone. There is no disparity in pay rates between males and females.

Education, ethnicity and age are irrelevant. Schedules are flexible and career advancement doesn't have to compete with family obligations.

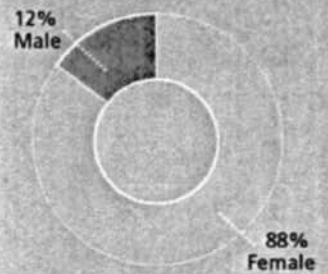
While some may envision the traditional home parties of the '50s where groups of women gathered at the home of a hostess as a "typical" direct selling scenario, many men are getting involved. In 2007, 12 percent of direct sellers were male. Direct selling is also a great way to make extra money without working long hours. In 2007, only one out of ten direct sellers worked full-time (30 or more hours per week).

For about 76 percent of direct sellers, the main reason for becoming a direct sales representative is the benefit of being your own boss, followed by a belief in the company and the quality of products. The ability to purchase preferred products at a discounted or wholesale price is also very appealing. Flexibility is also an important factor as direct selling is, for example, a perfect opportunity for women who want to return to work or retirees who want to stay active while enjoying their golden years.

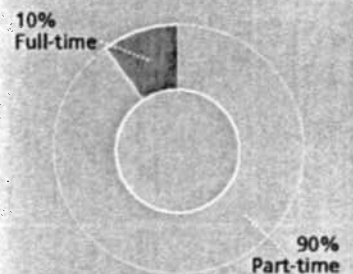
Schedules are flexible and career advancement doesn't have to compete with family obligations.



Male/Female Breakdown:



Fulltime/Part-time Breakdown:



Source: 2007 DSA Growth and Outlook Survey

Benefits of Direct Selling:

- Direct selling is a good way to meet and socialize with people.
- Direct selling offers flexible work schedules.
- Direct selling is a good way to earn extra income.
- Direct selling is a good way to develop a business.
- Earnings are in proportion to efforts.

The Products and Services You Need When You Need Them

Product Breakdown

Personal Care –
32.8 percent

Home and Family Care –
25.6 percent

Wellness – 21.4 percent

Services/Other –
16.2 percent

Leisure/Educational –
4.0 percent

*Source: 2007 DSA Growth and
Outlook Survey*

Selected Category

Descriptions

Personal Care –
Clothing/lingerie, jewelry,
cosmetics, skin/hair/nail care,
fragrances

Home and Family Care –
Baby products, cookware,
cutlery, crystal/china, house/
kitchenwares, decorative
accessories, homecare/
cleaning

Wellness –
Weight loss products,
nutritional supplements,
food/beverage

Services/Other –
Financial services,
telecommunications
services, utilities

Leisure/Educational –
Books, CDs/cassettes, videos,
toys & games, scrapbooking

The earliest roots of direct selling come from the days of the pioneer when traveling salesmen would go from town to town selling necessities such as pots and pans, spices, cloth and shoes. Virtually any product needed on the prairie could be purchased directly in this manner. Now, in the 21st century, little has changed in that regard. Virtually every product or service, from kitchenwares and utilities to cosmetics and toys, can be purchased via direct selling.

The two largest groups of items sold via direct selling in the United States are personal care products, including items such as clothing, jewelry, cosmetics and fragrances; and home and family care products, including items such as cookware, cutlery, crystal/china, vacuum cleaners and decorative accessories. Items in these categories represent some of the more traditional products found in direct selling. However, entrepreneurs continue to find direct selling an excellent method of distribution for an ever-increasing list of consumer items. Some of the newest products and services to be offered via direct selling include special nutritional items, scrapbooking products, pet care products, rubber stamps, utilities, financial services and baby products.



Providing Convenience, Quality and Service

Today's consumers demand quality products that fit a diversity of lifestyles and can be delivered with a high level of customer service. Direct selling fits this bill perfectly. One of the key attributes of direct selling is the personal endorsement of products and services given by the seller to the customer, as well as the opportunity to see a product demonstrated in the comfort of one's own home prior to purchase. Unlike a typical retail setting where store clerks are responsible for a myriad of products they may not be intimately familiar with, direct sellers are uniquely qualified to describe and demonstrate the products they sell. Many direct sellers themselves use the products or services they sell and can offer a personal recommendation. The endorsement of a satisfied customer, especially one with whom there is a personal connection, is more valuable than any advertisement!

