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Case #176-2024: Monitoring Inquiry – Dudley Beauty Corp, LLC

BBB NATIONAL PROGRAMS

Direct Selling Self-Regulatory Council

Case #176-2023: Monitoring Inquiry – Dudley Beauty Corp, LLC

Company Description

Dudley Beauty Corp, LLC (“Dudley Beauty” or the “Company”) is a direct selling company that sells cosmetics, fragrances, haircare/accessories, and skincare products. The Company is headquartered in High Point, North Carolina and was founded in 1967.

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 income claims in the direct selling industry and an investigation conducted early this year by a consumer advocacy group¹ of earnings claims disseminated by direct selling companies.

The DSSRC inquiry included nine earnings claims. DSSRC was concerned that the representative claims below communicated the

message that Salesforce members can generally expect to earn significant income from the Dudley Beauty business opportunity. The social media posts were disseminated on Facebook, Twitter/X, YouTube, Pinterest, and on the Company website.²

The claims identified by DSSRC in this inquiry were as follows:

Earnings Claims

- “How much does the average Distributor earn?
Full-time Dudley Distributors range from \$25,000 - \$100,000 and more. Your sales performance determines your earnings”
- [01:35] it gives me the opportunity to live good, to live in a beautiful home...gives me the opportunity to buy a new car every two to four years. It gives me the opportunity to just save money.”
- “On the show one of our experts Mark Hartnett will share how average people like you and I, who make smart decisions can build Generation Wealth and leave a legacy to their kids and grand kids... launching pad for building generational wealth”
- “Mark will share how average people like you and I, create and build Generational Wealth and leave a legacy to their kids and grand kids”
- “Making Money While You Sleep
The key to success in today’s marketplace is residual income. How you can duplicate yourself or make money while you sleep can determine your future and help you prosper”³
- “This business opportunity provides a proven way for you to grow your wealth, enjoy your life and give back to your community by selling Dudley’s exclusive brand or premier ethnic hair care products to beauty professionals, salons and schools in your area”
- “...making a way for me to always have a source of income”

Company Position

Dudley Beauty explained to DSSRC that it sells its products directly to beauty salons and barber shops, which purchase Company products at a discount. Dudley also has beauty professionals, e.g. stylists and barbers, who sell Company products to their clients. In responding to DSSRC’s Notice of Inquiry, the Company did not attempt to substantiate the claims that were the subject of this inquiry. Rather, Dudley Beauty indicated that it was in the process of making several changes to its website and reaching out to the individuals responsible for the social media posts.

Dudley Beauty removed the “How much does a distributor earn” claim from the Company website and removed the video testimonial that appeared on YouTube and the Facebook claim that Dudley Beauty is “...making a way for me to able generally expected ways have a source of income.”

The Company stated that the two statements identified by DSSRC, which referenced Mark Hartnett, did not mention Dudley Beauty and the Company noted that Mr. Harnett is a wealth manager that owns his own business. Moreover, Dudley Beauty indicated that Mr. Harnett was a speaker on ProLink Live and made general, nonspecific references to generational wealth in the post and did not speak about the Dudley opportunity.⁴

Notwithstanding its position, the Company informed DSSRC that it removed the one Facebook post stating “Mark Hartnett will share how average people like you and I, who make smart decisions can build Generation Wealth and leave a legacy to their kids and grand kids... launching pad for building generational wealth” and is also in the process of removing the Twitter post stating “Mark will share how average people like you and I, create and build Generational wealth and leave a legacy to their kids and their grandkids.”

The Company further stated to DSSRC that it was also in the process of contacting the individual responsible for the Pinterest post stating “This business opportunity provides a proven way for you to grow your wealth, enjoy your life and give back to your community by selling Dudley’s exclusive brand or premier ethnic hair care.”

With respect to the three “Making Money while you Sleep” posts, the Company stated that the flyer featured in the posts was only for beauty professionals and talked about how they can make residual income in their salons such as client referral programs, frequent buyer programs, and salon software that allowed their clients to purchase online from them without walking into the salon. The Company also noted that the class being promoted in the post occurred in 2018 and has not been taught since then. Notwithstanding, Dudley stated that it was in the process of removing the three social media posts, including the flyer.

