BBB NATIONAL PROGRAMS, INC.

The Direct Selling Self-Regulatory Council

Case Number: 20-2020 – Compliance – Pure Romance, LLC

COMPANY DESCRIPTION

Pure Romance LLC ("Pure Romance" or the "Company") is a multi-level direct selling company that specializes in beauty products and bedroom accessories for women. According to the Company website, Pure Romance has 30,000 active consultants located in the United States, South Africa, Canada, Puerto Rico, New Zealand, and Australia.

BACKGROUND

In 2019, the Direct Selling Self-Regulatory Council ("DSSRC"), a national advertising self-regulation program administered by BBB National Programs, Inc, commenced a review pursuant to its ongoing independent monitoring of advertising and marketing claims in the direct selling industry regarding several core earnings claims being disseminated on the social media pages by Pure Romance consultants as well as on videos located on the Pure Romance website.

The representative earnings claims that were the subject of that review were as follows:

- A. Express and Implied Earnings Claims Consultants' Social Media Posts
- Pure Romance Consultant Facebook Post #1:
 - "Just a few things Pure Romance has done for me:
 - "Quit my full time job"
 - "extra spending money" (money bag emoji)
 - Spend more time with my kids
 - "pay off debt" (cash emoji)
 - -"turned me into a boss babe building an empire" (castle emoji)
- Pure Romance Consultant Facebook Post #2:

Depiction of a spread of bills of various denominations into several piles on a table (i.e., one spread of \$100 bills, \$50 bills and \$20 bills marked "Pure Romance"; one spread of ten \$20 bills marked "Tacos"; a \$20 bill representing "Gas"; one \$20 bill representing "Me" and two one-dollar bills representing "Babe").

- Pure Romance Consultant Facebook Post #3:
 - "Part time hours with Full time pay!!"
- Pure Romance Consultant Instagram Post #1:
 - "Need to make an additional \$200, \$500, \$800, \$1100 or more a month...?"
 - "Or maybe you want to #FireYourBoss Like I did!"

- Pure Romance Consultant Instagram Post #2:
 - "Full time mommy, part time Pure Romance consultant making full time income!"

B. Express and Implied Earnings Claims – Video Testimonials on the Company Website

During the pendency of the 2019 DSSRC review, DSSRC identified the following four "success story" videos ("Real Stories – Meet women just like you who are living their BEST LIFE with Pure Romance") on the Company website:

- Video #1 testimonial from a Pure Romance consultant: "Paid for wedding with no debt. It was a \$10,000 wedding. I didn't have to pay anything on a credit card.... Also within that year, we were able to come down with a small down payment for our first home. We went from living in a trailer park into a single-family home that we actually owned, with a little backyard and three bedrooms and an office space and all of this stiff that we never had before. It was amazing to know that my business was the sole reason why this was able to happen."
- Video #2 testimonial from a Pure Romance consultant: "I wanted to be able to comfortably pay bills and on top of that be able to travel and afford things, nice things, go out to dinner.... I wanted to be able to live free... After my first party, I quit my fulltime job. I have been fulltime with Pure Romance for three-and-a-half years."
- Video #3 testimonial from a Pure Romance consultant: "[The Pure Romance consultant told me] If you ever need an extra \$100 a month or an extra \$1,000 a month, this could be a good fit for you...How am I going to feed my kids? I'm used to a certain lifestyle, I just took on this new car payment that I really can't afford. [I said] Let's talk about it I need to make \$464 a month. If you think I can do this, then I'm going to try it and that was it."
- Video #4 testimonial from a Pure Romance consultant: "I went to Paris. I went to Fiji. I did the west side of America as well. I did California, Nevada, Arizona... Pure Romance has given me my life and the life I deserved, that I never knew I deserved until I found it."

In its response to the concerns raised by DSSRC regarding the express and implied claims communicated by Pure Romance consultants on social media posts, the Company indicated to DSSRC that it was in the process of contacting the independent consultants whose social media posts were identified in the inquiry requesting that they remove the posts in question and to provide the consultants with compliance guidance regarding the issues with the posts identified by DSSRC.

In addition, Pure Romance indicated to DSSRC that it had recently taken a number of significant steps to increase compliance training and the scope of its monitoring of the social media posts of its consultants. The Company also updated its policy and procedures to include information on the type of claims that are appropriate for consultants' marketing materials.

During the pendency of the matter, Pure Romance was very receptive to the initial recommendations made by the DSSRC and, in the spirit of voluntary self-regulation, removed the two Instagram posts at issue in the inquiry. With respect to the three Facebook posts identified by DSSRC in the inquiry, DSSRC determined that these social media posts would be reasonably interpreted by consumers as meaning that the typical Pure Romance Independent Consultant will earn either substantial or career-level income when no evidence was provided to support such a message. Accordingly, DSSRC recommended that the Facebook posts should be immediately removed.