Direct sellers accomplish the personal demonstration of their products in two main ways – through person-to-person interaction or through “parties” held at the home of a hostess. Both allow personal introduction to a product and provide a comfortable setting for friendly interaction. In 2007, about 28 percent of direct sales were made using a party plan sales strategy.

Several years ago, doomsayers predicted the end of direct selling as a result of the Internet. On the contrary, the Internet has opened up the world to direct selling, combining person-to-person interaction with the convenience and speed of cutting-edge technology. Personal service has been elevated to a new level through use of the Internet as orders,

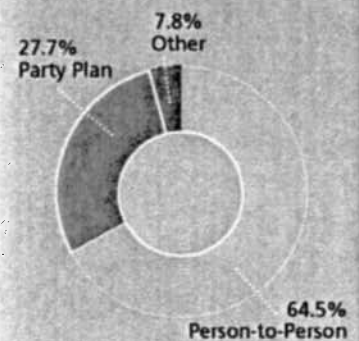


product shipments and service-after-the-sale can be handled more quickly and accurately than ever before.

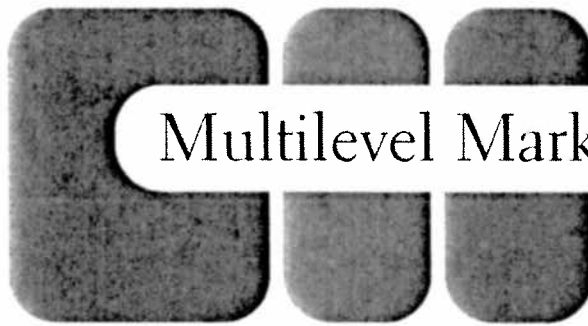
Sixty-three percent of Americans have made a purchase, at some time, via direct selling. Only retail stores, mail order catalogs and flea markets outrank direct selling in this area.*

*2004 DSA Public Attitude Tracking Survey

Percent of Sales by Sales Strategy

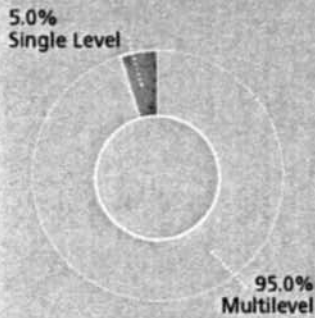


Source: 2007 DSA Growth and Outlook Survey



Multilevel Marketing Defined

Multilevel vs. Single Level (percent of firms)



Source: 2007 DSA Growth and Outlook Survey

Terms to Know...

Downline

Direct sellers sponsored one or more levels away from another in a directly linked line.

Multilevel Marketing (Network Marketing)

A compensation structure involving multiple levels of distributors used by many direct selling companies. Individuals generally receive some compensation on the retail sales made by the individuals they have recruited, trained, motivated and/or supplied with products, as well as the recruits of recruits, in addition to earning compensation based on their own sales at retail to consumers.

Single Level Marketing

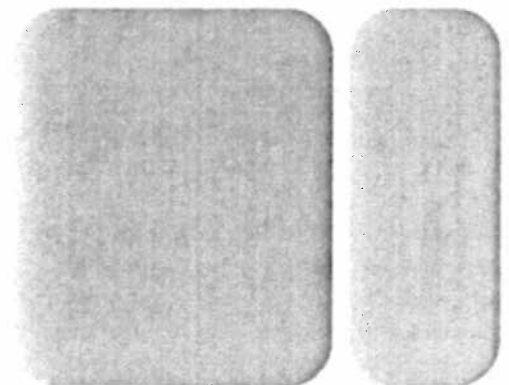
A compensation structure in which distributors receive commission based solely on their own sales at retail of products and/or services.

Just as there are two main ways in which direct sales are made – person-to-person and party plan – so, too, are there two main ways in which a company’s salesforce can be organized.

In a single-level company, compensation for direct sellers is based on one’s own product sales. A more recent trend, however, has been what is known as a multilevel marketing, or network marketing, plan. Under this plan, direct sellers, in addition to selling products and services to consumers, also actively recruit, train and motivate new sellers, effectively building an independent small business of their own. Compensation is then based not only on one’s own sales, but also on the sales of one’s downline. In 2007, about 95 percent of direct selling companies in the U.S. used some type of multilevel marketing compensation plan.



In 2007, about 95 percent of direct selling companies in the U.S. used some type of multilevel marketing compensation plan.



Pyramid Schemes

How to Recognize and Avoid Them

What is a pyramid scheme?

