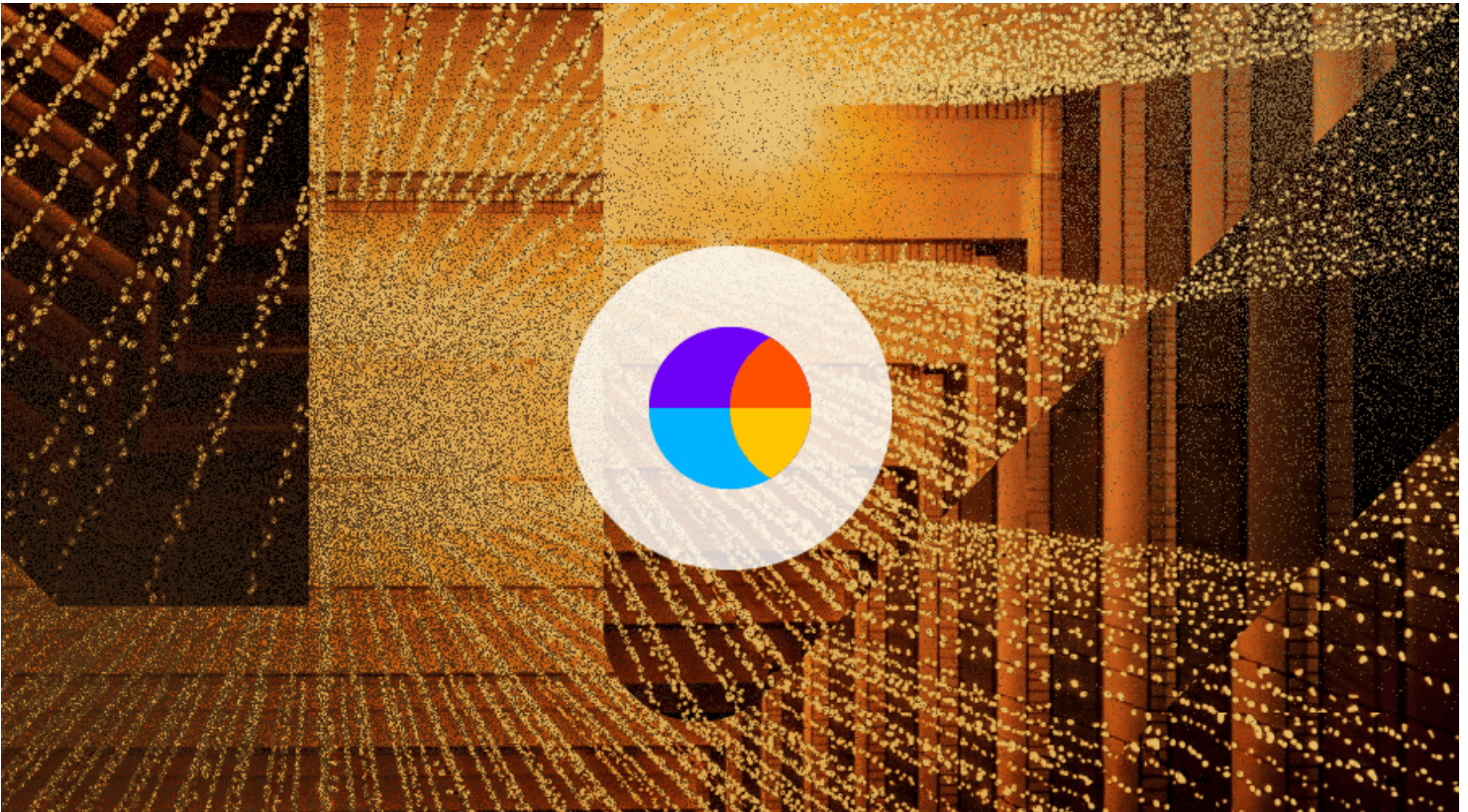


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# Case #147-2024: Monitoring Inquiry – PaperPie f/k/a Usborne Books & More

## BBB NATIONAL PROGRAMS

Direct Selling Self-Regulatory Council

Case #147-2024: Monitoring Inquiry – PaperPie f/k/a Usborne Books & More

## Company Description

PaperPie f/k/a Usborne Books & More (“PaperPie” or the “Company”) is a direct selling company that was founded in 1989 and based in Tulsa, Oklahoma.<sup>1</sup> The Company distributes children’s books and educational products.

## 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 process, which monitors advertising

and marketing claims disseminated by direct selling companies and their salesforce members.

This inquiry pertained to 11 earnings claims disseminated by Company salesforce members. DSSRC was particularly concerned about claims suggesting that the typical PaperPie salesforce member can achieve significant income through the Company's business opportunity. The representative claims that formed the basis for DSSRC's inquiry are set forth below.

