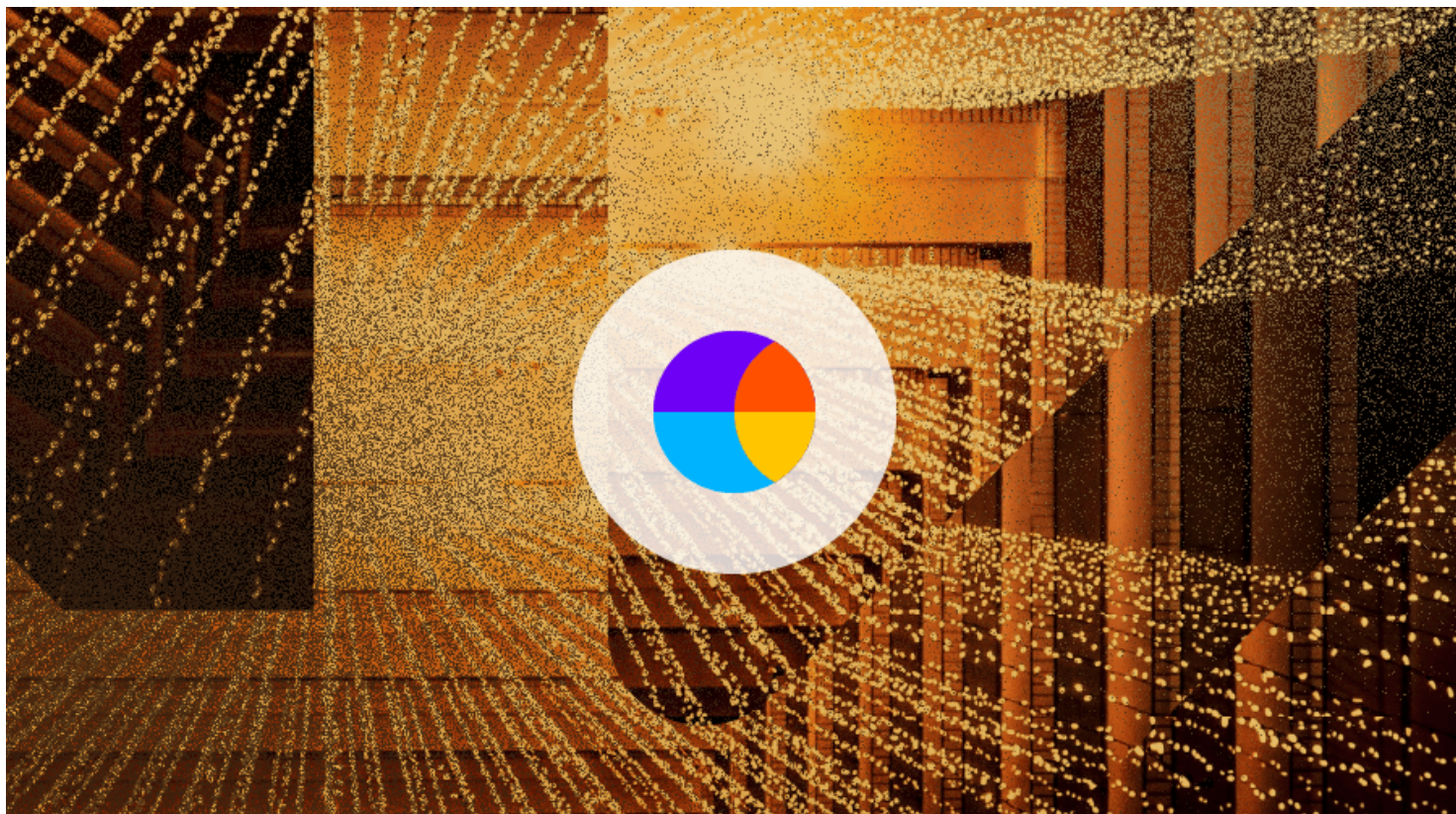


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BBB NATIONAL PROGRAMS

Direct Selling Self-Regulatory Council
Case #182-2024: Monitoring Inquiry – Scout & Cellar

Company Description

Scout & Cellar (“S&C” or the “Company”) is a direct selling company that sells wine, coffee, and food products. The Company is based in Dallas, Texas.