P pyramid schemes are illegal scams in which large numbers of people at the bottom of the pyramid pay money to a few people at the top. Each new participant pays for the chance to advance to the top and profit from payments of others who might join later. Each time a level rises to the top, a new level must be added to the bottom, each one twice as large as the one before. Of course, the pyramid may collapse long before you reach the top. In order for everyone in a pyramid scheme to profit, there would have to be a never-ending supply of new participants.

Pyramid promoters are masters of group psychology. At recruiting meetings they create a pressure-filled atmosphere where pressure and promises of easy money play on people's greed and fear of missing out on a good deal. Even though some pyramid schemes look similar to multilevel marketing plans, they are losing schemes, they are fraudulent and they are illegal.

How to tell the difference between a legitimate opportunity and a pyramid scheme:

There are three main questions you should ask:

1. How much are you required to pay to become a distributor?
If the cost is substantial, be careful! The start-up fee for a legitimate direct selling company is relatively small (usually enough

for a sales kit sold at or below company cost). Legitimate companies want to make it easy and inexpensive for you to start selling. Pyramid schemes, on the other hand, make nearly all their profit from signing up new recruits meaning the entry costs are high and often disguised as part of a required purchase for training or inventory.

2. Will the company buy back unsold inventory?
If you could be stuck with unsold inventory, beware! Legitimate companies, such as those that are members of the Direct Selling Association, will buy back unsold products if you decide to quit the business. Some state laws, and the DSA Code of Ethics, require buy-backs for at least 90 percent of your original cost on items you've purchased in the prior 12 months.
3. Are the company's products sold to consumers?
If the answer is no, stay away! Multilevel marketing, like other methods of product retailing, depends on selling to consumers and establishing a market. Pyramid schemes, though, are not concerned with sales to end-users. Profits are made on volume sales to end users who buy the products not because they are useful, but because they must buy them to participate.

How to Protect Yourself From a Bad Investment:

1. **Take your time** and don't let anyone rush you. A good opportunity will not disappear overnight.
2. **Ask questions** about the company, the products, the start-up fee, the buy-back policy, the average earnings of active distributors and anything else that's important to you.
3. **Get written copies** of all available company literature.
4. **Consult with others** who have experience with the company and its products.
5. **Investigate and verify** all information.

For more information on pyramid schemes and how to avoid them, visit the Direct Selling Association's Web site at www.dsa.org.



Information on this page provided courtesy of the Direct Selling Education Foundation.



The DSA Code of Ethics

Working for You

Protection from unethical business practices under the DSA Code of Ethics is one of the many benefits of affiliating with a DSA member company.

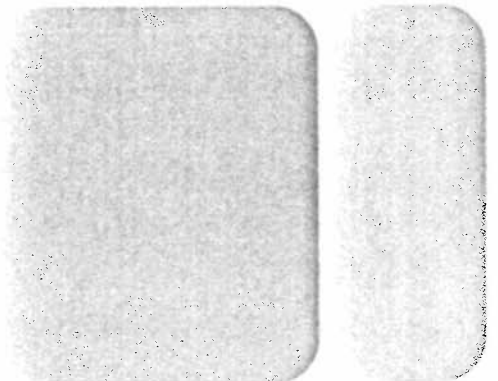
The cornerstone of the Direct Selling Association's (DSA) commitment to ethical business practices and customer service is its Code of Ethics. Every member company pledges to abide by the code's standards and procedures as a condition of admission and continuing membership in DSA.

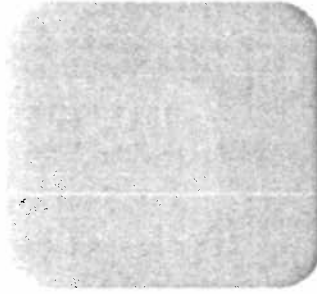
The DSA Code of Ethics speaks to both the consumer and the seller. It ensures that member companies will make no statements or promises that might mislead either consumers or current or prospective sales people. Pyramid schemes are illegal and companies operating pyramids are not permitted to be members of DSA.

The DSA Code of Ethics is enforced by an independent code administrator who is not connected with any member company or the association staff. The code administrator will do everything possible to resolve any complaints to the satisfaction of everyone involved, and has the power to decide on remedies. All DSA member companies have agreed to honor the administrator's decisions.



Key provisions in the Code include: a prohibition on deceptive or unlawful consumer or recruiting practices; accurate product claims with regard to price, grade, quality, make, value, performance and quantity; compliance with all federal and state warranty and guarantee laws and regulations; truthful earnings representations, no inventory loading, and more.