Similarly, DSSRC determined that the four Success Story videos located on the Pure Romance website communicated various unqualified income representations regarding the earnings opportunity of a Pure Romance Independent Consultant. DSSRC determined those representations may be reasonably interpreted by consumers and potential salesforce members as meaning that the income earned by the Pure Romance consultants in the video could be typically expected by potential Pure Romance consultants. However, there was no support provided by the Company for such a take-away. Thus, DSSRC recommended that the videos be significantly modified or removed until such time that the Company possess reliable evidence to support the implied claims that the same level of income attested to in the Success Story videos can also be expected by the typical Pure Romance Independent Consultant.

In its Company Statement that was part of the DSSRC decision, Pure Romance stated that it agreed with DSSRC's recommendations and has "... taken measures to address the concerns expressed by the DSSRC. Specifically, in some cases Pure Romance has requested that its independent Consultants remove social media posts. In other situations, however, Pure Romance has determined that social media posts issued by independent Consultants would be better addressed through disclosing the generally expected income results for its Independent Consultants." In addition, Pure Romance informed DSSRC that it was in the process of evaluating current and future materials on its own website for modifications to ensure all materials include proper disclosures."

COMPLIANCE INQUIRY

As part of its compliance process, DSSRC will independently review advertising that has been the subject of previous inquiries. In January 2020, DSSRC reviewed the Pure Romance website and found that the same four Success Story videos that were the subject of the 2019 inquiry had not been removed or modified as was recommended.

In February 2020 DSSRC contacted Pure Romance and asked the Company to provide an update on the actions it had taken to adhere with the recommendations made by DSSRC in its 2019 decision. DSSRC also inquired about a new video that appeared in the "Real Stories" section of the Pure Romance website¹ that included many atypical income claims for Pure Romance consultants which were similar to those that were the subject of the aforementioned 2019 DSSRC inquiry.

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¹ https://www.pureromance.com/pws/homeoffice/tabs/join.

More specifically, the following income and company incentive claims were being disseminated in the new video:

- "I decided to buy a kit and I was just gonna do it for a little bit and then I was gonna get a real job and I've been getting paid to party for almost 12 years."
- Images of large checks showing significant income received by Pure Romance consultants e.g., "\$1,710,000"; "\$124,963"; "\$106,497"; "\$25,528,969"
- Right now, my override checks are more money than people actually make in an entire year in a month and to make six figures a year is funny because my goal is now to make six figures a month."
- "In my first month I made \$800, in my second month I made \$2000, so I replaced my full-time income my first year with Pure Romance. It's an awesome job."
- You know we were taking some amazing vacations because of Pure Romance. Pure Romance spoils us. They take really good care of us. I have been on over 31 free vacations thanks to Pure Romance and literally I started to just take my family on a vacation."
- "The most amazing thing that I've been able to do with my Pure Romance income is actually being able to save it. My husband and I were purchasing a home and we're actually having it built and customized the way we want and it's all because of Pure Romance."
- "If you want an extra \$100 or an extra \$1000 a month this could be a good fit for you."
- "Living the dream is being able to pay your daughter's student loans so when they graduate from college they don't have that debt, they don't have that worry."
- "I want to be able to say that I, I can live the way that I would you know want to live when it's time for me to retire and I want to be able to put my kids through college and not have to struggle with the day to day with those things."
- "I can provide more for my family and I can give them things that I never in a million years thought that I'd be able to give them and to provide for them."
- "When it comes to Pure Romance, there's no glass ceiling, you can go as high as you want to."

DSSRC expressed concern to the Company that in the context in which the above-stated claims were presented, it would be reasonable for consumers and/or potential salesforce members to interpret these income statements as pertaining to the annual amount of income that could be generally expected by the typical Pure Romance consultant.

Shortly following its receipt of DSSRC's compliance inquiry, the Company contacted DSSRC to indicate that it had taken down the new video from the Pure Romance website. While DSSRC expressed its appreciation for the action taken by the Company to remove the new video, it also expressed its concern that the Success Stories videos that were the subject of the 2019 inquiry continued to be disseminated on the Pure Romance website. Moreover, DSSRC also called the Company's attention to an additional sixteen social media posts (including YouTube videos) disseminated by Pure Romance consultants which communicated unsupported earnings claims (e.g., "limitless income," "I have the financial freedom to do things I couldn't do with my full time job!"; "Unlimited money making potential!!!!," "Can you use an extra \$1,000 per month working only 10 hours a month?" "Financial Freedom is real with Pure Romance. Part time hours with Full time pay!!," etc.).

