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To Whom It May Concern:

I am a Professor of Marketing at Rollins College and a member of the Direct Selling Education Foundation (DSEF) Academic Program Advisory Committee. I am writing to express my concern about the proposed FTC Business Opportunity Rule. This rule suggests that the Direct Selling Industry cannot be trusted to provide entrepreneurs a legitimate business model to operate their business.

The national trade association for direct selling (DSA) has worked tirelessly to ensure trust among its member companies. To become a member and remain a member of DSA, companies must pledge to and abide by a strict code of ethics. Among other things, the Code of Ethics states that "Pyramid schemes are illegal and companies operating pyramids are not permitted to be members of the DSA." The association presently has a system in place for filing complaints and resolving problems via its Code of Ethics and Code complaint process.

The FTC Business Opportunity Rule ignores the efforts of the DSA and its sister association (DSEF) and places constraints, not only on Direct Selling Companies but the millions of potential direct sellers; the people the rule is trying to protect. Part of the DSEF mission is to provide "state of the art" information and training in multiple areas; which includes ethics and the importance of self-regulation. As a volunteer member of the Advisory Committee to DSEF, I have donated my time to this cause because I not only believe in the mission of DSEF but also believe that proactive programs, such as those we provide prevent unethical behavior and thus reduce the need for formal control mechanisms which tend to be extremely costly.

I joined the DSEF Advisory Committee two years ago and have been a Round Table Discussant for the DSEF/AWBC (Association of Women Business Centers) Elite Training Program in Kansas City, MO and a trainer at the DSEF and AWBC Training Program. An underlying theme of both programs was the value of education and the use of ethical practices when making business decisions. In 2006 DSEF bought "The Direct Selling Days on Campus program" to Rollins College. The objective of this program is twofold: (1) To help students of business better understand direct selling,; and (2) to bring "real world" examples of marketing, entrepreneurship, research, sales management, ethics, consumer behavior, and other aspects of direct selling as applied to the study of business. During this two day program eight executives of direct

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selling companies and members of DSA, spoke to twelve classes. These executives brought to life, among other things, the role ethics and social responsibility plays in guaranteeing a free enterprise system. As these examples suggest, the purpose of my involvement and the involvement of DSA and DSEF is to provide direct sellers and potential direct sellers with the vision to run an ethical and successful business without losing the control and manner in which they sell.

Having customers wait seven days to be eligible to become a direct seller holds little purpose other than to send a signal that direct selling is not a legitimate business model. Members of DSA abide by a three day cooling off period wherein customers can return their product and a one-year, 90% buyback of inventory for direct sellers who wish to terminate their agreement. In addition the DSA Code of Ethics, explicitly denounces unlawful recruiting practices by stating that “No member company of the Association shall engage in any deceptive, unlawful or unethical consumer or recruiting practice. Member companies shall ensure that no statements, promises or testimonials are made which are likely to mislead consumers or prospective salespeople.”

Other concerns are the potential misinterpretation of the required litigation reporting and the burden placed on direct sellers to provide contact information about other direct sellers in the area. First the litigation rule makes no distinction between legitimate lawsuits and what could be construed as frivolous. Such disclosure ignores the increasing rash of lawsuits filed without merit. A tremendous burden and disturbing violation of privacy for individual direct sellers is the requirement to disclose information about other direct sellers in the area. This disclosure of the 10 geographically close distributors not only increases the amount of time needed to frequently update records but requires direct sellers to tailor each form for every prospective purchaser; an extremely onerous burden..

In order to better weight the benefits and costs of this proposed rule, the FTC should also look at the types of individuals who become direct sellers. The direct selling business model appeals to prospective business owners who dream of owning their own business but do not have hundreds of thousands of dollars to invest. This business venture is an option to individuals despite their race, creed, color or gender. Direct selling has been especially rewarding for women. According to records from the DSA (2003), 79.9% of direct sellers are women. Women are not known to be the stereotypical unlawful citizen. To penalize an industry that offers people new careers at a fraction of the cost of other business opportunities would be a crime in and of itself. The rule would also increase government costs by requiring a “watchdog” to ensure that all parties complied even though the DSA is already the self-regulating watchdog for its members. In closing, I ask that the review committee weight the benefits and the costs and closely consider who will be punished should this proposed rule go forward.

Sincerely,

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