Plain Language Version of the Code of Ethics

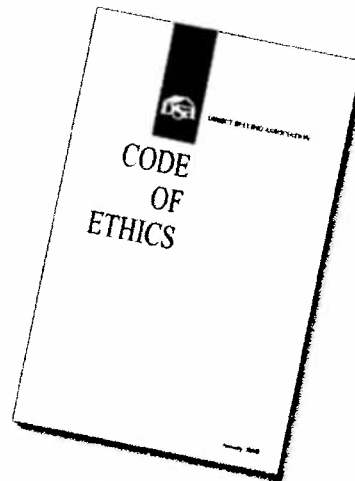
As a consumer you should expect salespeople to:

- Tell you who they are, why they're approaching you and what products they are selling.
- Explain how to return a product or cancel an order.
- Respect your privacy by calling at a time that is convenient for you.
- Promptly end a demonstration or presentation at your request.
- Provide accurate and truthful information regarding the price, quality, quantity, performance, and availability of their product or service.
- Offer a written receipt in language you can understand.
- Provide his or her name and contact information, as well as the contact information of the company he or she represents.
- Offer a complete description of any warranty or guarantee.

As a salesperson, you should expect a DSA member company to:

- Provide you with legal and accurate information on the company's pay structure, products and sales methods.
- Refrain from any unlawful or unethical recruiting practice and exorbitant entrance or training fees.
- Base all actual and potential sales and earnings claims on documented facts.
- Abstain from encouraging you to purchase more inventory than you can sell in a reasonable amount of time.
- Repurchase marketable inventory and sales aids you have purchased within the past 12 months at 90 percent or more of your original cost if you decide to leave the business.
- Explain the repurchase option in writing.

Note: A full-text version of the Code of Ethics is available on DSA's Web site at www.dsa.org.



The DSA Code of Ethics

ensures that member companies will make no statements or promises that might mislead either consumers or current or prospective sales people.

DSEF

Building Bridges of Communication

DSEF Mission:

To serve the public interest with education, information and research, thereby enhancing acceptance and public awareness of direct selling in the global marketplace.

DSEF Web site address:
www.dsef.org



The Direct Selling Education Foundation builds bridges of communication and understanding to encourage public awareness and acceptance of the direct selling industry with consumer advocates, university professors and students, entrepreneurs and community leaders in the United States and abroad. The visionary leaders of the Direct Selling Association founded the Washington, D.C.-based, tax-exempt, not-for-profit organization in 1973 to serve the public interest with education, information and research as a goodwill ambassador on behalf of the industry.

As a public educational organization, DSEF plays a crucial role in creating a favorable climate for direct selling, including broader consumer acceptance of its sales channel, products and earning opportunities.

The DSEF Consumer Program

The DSEF Consumer Program sponsors conferences, seminars, training sessions, university campus visits and consultative assistance on issues of importance to the consumer movement. The Consumer Program, developed in partnership with consumer and business leaders and government and non-governmental organizations worldwide, identifies problems and possible solutions to local and global consumer issues. DSEF also provides grants to support the efforts of consumer organizations.



The DSEF Academic Institute

DSEF's Academic Institute introduces university professors and their students to the unique direct selling distribution system, representing a \$111 billion industry worldwide. To increase knowledge about the industry, the foundation sponsors academic seminars, develops instructional materials, supports research, provides grants to academic organizations, and arranges for direct selling executives to teach university business classes.

DSEF replicates its academic and consumer protection initiatives globally. The foundation has sponsored programs in Central and South America, Europe and Asia. It also works with the U.S. Departments of Commerce and State, the World Federation of Direct Selling Associations, the Asia Pacific Economic Cooperation, the Organization for Economic Cooperation and Development, and the European Union.

WFDSA

Direct Selling Around the World



*World Federation of
Direct Selling Associations*

Direct selling firms operate in more than 140 countries around the globe. Worldwide sales now exceed \$111 billion a year and provide earnings opportunities for more than 61 million direct sellers.

More than 50 countries have DSAs that are affiliated with the World Federation of Direct Selling Associations. Founded in 1978, the WFDSA is a non-governmental, voluntary organization globally representing the direct selling industry as a federation of national Direct Selling Associations. The United States Direct Selling Association serves as the Secretariat for the Federation and is based in Washington, D.C.