### *Earnings Claims*

- o "If spending \$5 could bring you extra income, would you do it? If spending \$5 could bring you complete financial freedom, would you do it? . . . If spending \$5 could let you work from home, would you do it? . . . I am so grateful for this company who always puts us first, supports us and gives us the freedom to work our businesses how it best fits into our lives!"
- o "You will: . . . -Change your life -Gain financial freedom"
- o "Enjoy a flexible schedule—set your own hours / Experience financial freedom—unlimited earning potential / Earn fabulous trips and other prizes along the way"
- o "Whether you are looking for an exciting career with a potential six-figure income or to add just a few hundred dollars a month to your income with only a few hours of work each week . . ."2
- o "Whether you'd just like to grow your own home library with a personal discount, make a few hundred extra a month to cover kid activities, or turn this into a six-figure income for your family -- you can do it all with Usborne Books & More!"
- o "why do I love Usborne so much and was has it given me? 🤔🤔 . . . 9. It has given me a chance to build something that can help with financial freedom (this will take a lot of work) 10. It has given me peace of mind knowing if I work hard then I can achieve said financial freedom!"
- o "I decided to join to get some financial freedom . . ."
- o "Want to get lots of free books and a ticket to financial freedom?!!"
- o "Unlimited Earning Potential: As an Independent Partner, you are in control of your success. With attractive commission rates and incentives, you have the opportunity to earn a generous income while doing something you love."
- o "📖📚📕 Suitable for a wide variety of lifestyles, you can make your business a hobby, sign up to get discounts on many fabulous books for your own family, use it as a little extra income OR grow your Usborne business and community into something fabulous as your sole income 📖📚📕 "

### **Company's Position**

By way of background, the Company explained that PaperPie is the US direct selling division of Educational Development Corporation and does not have a presence outside of the United States<sup>3</sup>.

PaperPie explained that one of its product lines, Usborne Publishing, is based in the UK and has direct sales companies in multiple countries including the UK and Canada but maintained that it is not affiliated with nor responsible for Usborne Publishing's oversight of salesforce members.

In responding to the DSSRC inquiry, PaperPie took various actions to address DSSRC's concerns depending upon the current affiliation of the individual responsible for the posts with the Company. With respect to active brand partners, the Company reached out to this group of salesforce members to request that they take down the reported post and to educate them on the importance of not using inflammatory earnings claims. As for inactive brand partners who disseminated the posts and for whom PaperPie has current contact information, the Company reached out to them via email to ask that they take down the reported post (i.e., even though they are no longer associated with PaperPie).<sup>4</sup> Lastly, PaperPie stated that it has no association with international salesforce members as they do not sell PaperPie products within the United States.

PaperPie informed DSSRC that it has added a segment to its weekly email about the importance of language in social media posts regarding the PaperPie business opportunity. Moreover, the Company asserted that it provides information about earnings claims in its Brand Partner Handbook, which states that "Earnings representations and sales figures must be truthful, accurate, and presented in a manner that is not false, deceptive, or misleading." In its communication to salesforce members, the Company referenced the DSA Code of Ethics, informing its brand partners that they should avoid misrepresentation of earnings in all settings including, but not limited to, claims of specific levels of potential sales as well as any statement, representation, or hypothetical scenario from which a prospective Brand Partner could reasonably infer that he/she will earn a minimum level of income.

The Company stated that it was able to facilitate the removal of four of the 11 posts brought to its attention.

### **Analysis**

DSSRC appreciated the good faith efforts taken by PaperPie to facilitate the removal of four of the 11 earnings claims/posts at issue in this inquiry and recognized the challenge of the Company to address posts that originated from outside of the United States or from inactive salesforce members.

Notwithstanding the Company's actions, DSSRC remained concerned as a number of posts at issue remain accessible to the public. In particular, two of the four posts disseminated by the Company's active brand partners remain publicly available in their original context.<sup>5</sup> These two posts make reference to financial freedom, unlimited income, and six figure income.

As stated in the FTC's 2018 Business Guidance Concerning Multi-Level Marketing,<sup>6</sup> a direct selling company's representations and messaging concerning the business opportunity it offers must be truthful and non-misleading to avoid being deceptive under Section 5 of the FTC Act. A direct selling company's representations about its business opportunity, including earnings claims, violate Section 5 of the FTC Act if they are false, misleading, or unsubstantiated and material to consumers. A company must have a reasonable basis for the claims it makes or disseminates to current or prospective participants about its business opportunity. A "reasonable basis" means objective evidence that supports the claim. If a company lacks such objective supporting evidence, the claims are likely deceptive.

The FTC's 2018 Business Guidance Concerning Multi-Level Marketing also states that business opportunities may claim that participants, while not necessarily becoming wealthy, can achieve career-level income. They may represent through words or images that participants can earn thousands of dollars a month, quit their jobs, "fire their bosses," or become stay-at-home parents. If participants generally do not achieve such results, these representations likely would be false or misleading to current or prospective participants.<sup>7</sup> Similarly, according to the DSSRC Guidance on Earnings Claims for the Direct Selling Industry, "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 'quit your job,' 'be set for life,' 'make more money than you ever have imagined or thought possible,' 'unlimited income,' 'full-time income,' 'replacement income,' 'career-level income,' or any substantially similar statements or representations."<sup>8</sup>

Accordingly, DSSRC remained concerned with the claims made by active PaperPie salesforce members and recommends that the Company initiate enforcement measures against the two individuals responsible for dissemination of the posts pursuant to its Policies & Procedures should they continue to be unresponsive to PaperPie's request to remove or modify the posts, including the termination or suspension of their accounts.