Basis of Inquiry

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

This inquiry concerned 11 earnings claims disseminated on social media. DSSRC was concerned that the earnings claims conveyed messages suggesting that potential independent contractors could achieve significant income (e.g., “uncapped income and generational wealth”), “financial freedom,” or replacement income through participation in the Company’s business opportunity.

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

Earnings Claims:

- “The ability to earn uncapped income & create generational wealth!”
(March 2023 Facebook post)
- “You can make it full time, some time, anytime from your phone, on social media, at a soccer game, at a wine tasting and during girls night” & “Low cost of entry! Bring in residual income weekly”
(September 2023 Instagram post)
- “YOU CHOOSE your own path. It can be earning wine for yourself, earning extra money for shoes or, supplementing your income OR even replacing your income.”
(November 2023 Facebook post)

Financial Freedom Claims:

- “Secondly, the potential for financial freedom is a big draw for me”
(February 2024 Facebook post)
- “Three years of drinking and sharing wine, making new friends, and building a business I LOVE. It gives me some financial freedom I would not have had otherwise.”
(January 2021 Facebook post)
- “There are so many reasons why I joined this business: from leadership to community, from friendship to forming new relationships and meeting new people, from traveling to financial freedom, and much, much more. #financialfreedom”
(January 2021 Facebook post)
- “My “Why”... there are SO many!!! #cleancrafted (zero added sugar, zero chemical and very low sulfites) delivered to my door – UMM – YES PLEASE!!! Of course there is family, paying debt, travel, financial freedom etc.”
(February 2022 Facebook post)
- “This is a plan for the future. What better way to spend \$6 a month (for the next 4 months) than to invest it toward creating a future with more financial freedom. What would you do with that financial freedom?” and “I can be my own boss and make an unlimited income.”
(February 2024 Facebook post)
- “I am looking for like-minded individuals who are passionate about helping others, growing a business, and creating financial freedom for family!”
(August 2022 Facebook post)
- “Do you want financial freedom?”
(January 2021 Facebook post)
- “First and foremost, Scout & Cellar opens the door to incredible opportunities. It is a chance for personal growth, professional development, and financial freedom.”
(February 2024 Facebook post)

Company Position

The Company did not attempt to substantiate the earnings claims at issue in this inquiry but promptly responded to DSSRC’s Notice of Inquiry. S&C informed DSSRC that the Company grounds itself in core values of community, integrity, and quality. The Company maintained that, since its launch in 2017, it has always strived to conduct itself ethically and that its approach to field compliance reflects this commitment.

S&C further informed DSSRC that in June 2018, it hired its first field compliance specialist and began a relationship with an independent monitoring service to assist with salesforce compliance. This initiative was led by the Company’s Chief Communications Officer until it was handed off to the Chief Legal Officer, who was onboarded by S&C in 2019. S&C further explained that the Company has consistently invested in human and technology resources for field compliance and engages with a third-party monitoring service as its primary tool for monitoring and remediating field behavior.

Additionally, S&C stated that it has worked diligently to keep its risk term monitoring queries up-to-date and in line with current FTC guidelines. The Company maintained that this is an important part of its compliance program, but submitted that the ever-evolving regulatory environment presents challenges to scale and, specifically, that on several occasions, updating its search terms and queries resulted in many new query results being “dumped” into field monitoring services. The Company maintained that managing through that volume with existing staff proved to be difficult and played a primary role in the Company’s response to several of the claims that DSSRC identified in this inquiry. To prevent these challenges going forward, S&C stated that in January 2024, it outsourced all of its remediation efforts to its third-party team of specialists who are better positioned to scale with volume.