The Federation promotes self-regulation. Each member association must develop a national code of ethics with the minimum standard being the provisions of the World Codes of Conduct (World Direct Selling Code of Conduct Toward Consumers and World Direct Selling Code of Conduct Toward Direct Sellers, Between Direct Sellers and Between Companies). As a global protection and distribution/salesperson watchdog for the



industry, the WFDSA coordinates the efforts of individual and regional associations, providing technical assistance in legislative, regulatory, management and public affairs.

Additionally, the Federation works to provide information about direct selling to various industry groups and external audiences through its public relations, educational, training and consumer affairs programs.

WFDSA Mission:

The mission of the WFDSA is to support direct selling associations in the areas of governance, education, communications, consumer protection and ethics in the marketplace and to promote personal interaction among direct selling executives regarding issues of importance to the industry.

WFDSA Web site:
www.wfdsa.org

Excellence in Direct Selling

DSA Industry Awards

DSA annually honors the outstanding programs and activities of its members companies.

As the trade association representing direct selling companies in the United States, DSA annually honors the outstanding programs and activities of its members companies. Four industry awards are presented during DSA's Annual Meeting each year. In addition, DSA honors individuals who have made outstanding contributions to the industry through induction into the DSA Hall of Fame.

Education for Life

The Education for Life Award honors companies that have invested in salesforce education and training programs that build life skills in individuals. Companies receiving this award go beyond sales and training and truly invest people with skills relevant outside the day-to-day operation of their independent businesses.

Industry Innovation

The Industry Innovation Award recognizes companies that have developed an innovative approach to some aspect of direct selling. Companies honored with this award have

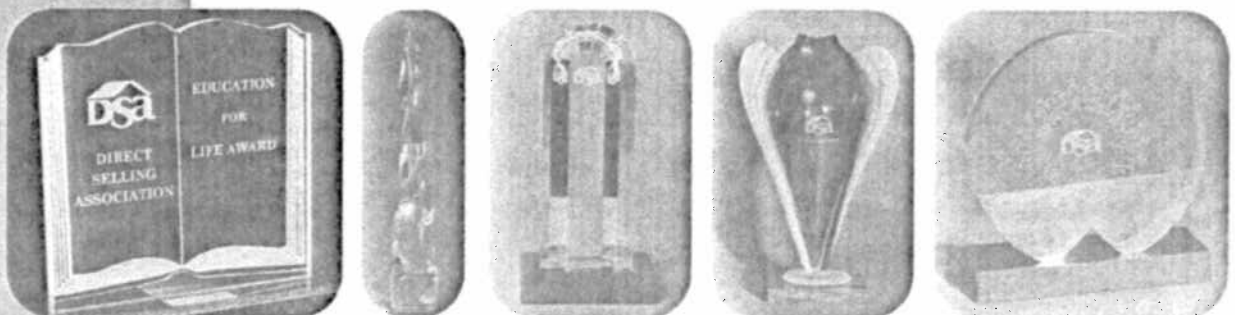
implemented programs not in common use in the industry, or that represent a fresh approach to an old idea.

Vision for Tomorrow

The Vision for Tomorrow Award honors companies whose community service efforts have substantially improved the quality of life for their communities. Companies receiving this award have demonstrated a commitment to their community and the quality of life therein.

Partnership

The Partnership Award recognizes supplier member companies that provide a product or service that has had a measurable impact on the growth or development of one or more direct selling member companies. Recipients of this award have either created a sustained relationship with the industry or were active participants in a particular project that increased the profitability of a direct selling company.





**DIRECT SELLING
ASSOCIATION**

Direct Selling Association

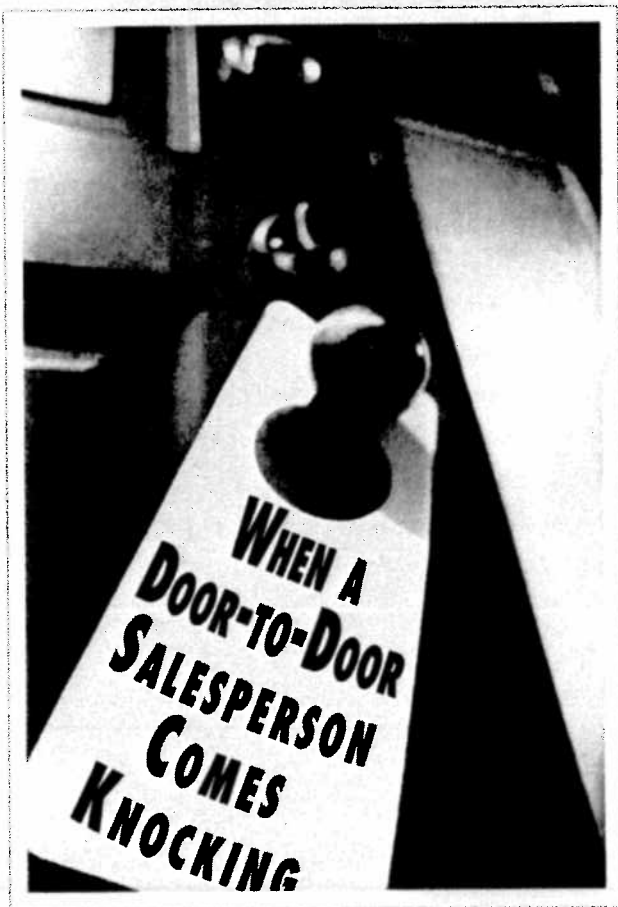
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Salespeople may come to your door to sell household items, cosmetics, magazine subscriptions, or educational materials.