With respect to the five posts made by inactive salesforce members, DSSRC acknowledged the efforts of PaperPie to have two of the four posts removed.

As DSSRC has noted in previous self-regulatory inquiries, when a direct selling company is made aware of improper claims that were made by an individual who was an active salesforce member when such claim was made but has since become an inactive salesforce member of the company, DSSRC acknowledges that the direct selling company may not be able to require such salesforce members to remove a social media post. In that instance, DSSRC nonetheless recommends that the direct selling company make a bona fide good faith effort to have the improper claim removed.

Although PaperPie has confirmed to DSSRC that it attempted to contact the inactive salesforce members responsible for the remaining posts through written correspondence, as further demonstration of its good faith intentions to address DSSRC concerns it is recommended that the Company take additional steps to remove the claims including utilizing any mechanism that social media platforms may have for removal of trademark or copyright violations. If the subject claim by a former salesforce member occurs on a website or platform without a reporting mechanism, DSSRC recommends that the Company should also contact the website or platform in writing and request removal of the subject claim or post. DSSRC also notes that companies in past DSSRC inquiries have also posted a comment on the applicable social media platform indicating that the subject post is not authorized by the company and that it has requested the individual responsible for the post have it removed.

Similarly, DSSRC recognizes the challenges of a direct selling company to facilitate the removal of unsupported claims in social media posts that originate overseas or are disseminated by individuals that are outside of the legal authority of the company. Nevertheless, in such situations, DSSRC recommends that the direct selling company make a bona fide, good faith effort to contact both the individuals responsible for the disseminating the post as well as their cross-border supervisors to inform them that the claims being made are being viewed by prospective salesforce members in the United States and that such assertions are not compliant with state and federal rules and regulations.<sup>9</sup>

## Conclusion

DSSRC appreciated the good faith efforts taken by PaperPie to facilitate the removal of four of the 11 earnings claims/posts at issue in this inquiry. Notwithstanding the Company's actions, DSSRC remained concerned with the claims made by active PaperPie salesforce members and recommends that the Company initiate enforcement measures against the two active salesforce members responsible for dissemination of the posts pursuant to PaperPie's Policies & Procedures. In addition, with respect to posts disseminated by inactive salesforce members, DSSRC acknowledged that PaperPie made a good faith effort to contact those individuals that were responsible for communicating several of the social media posts at issue and it was further recommended that the Company take additional steps to remove the claims including utilizing any mechanism that social media platforms may have for removal of trademark or copyright violations. Finally, as to social media posts that originate overseas or are disseminated by individuals that are outside of the legal authority

of the company, DSSRC recommended that PaperPie make a good faith effort to contact both the individuals responsible for the dissemination of the post as well as their cross-border supervisors to inform them of the inappropriate claims and request their removal or modification.

### Company Statement

“PaperPie has taken immediate action and will continue to enforce policy in relation to instances of concern raised by the DSSRC. Our attempts will include reaching out to Brand Partners, both active and inactive, responsible for the offending posts, contacting the platform where the claim was shared to request removal, and potentially further action for active Brand Partners up to and including termination of their accounts. The company has been successful with the removal of a majority of the claims associated with our organization and will continue our efforts to have the remaining posts either appropriately altered or removed altogether. PaperPie will continue to work directly with the DSSRC to provide information regarding our efforts to comply with and train our salesforce on policy adherence.”

(Case 147, closed on 2/07/24)

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[1] The Company explained that its Direct Sales division rebranded at the beginning of 2023 as part of a contract negotiation with Usborne Publishing but remains a division of Educational Development Corporation.

[2] This claim was disseminated on two separate posts.

[3] PaperPie noted that one of the Educational Development Corporation’s product lines, Usborne Publishing, is based in the UK and has direct sales companies in multiple countries including the UK and Canada but is not directly affiliated with PaperPie.

[4] PaperPie informed DSSRC that it had no contact information for several of the inactive brand partners responsible for the posts at issue including two inactive salesforce members for which it had no record of.

[5] *Supra* at 2. PaperPie removed one of the two duplicate posts,

[6] *See* Section 13 at <https://www.ftc.gov/business-guidance/resources/business-guidance-concerning-multi-level-marketing>.

[7] *Id.*

[8] [https://bbbnpp-bbbp-stf-use1-01.s3.amazonaws.com/docs/default-source/dssrc/dssrc\\_guidanceonearningsclaimsforthedirectsellingindustry.pdf](https://bbbnpp-bbbp-stf-use1-01.s3.amazonaws.com/docs/default-source/dssrc/dssrc_guidanceonearningsclaimsforthedirectsellingindustry.pdf).

[9] DSSRC also requested that it be provided with a copy of the said correspondence as a demonstration of the company’s good faith efforts to address DSSRC’s concerns.

3.13.24

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