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Case #109-2023: Administrative Closure – Direct Cellars

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The Direct Selling Self-Regulatory Council

Case Number 109-2023: Administrative Closure – Direct Cellars

Company Description

Direct Cellars (or “the Company”) was a multilevel marketing company that was founded in 2014 and headquartered in Kansas City, Missouri that marketed premium wine and spirits.

Basis of inquiry

The Direct Selling Self-Regulatory Council (“DSSRC”) is a national advertising self-regulation program administered by BBB National Programs. This inquiry was commenced by DSSRC pursuant to its ongoing independent monitoring of advertising and marketing claims in the direct selling industry.

This inquiry concerns earnings claims by the Company's salesforce members. The representative claims that formed the basis of this inquiry were located on the Facebook accounts of Company salesforce members. Those claims are set forth below:

Earnings Claims

- "Would You Join A Multi-Level Marketing Company For Retirement Income?"
- "What could you do with an extra income? How much would an extra \$20, \$50 or \$100 per week help? To many of us, it would help A LOT! Now imagine the potential of earning \$500, \$1,000, or \$2,000+ per week and supplementing or even replacing your main source of income all from home. Simply by enjoying and sharing a product. Not possible? Think again. Ask us how."
- "I earned \$3500 in my first two weeks, about \$7000 at the end of my sixth week. I was able to completely wipe out my son's Christmas list and give myself an early Christmas gift with my earnings from Direct Cellars!!"
- "I'm proof that you can have a blast selling wine, all while earning extra income!"
- "Now you can earn a residual income while sharing and enjoying our wines from around the globe! If you are looking to make some extra part-time money, pay off some debts or make a full-time income, Direct Cellars is for you!"
- "PLUS, you can earn extra ! Maybe you are looking to supplement your income or replace it, this is it!!"
- "Financial FREEDOM... ALL the tools my upline used to create a multiple 6 figure income."
- "Have kids are you looking to replace your job, or are you just looking to make extra income investments small business investments work from home"
- "Been in this NEW program for about 3 days I made \$900 yesterday this is not including the \$300 I earned this morning while sleeping! "
 - Image with copy stating "Tired of working a 9-5? Generate a full time income from the comfort of your home"

In a Notice of Inquiry letter that was sent to the Company by email and hard copy on March 7, 2023, DSSRC informed Direct Cellars of its concerns that the subject social media posts can be reasonably interpreted as communicating that Company salesforce members can replace their income and achieve financial freedom from participation in the Company's business opportunity.

The Company did not provide a response to DSSRC's inquiry.

Administrative Closing

Shortly after the Notice of Inquiry had been mailed to Direct Cellars, DSSRC learned that the Company ceased business operations in October 2019. This was confirmed in an online posting made by Business at Home disseminated on the Company website which states "Due to adverse conditions and lack of immediate financing, Direct Cellars has made the difficult decision to suspend its direct selling business operations until further notice "¹

As noted in Section 1 of the DSSRC Guidance on Earnings Claims in the Direct Selling Industry, it is misleading for a direct selling company and/or its salesforce members to make any earnings claims unless the direct selling company and/or its salesforce members: (A) have a reasonable basis for the claim at the time the claim is made; and (B) have documentation that substantiates the claim at the time the claim is made.

Moreover, while DSSRC will evaluate any claim based upon the context in which the claim appears and the potential net impression of such claim to the audience, some words and phrases are prohibited when made to a general audience of prospective or current salesforce members. Such words and phrases include statements such as "... full-time income," "replacement income," "career-level income," or any substantially similar statements or representations. Other terms, such as "passive income" and "residual income," are prohibited when they convey that income can be continuously earned by salesforce members with little or no ongoing effort. In addition, some words or phrases

carry a particularly high risk of being misleading to consumers when communicated in a general context. Such words and phrases include but are not limited to “financial freedom” and “time freedom.”²

Accordingly, while DSSRC remained concerned with the substantive earnings claims communicated in the posts at issue, which remain publicly accessible to consumers, because the Company is no longer in operation it was determined that this inquiry is no longer appropriate for investigation in this forum. As such, DSSRC administratively closed the inquiry pursuant to the Policies and Procedures for the Direct Selling Self-Regulatory Council.

(Case #109 closed on 3/30/23)
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[1] See <https://www.businessforhome.org/2019/10/direct-cellars-closed-down-thousands-of-reps-in-shock/>

[2] https://bbbnp-bbbp-stf-use1-01.s3.amazonaws.com/docs/default-source/dssrc/dssrc_guidanceonearningsclaimsforthedirectsellingindustry.pdf.

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