Some may be honest, and others may not. How can you spot the difference?

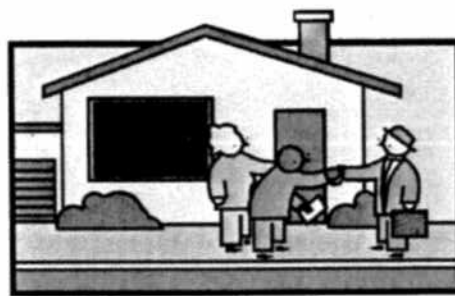


A consumer guide from the
National Consumers League

How a Good Company Operates

A good company is **truthful**

Ethical companies instruct their salespeople to be truthful about themselves, the company, and the product. Salespeople are trained to introduce themselves and state the company and product at the beginning of the sales call. They will clearly present their product and accurately state the selling price, payment method, and delivery details.



Unethical companies will often use false or misleading statements in their sales calls. Listen carefully to what you are told, and ask questions. Beware sales calls that tell customers or imply that:

- they are in a contest and will win prizes for making sales. Ask to see contest literature from the company to verify that this is not a trick or a gimmick.
- part of the purchase price of the product will benefit a charitable organization. Ask to see company documentation on which charity will benefit and how much (or what percentage) the charity will receive.
- the customer has been “specially selected” to receive some benefit, or that any offer is special or limited. Ask to see a company coupon or written details of the limited time offer.

A good company **respects its customers**.

The use of high-pressure tactics, such as intimidating or threatening customers, or refusing to leave until they buy something, is unethical. This is not the way a reputable company treats its customers.

A good company **follows the law**.

For door-to-door sales, federal law requires that salespeople tell customers purchasing more than \$25 worth of goods that they have a “cooling off” period of three business days in which they can change their minds and cancel the order. This right to cancel (and the company’s contact information) must also be clearly stated on the purchase order, receipt, or contract.

Some cities, counties, and states require a permit for companies to sell door-to-door. If required, an ethical company will obtain the permit and can produce it for consumers and local authorities when they’re asked to show it.

How Can I Spot a Traveling Sales Crew?

- **No ID:** A salesperson from a legitimate company will have an identification card (ID) or information confirming their relationship with the company.
- **No Permit:** Most traveling sales crews do not possess a local permit to sell. Your local police department can tell you if door-to-door salespeople are required to have a permit.
- **No Permanence:** Most traveling sales crews travel through multiple states. Casually ask if they get to travel to a lot of states in their job. If the answer is "yes," they are probably part of a traveling sales crew.

If you're still not sure, and you like the product, ask them to return the next week. A traveling sales crew member is unlikely to still be in the area. A reputable direct seller will arrange for a later appointment.

An Ethical Salesperson Will:

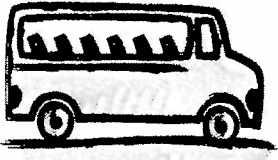
- Identify themselves as a salesperson, explaining the purpose of the visit upfront and clearly indicating the company or product brands represented.
- Respect the privacy of consumers by making sales calls at times that best suit the customer's convenience and wishes.
- Respect the consumer's right to end a sales call or visit at any time.
- Clearly explain the offer so that the consumer understands exactly what they are buying and how much they will have to pay. This information should be accurately represented on the order form, contract, or receipt.
- Use testimonials and product comparisons that are truthful, based on documented fact, and are not misleading.
- Not confuse the consumer, abuse their trust, nor exploit their lack of experience or knowledge.
- Show his or her name as well as the name, address, and telephone number of the firm whose product is sold on the order form, contract, or receipt.
- Clearly explain the terms and conditions for returning a product or canceling an order and ensure this information is on the order form, contract, or receipt.
- Not try to make the consumer cancel a contract made with another salesperson.



