

RE: Business Opportunity Rule R511993

I have been involved in the direct-selling industry for over 3 years, and I agree with you that some unscrupulous companies use the industry to promote bogus products and/or dishonest business practices. It is right that you should want to protect consumers from these companies “unfair and deceptive acts or practices.” However, I strongly believe that the proposed Business Opportunity Rule R511993 is entirely the wrong approach.

There are many excellent companies in the direct-selling industry that market excellent products and services. A few examples are Pre-Paid Legal, Mary Kay Cosmetics, Pampered Chef, Shaklee, and there are many many more. Some are divisions of major corporations, and some are traded on the New York Stock Exchange. Warren Buffet’s company, Berkshire Hathaway, owns three of them. Business Opportunity Rule R511993 would put undue hardship on the legitimate respected companies in this industry.

Legitimate companies with legitimate products or services should be able to operate freely within existing laws and following normal business practices. Also, customers should be able to purchase legal goods and services without undue difficulties and without relinquishing their right to privacy. Business Opportunity Rule R511993 puts the burden on the consumers rather than on the companies where it belongs.

1. A 7-day waiting period to enroll new distributors makes no sense, especially when the cost for distributorship materials is normally quite low (\$25-\$50), many have a money-back guarantee, and most states already have a 3-day period to negate the transaction. Why should people be restricted from making a business decision with a direct-marketing company when they are not restricted in other forms of distribution?
2. The requirement that a new enrollee be given the contact information for the 10 most recent enrollees who live closest to them would not only be very difficult due to various unrelated distributors who may have business activity in the same area, but it would be an unreasonable invasion of the customer’s privacy. Other forms of distribution are not required to do this, and customers would strongly object to having their private information being given to others without permission.
3. The proposed rule that new enrollees must be given information on any lawsuits filed against a company for misrepresentation or unfair or deceptive business practices, whether the company was found guilty or not, is seriously flawed. This rule would lead unscrupulous people to file frivolous lawsuits against competitors with the sole purpose of forcing that company to disclose the suits to prospects and hamper the company’s ability to do business.

Rather than create roadblocks that would cause undue hardship on people like myself, who are upstanding members of their community and who rely on the legitimate marketing of valuable products through honorable companies to supplement their income, why not police the companies before they are allowed to begin doing business?

Most countries around the world have regulations restricting network marketing companies from doing much more than selling products directly to consumers for personal use until they have gone through a federal application process, have been approved to do business, and have been issued a license. In Japan, the companies must also post a very large bond.

In a federal licensing process, the products to be marketed, the company's operations, the backgrounds of the owners/administrators, the company's financial stability, and more can all be evaluated before the company is allowed to enroll distributors. Once this has been done to protect the consumers, people doing business with the company can proceed without undue restrictions. This would be a much more effective and reasonable approach.

Respectfully Submitted,
Joyce Troyer