Analysis

DSSRC expressed its appreciation to Dudley Beauty for its efforts in addressing the concerns in this inquiry. The Company was successful in removing four of the nine earnings claims at issue and committed to DSSRC that it would continue its efforts to remove the remaining five posts.

DSSRC determined that the Company's actions were necessary and appropriate.

According to section 13 of the Federal Trade Commission's (FTC) Business Guidance for Multi-Level Marketers, (the "FTC Guidance") "Any earnings claim should reflect what the typical person to whom the representation is directed is likely to achieve in income, profit, or appreciation.... Presenting atypical earnings to consumers considering an income opportunity is likely to generate a deceptive impression. At a minimum, avoiding deception requires a clear, prominent, and unavoidable presentation of the typical participant's revenue and expenses—all of which must be substantiated." The FTC Guidance also states that truthful testimonials from MLM participants who earn large amounts of money or career-level income likely will be interpreted as representing that their experience is representative of what others should expect to receive and that presenting atypical earnings to consumers considering an income opportunity is likely to generate a deceptive impression.

DSSRC remained concerned about the 2018 "Making Money while you Sleep" flyers, which remain publicly accessible and recommends that the Company continue its efforts to have the three posts referencing the flyer removed. DSSRC determined that the reference "to making money while you sleep" implies that earning an income from the Dudley Beauty business opportunity requires little or no effort and the message is amplified by the image of \$100 bills floating in the air and stacks of money scattered on the floor.

Similarly, DSSRC recommends that the Company continue its efforts to remove or modify the one Pinterest post at issue in this inquiry, which references a "proven way to grow your wealth." As noted in the FTC Guidance, "[S]ome MLMs and MLM participants may present the MLM as a way for participants to get rich or lead a wealthy lifestyle. They may convey such representations through words or through images such as houses, automobiles, and luxury vacations. These are implied earnings claims, and such claims are deceptive if participants generally do not achieve such results."

DSSRC acknowledged the actions of Dudley Beauty to remove one of the two posts referencing financial expert Mark Hartnett. Contrary to the Company's contention that the posts did not mention Dudley Beauty, the posts include the tagline "Generational Wealth. Building a Family Legacy" and suggests registering with "a local Dudley Distributor." DSSRC recommends that the Company continue its efforts to have the Twitter post removed.

Lastly, as DSSRC has stated in previous self-regulatory inquiries, should Dudley be unsuccessful in effectuating removal of the remaining posts, it should nevertheless provide DSSRC with copies of correspondence sent to the individuals responsible for communicating the claims as a demonstration of the Company's good faith commitment to address DSSRC concerns and to voluntary, industry self-regulation. In addition, if the individual does not abide by the Company's take-down request, Dudley Beauty should contact the website or platform in writing and request removal of the subject claim or post and, if feasible, include a statement in the comment section of the post informing the public that the post includes an unauthorized claim.

Conclusion

Dudley Beauty was successful in removing four of the nine earnings claims at issue and committed to DSSRC that it would continue its efforts to remove the remaining five posts. DSSRC concluded that the Company's actions were necessary and appropriate. DSSRC remained concerned about the 2018 "Making Money while you Sleep" posts, which remain publicly accessible and recommends that the Company continue its efforts to have the three posts removed. DSSRC acknowledged the good faith actions taken by Dudley Beauty to remove one of the two posts referencing financial expert Mark Hartnett and recommended that the Company continue its efforts to have the Twitter/X post removed. Similarly, DSSRC recommended Dudley Beauty continue its efforts to remove or modify the Pinterest post, which references a "proven way to grow your wealth."

Company Statement

"Dudley Beauty Corp will definitely comply with DSSRC's recommendations. Dudley Beauty Corp is fully committed to truthfulness and transparency when promoting our business opportunity. Our great unvarnished reputation with consumers and our industry peers is critical to us and we most certainly aim to protect it. We will continue to identify and act on opportunities to provide further compliance training and tools to our sales force."

(Case #176, closed on 08/30/24)

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[1] <https://truthinadvertising.org/>

[2] <https://www.lifestyles.net/us-en/>

[3] This same claim was posted by three different salesforce members on three different social media posts.

[4] Dudley Beauty stated that the Company has a call every month where it brings in various experts.