For more information on traveling magazine sales crews, visit:

www.nclnet.org/travelingsales

Reputable Direct Seller or Traveling Sales Crew?



Traveling sales crews are most often loose outfits, where teenagers and young adults are recruited to sell magazine subscriptions and candy, as well as other consumer items. The crews are constantly moving around the country in vans, peddling goods door-to-door. The young sales force live in a string of hotels, and most often walk away with no money for their efforts.

Danger to Young Salespersons

Youth and young adults are recruited by traveling sales crews with promises of high pay and nationwide travel. Often, the reality is long hours of work for little or no pay; malnourishment; and physical, sexual, and psychological abuse. Sometimes, those who do not “produce” are abandoned hundreds of miles away from home without a cent in their pockets. Others die in highway accidents or are assaulted on the streets or in customer’s homes.

Rip-Offs

Common complaints from consumers include non-delivery of magazines or other products, non-receipt of refunds when requested, and incomplete receipts that make canceling the orders impossible. Other complaints involve overpriced goods, with prices for products like magazine subscriptions running at double or triple what a consumer would pay directly through the publisher.

Danger to Consumers

After long work days, the salespeople turn their earnings over to the crew leaders who dole out \$5 – 10 to each salesperson a day for food, laundry, and other personal needs. Some sellers survive by scamming or stealing from their customers, or worse. On a few occasions, traveling salespeople have even been convicted of rape and murder.

Fraudulent Claims

Many of these companies claim to be a nonprofit company that supports programs to help kids or raise money for a community group or local charity. Often, the salespeople are instructed to tell potential customers that they live in the community or are a student at a local school. Others claim they are working to earn money toward a trip, scholarship, or prize. Whatever the ploy, the sales pitch is designed to play upon people’s sympathies.



What You Can Do

Buying from traveling sales crews risks your personal safety and encourages the companies’ growth. If you suspect a salesperson is part of a traveling sales crew:

- Don’t let them into your house.
- Don’t buy.
- Don’t give any personal information.
- Try to get the organization’s name, whether they have a selling permit, and the license plate number, and report it to the police right away.



Safety.
Security.
Social Conscience.

Join the League Today

Founded in 1899, the National Consumers League is America's pioneer consumer organization.

NCL is your consumer advocate. NCL works for safer foods, a cleaner environment, and protection against consumer fraud.

Your \$20 annual membership shows how much you care about educating consumers — especially those who are most vulnerable — and strengthening consumer protections to meet the challenges of today's marketplace.

Members receive the *NCL Bulletin*, discounted and free publications, reduced conference registration, and a voice in determining NCL's priorities.

Log on to www.nclnet.org or call 202-835-3323 to join today!

NCL thanks Direct Selling Education Foundation for an unrestricted educational grant and Direct Selling Association member The Southwestern Company for printing this brochure.



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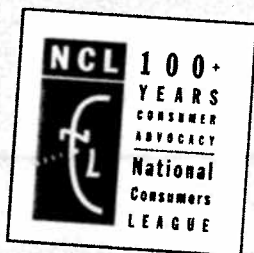
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If you can't spot the difference between a legitimate door-to-door sales opportunity and a traveling sales crew, your income and your safety may be at risk.



Is this Job Right
for You?



A jobseeker's guide from the
National Consumers League

The Contract: What to Look for

Reputable companies will provide a complete contract that spells out the terms of the working relationship. Before you consider signing a contract, read it thoroughly and make sure it addresses the following key issues:

Employment Status

Door-to-door salespeople are usually independent contractors. Independent contractor status should be specified in the contract or agreement, and you will most likely be responsible for paying your own taxes and insurance.

Income

How will your income be calculated? How, when, and in what form will you be paid? How often will you receive a detailed account statement, including deductions or charges?

Expenses

Will the company pay for living expenses (food, travel, and housing)? If so, will this amount be deducted from your income? How much? How frequently and how much will you receive for living expenses? Ask for a range or a maximum on your expected expenses, based on past experiences with other salespersons for the company, including transportation and housing costs.

Housing

Where will you stay while selling? Will you have your own room, or will you share? How often will you change housing locations, and will the housing situations change?