DSSRC was also concerned with a hypothetical earnings scenario presented on the Pure Romance website in the section titled "How much income will you earn." More specifically, two boxes were depicted on the webpage, each with hypothetical earnings presented in two different scenarios. In the first box titled "1 Party" it explained that "The average party gets \$600* in sales, which means you can earn: \$180** with a 30% discount -or- \$240 with a 40% discount."

The accompanying disclosure stated: "The earning opportunity associated with owning a Pure Romance business is open-ended; however, it is impossible to guarantee that a particular level of income can be earned because of a number of factors, including your personal goals and amount of time and effort you choose to invest in your business. See our income disclosure statement <u>here</u>."

A second disclosure stated: "**Based on a 30% Buying Discount with \$600 in Retail Sales. Profits may vary."

A second box titled "I Week" stated that "if you did three parties a week (about four hours each), you could earn: \$540 with a 30% discount—or — \$720 with a 40% discount."

COMPANY'S RESPONSE TO COMPLIANCE INQUIRY

Pure Romance advised DSSRC that it took a number of significant actions in response to the compliance inquiry. Immediately after being informed of the DSSRC's concerns regarding the new video that appeared in the "Real Stories" section of the Pure Romance website, the Company promptly disabled the video and made several other modifications to the website.

The Company also advised DSSRC that the four Success Stories videos that were the subject of the 2019 inquiry had been removed from the website.

With respect to the social media posts that were identified by DSSRC in the compliance inquiry, Pure Romance noted that all of the posts were more than a year old and predated the Company's current compliance protocol. Nevertheless, the Company attempted to contact each of the consultants who authored the posts and requested that they be removed. According to Pure Romance all of the posts were removed with the exception of two posts from inactive distributors and that it has contacted all of the applicable Consultants and facilitated removal of the social media posts.

COMPLIANCE DETERMINATION

DSSRC recognized the good faith actions taken by Pure Romance in the spirit of voluntary self-regulation. DSSRC confirmed that the Company disabled the new video that appeared on the Company website, took down the four Success Stories videos that were the subject of the 2019 inquiry, removed ten Facebook and Instagram posts, and took down three YouTube videos. Collectively, approximately thirty claims were removed or significantly modified by the Company.

Notwithstanding the significant actions taken by the Company, three Pure Romance posts – all of which were disseminated by consultants who are now inactive, still appear on Facebook and Instagram.

More specifically, those posts state:

- "Who L♡VES FREE product?; Who L♡VES FREE money?; Who HATES having a Boss?; Who would L♡VE being able to make their OWN work schedule & have financial FREEDOM? *This opportunity is NOT a scheme! This is LEGIT! You get PAID to party! Who wouldnt L♡VE that?!*" ²
- "Only 700 starter packs left where you can get your investment back in CASH! Who's ready to pay those bills??? #debtfree #bossbabe" ³
- "I made over \$200 with just three hours of working and having a good time and still have potential on making so much more!! Man I love my job, if I have some ladies out there that would like to know more about the business comment ME below.

Anyone who can refer a friend who would like to start earning an extra \$1000 a month please tag them in this post!!"⁴

https://www.facebook.com/1661546603961578/photos/a.1664530883663150/1674155846033987/?type=3&theater

^{1.} https://www.facebook.com/partiesbytiffanylynn/posts/1038347966368890.

https://www.instagram.com/p/BLHhuK9BHpM/.

Pure Romance did not dispute that the three posts made unqualified reference to earnings that could not be generally expected by consumers and DSSRC acknowledged that the Company made a good faith attempt to contact these individuals who are no longer Pure Romance Consultants to take the posts down but were unsuccessful.

When a direct selling company such as Pure Romance is made aware of an improper product or income claim that was made by an individual that was an active consultant when such claim was made but that has since become an inactive consultant of the company, DSSRC acknowledges that the direct selling company may not be able to require the former consultant to remove such claim.⁵ In that instance, DSSRC nonetheless recommends that the direct selling company make a bona fide good faith effort to have the improper claim removed. DSSRC determined that actions similar to Pure Romance requesting the removal of claims communicated by active consultants would constitute a bona fide good faith attempt with respect to removing improper claims made by consultants that have since become inactive. If the social media platform where the subject post was made provides a mechanism for reporting trademark or copyright violations, DSSRC recommends that the direct selling company promptly utilize such mechanism and seek removal of the subject claims and posts, if possible. If the subject claim that came to the attention of the direct selling company occurred on a website or platform without a reporting mechanism, DSSRC recommends that in addition to contacting the former consultant in writing as described above, the Company contact the website or platform in writing and request removal of the subject claim or post.⁶

Accordingly, while expressing its appreciation for good faith efforts taken by Pure Romance to reach out to consultants who are no longer active to take down unauthorized posts, DSSRC also recommended that Pure Romance inquire with Facebook and Instagram to determine if the social media platforms where the subject posts were made provides a mechanism for reporting trademark or copyright violations, and, if such a mechanism exists for the platforms, DSSRC recommends that the direct selling company promptly utilize such mechanism if possible and further seek removal of the subject claims and posts.