More broadly, S&C provided DSSRC with an overview of its current in-house staffing and the support resources that it provides to its salesforce members.¹

With respect to the 11 earnings claims identified by DSSRC in this inquiry, the Company was successful in having nine removed or modified by contacting the salesforce member responsible for the posts. The Company also reported the social media posts to the platform on which they appeared to request removal. As to the two posts that remain accessible,² the Company demonstrated to DSSRC that it attempted to contact the individuals responsible for the posts to request that the posts be removed and that the Company similarly reported the social media post to the platform on which the post appeared to request that it be taken down but those efforts were not successful.

Analysis

DSSRC acknowledged the actions taken by the Company to effectuate the discontinuance of nine of the 11 earnings claims that appeared on social media and were identified by DSSRC in this inquiry. In the absence of any effort by the Company to substantiate those claims, DSSRC determined the Company's actions to be necessary and appropriate.

With respect to the two remaining earnings claims that appeared on social media, DSSRC acknowledged the Company's efforts to contact the individuals responsible for the posts to request that they be removed. DSSRC also acknowledged that the Company took additional steps to remove such claims from the marketplace by contacting the platform on which the claims appeared to request removal of the subject claim or post.

Based on the information in the case record, however, DSSRC was unable to determine whether the individuals responsible for the two remaining social media posts are active or inactive salesforce members with S&C and, if active, whether the Company has taken any disciplinary actions against them in order to have the social media posts removed.

In past inquiries, DSSRC has recommended that direct selling companies employ enforcement mechanisms, including suspension or termination of a salesforce member's account if necessary, to have unauthorized claims removed. Accordingly, if the individuals responsible for the two social media posts that remain publicly available are active salesforce members with the Company, DSSRC recommended that S&C employ enforcement mechanisms, including suspension or termination of that salesforce member's account, if necessary, to have the unauthorized claims removed.

DSSRC 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 that the individual responsible for the post have it removed.

Conclusion

S&C facilitated the removal of nine of the 11 earnings claims that appeared on social media. DSSRC determined that such actions were necessary and appropriate.

As to the two earnings claims that remain publicly available on social media, DSSRC acknowledged the Company's efforts to contact the individuals responsible for the posts to request that they be removed. DSSRC also acknowledged that the Company took additional steps to remove such claims from the marketplace by contacting the platform on which the claims appeared to request removal of the subject claim or post. If the individuals responsible for the two social media posts that remain publicly available are active salesforce members with the Company, DSSRC recommended that S&C employ enforcement mechanisms, including suspension or termination of that salesforce member's account, if necessary, to have the unauthorized claims removed.

Company Statement

"Scout & Cellar appreciates DSSRC acknowledgement of its good faith efforts to address the claims at issue. Shortly following our receipt of the DSSRC report, Scout & Cellar was able to remove one of the two remaining social media posts. With respect to the remaining post, the independent consultant's account has been placed on hold and the Company will continue its efforts to have the post reconciled. In addition, Scout & Cellar will continue to use its best efforts to monitor the claims communicated by our independent consultants to assure that any earnings statements are in compliance with the applicable regulations."

(#182, closed on 11/20/24)

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[1] These include S&C's Policies & Procedures (agreed to upon enrollment), its Brand Standards Basics Course, Supplemental education materials, Income Disclosure/Disclaimer, Customer support portal for inquiries, and Internal review process (so corporate materials reflect field standards).

[2] The posts that remain online are: "There are so many reasons why I joined this business: from leadership to community, from friendship to forming new relationships and meeting new people, from traveling to financial freedom, and much, much more. #financialfreedom" and "My "Why"... there are SO many!!! #cleancrafted (zero added sugar, zero chemical and very low sulfites) delivered to my door – UMM – YES PLEASE!!! Of course there is family, paying debt, travel, financial freedom etc."

December 12, 2024