Travel

Where will you be selling? Will you stay in the same location, or will you travel? How often will you travel to different locations, and how will you be transported there?

Remember, companies operating traveling sales crews often:

- Pressure you to make a work commitment immediately. Discourage parental involvement in the recruiting process and contact with family once the salesperson is on the job.
- Hire salespeople over the phone and send them a bus ticket to the nearest crew location, which could be several states away.
- Do not offer a contract at all, or offer an incomplete contract with important work and wage information missing.

Learn More

- » www.nclnet.org/travelingsales
For more information for young people considering taking a traveling sales job and for consumers who encounter door-to-door salespeople
- » www.dsa.org
For the Direct Selling Association's Code of Ethics for member companies, and what that means for salespersons and consumers



Ethical standards matter.

Does the company promote ethical standards for its sales force through both its training and actions?

- It is unethical and illegal for a sales pitch to contain untrue or misleading statements about the product or the company. For example, an ethical company will not represent itself as a charitable, nonprofit organization when it is not.
- It is unethical to use high-pressure tactics such as intimidating or threatening customers, or refusing to leave until they buy something.
- Federal law requires that salespeople tell customers who purchase more than \$25 worth of goods in a person-to-person manner that they have a “cooling off” period of three business days in which to cancel the order. This right to cancel must be clearly stated on the customer’s purchase order or receipt.

The Bottom Line: Protect Yourself

If you do not receive satisfactory answers to your questions, do not sign an agreement. If you do sign a contract, be sure you get a signed copy.

Watch Out for #1: Safety Tips

It is critical to take safety precautions with any job, whether in a fixed location or door-to-door situation. As you may be working alone, carrying cash, or have merchandise with you, you could be a target for crime. Here are some tips to help you stay safe when selling door-to-door:



- Carry a wireless phone, a form of identification, and emergency contact information, including a name and telephone number, with you at all times.
- If you find yourself in a dangerous or uncomfortable situation, enter a business or a religious establishment for help. Entering a private home is a last resort.
- If a home visit becomes uncomfortable, trust your instinct and leave immediately.
- Be prepared for inclement weather — carry water on hot days, take breaks indoors on cold days, and dress appropriately.
- If you find yourself in a bad situation with the company and feel intimidated about leaving, contact the local police.



Being a door-to-door seller can be an enjoyable, rewarding experience if you choose the right company and treat your customers ethically.

Door-to-door Sales: Opportunities and Risks

A Long and Respected History

Selling house-to-house has a long and respected history in the United States. In fact, several companies that use a door-to-door sales model have been around for more than 100 years! Today, salespeople sell products such as cosmetics, kitchen items, clothing, and educational materials to consumers in their homes. Sometimes, however, it is hard to distinguish between legitimate door-to-door selling companies and traveling sales crew scams.

Door-to-door sales are some people's first work experience. In many situations, selling products door-to-door can help develop skills that will later help them be more successful in whatever they do. However, those who become involved with a company that puts its profit motives ahead of concern for its sellers often find themselves exploited and practicing unethical sales tactics.

Beware Traveling Sales Crews

Young people often learn difficult lessons when they get involved with companies operating traveling sales crews. In these cases, disreputable companies lure potential workers through promises of lavish pay and exotic travel to work on a crew. Salespeople are dropped off in neighborhoods to sell products such as magazine subscriptions and home improvement services door-to-door. These salespeople often experience sub-standard working and living conditions, abuse, and hard work with little or no pay.



Look Before You Leap

Your most important first step is to check out the company's reputation and integrity.

- Find out the name of the company, its address and Web site, and names of the company president, chief executive officer or other executives. If the company representative is unwilling to provide this information before asking you to sign an agreement, it is quite likely that they are not an ethical or legitimate company.
- Visit the Direct Selling Association's (DSA) Web site (www.dsa.org) to see if the company is a member. DSA represents companies that sell in a person-to-person manner, including many companies that sell products and services door-to-door. These companies are thoroughly reviewed and must abide by a strict Code of Ethics.
- Call your local Better Business Bureau or your state's consumer protection agency (often your state's attorney general's office). Ask if the company is in good standing, or if there are unresolved complaints or legal actions against the company.

Although you might recognize the product, such as the names of magazines or cleaning supplies, this does not prove that the company selling these products is reputable. A recommendation from a trustworthy friend who has been involved with the company and has had a good experience is also valuable.

Learn More about
Traveling Sales Crews

what to watch out for when job-seeking and what to do if you find yourself involved in one

www.nclnet.org/travelingsales



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