Despite the significant actions taken by the Company to remove the subject social media posts, the Company was silent on the issue of the hypothetical earnings scenario that is presented on the Pure Romance website.

In its 2018 Business Guidance Concerning Multi-Level Marketing, the Federal Trade Commission (FTC) stated that "...a hypothetical earnings scenario – such as "if you recruit 30 people who each sell \$1,000 of product each month, you will earn \$1,500 a month" – may imply that the assumptions made (e.g., the number of people recruited, the amount sold by each recruit) are consistent with the actual experiences of typical participants. If the assumptions are not, the earnings scenario likely would be false or misleading to consumers."⁷

Here, the side-by-side hypothetical scenarios presented by Pure Romance supposes that if a consultant hosts one party per week resulting in \$600 in products sales, Company consultants earn \$180 with a 30% buying discount on product or \$240 with a 40% buying discount on

⁵ See DSSRC Case No. 13; Young Living Essential Oils, LLC (closed HS 2/20/20).

⁶ *Id*.

⁷ See Section 13 FTC Guidance on Multilevel Marketing, fifth bullet point.

product. The second hypothetical proposes that if consultants hosts three parties per week that they can thus earn \$540 (with a 30% discount on product sales) and \$720 (with a 40% discount on product sales). Although requested by DSSRC, the Company did not produce any sales information indicating that the average party hosted by a Pure Romance consultant results in \$600 in product sales or how many parties per week are hosted by the typical Pure Romance consultant.

DSSRC determined that based upon the scenario presented by Pure Romance it would be reasonable for consumers or incoming salesforce members to take-away the message that the typical Company consultant can earn between \$9,360 (with a 30% discount on product) and \$12,480 (with a 40% discount on product) per year and, accordingly, that consultants can earn up to \$37,440 per year if they host three parties per week (i.e., with a 40% discount on product). However, in the absence of any information regarding the amount of annual income that can be generally expected by Pure Romance consultants, the number of parties per year that are hosted by the typical Pure Romance consultant, and without any information on the amount of expenses incurred by the typical Pure Romance consultant, DSSRC determined that hypothetical scenario presented by Pure Romance on its website is unsupported and inaccurate and should be removed from the website in the context in which it is presented.

CONCLUSION

DSSRC determined that Pure Romance made a bona fide, good faith effort attempt to comply with DSSRC's 2019 decision and has subsequently taken constructive steps to remove questionable claims brought to its attention and to strengthen the compliance oversight of its salesforce. However, DSSRC remains concerned with the hypothetical earnings scenario presented on the Company website and the message that Pure Romance consultants can typically host several weekly parties and earn significant income. Moreover, while recognizing the efforts taken by the Company to remove posts made by Pure Romance consultants who are no longer active consultants, DSSRC recommends that the Company inquire with Facebook and Instagram to determine if the social media platforms provide a mechanism for reporting trademark or copyright violations and, if possible, that it take additional steps to have the unauthorized posts removed. DSSRC reserves the right to make subsequent compliance inquiries of the Company and, depending upon the actions that the marketer has taken to comply with this compliance determination within a reasonable period of time, DSSRC will proceed with the enforcement mechanisms pursuant to the DSSRC Policies & Procedures.

COMPANY STATEMENT

"Pure Romance appreciates the DSSRC's feedback, the opportunity to collaborate and cooperate with the DSSRC, and the DSSRC's recognition of the company's prompt, good-faith actions to fully address the issues identified by the DSSRC. As explained in a letter dated June 15, 2020, Pure Romance took actions resulting in the removal of all five videos and thirteen of the sixteen social media posts identified by DSSRC. Each of the three instances in which the content identified by the DSSRC remains online are social media posts made a year or more ago by individuals who are no longer active Pure Romance consultants, and who have been unresponsive to Pure Romance's repeated outreach efforts to request removal of the content.

In response to DSSRC's concerns with the hypothetical party earnings scenarios presented on the company's website and the message that Pure Romance consultants can host several weekly parties and earn significant income, Pure Romance has updated the hypotheticals and revamped the prominently displayed typicality disclosure, including by incorporating median 2019 consultant earnings information a link to detailed consultant earnings data for 2019.

In addition, Pure Romance has invested substantial company resources, including retaining expert outside counsel, to broadly review and update its earnings disclosures and related consultant training materials. Notwithstanding the challenges associated with executing this effort in the midst of the coronavirus pandemic, these changes are now live."

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