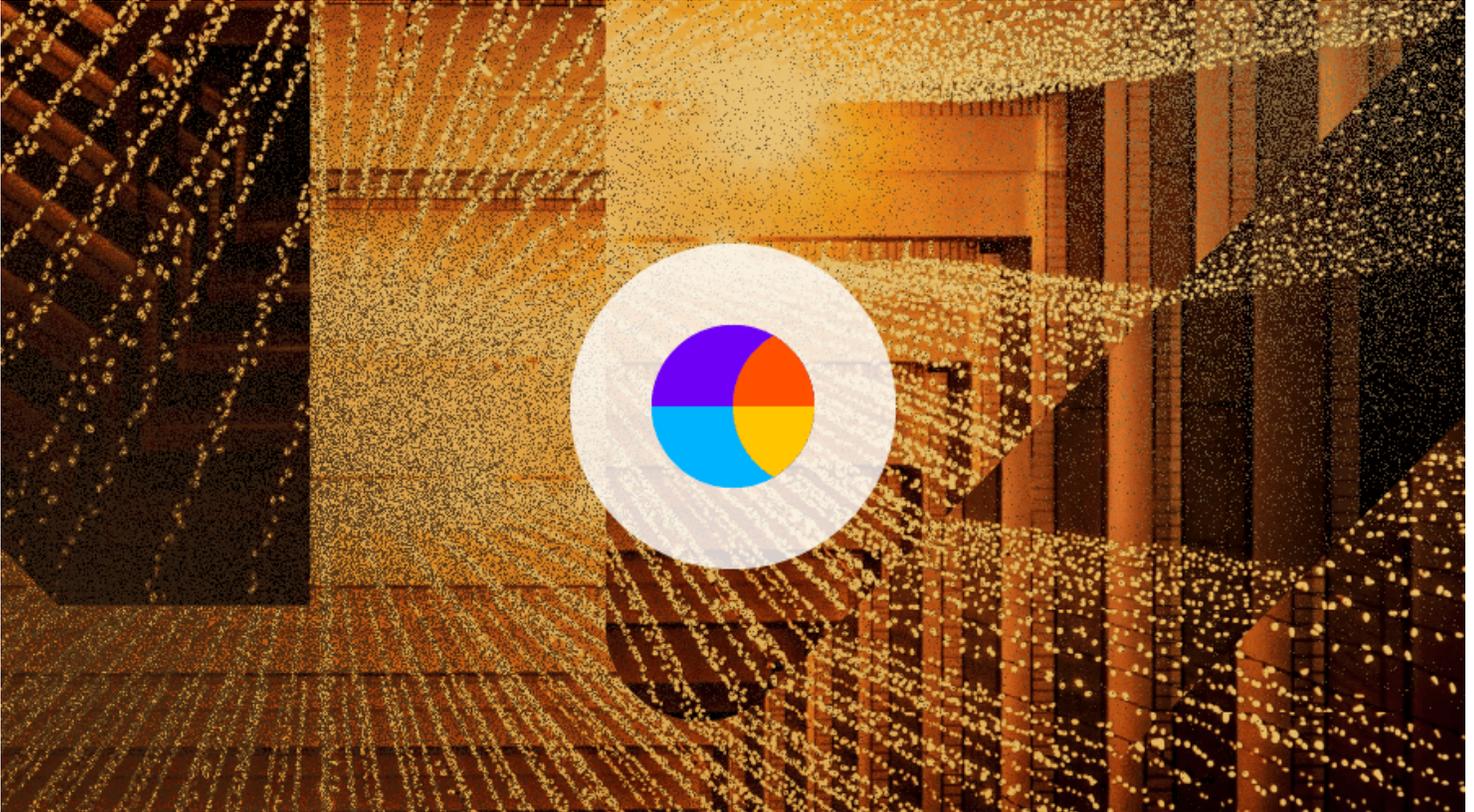


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Case #145-2023: Administrative Closure – Tranont

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Direct Selling Self-Regulatory Council
Case #145-2023: Administrative Closure – Tranont

Company Description

Tranont (or the “Company”) is a multi-level direct selling company based in Utah. Founded in 2013, the Company sells health and wellness products, including a line of CBD products.

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 a third-party inquiry and DSSRC’s ongoing independent monitoring of advertising and marketing claims in the direct selling industry.

This inquiry concerns earnings and product performance claims disseminated by Company salesforce members. The representative claims that formed the basis of this inquiry were located on social media accounts of Company salesforce members. Several of those claims are set forth below:

Earning Claims:

- “\$36,960 Monthly Base Pay”
- “Less than 2 years! \$151,000 a month!”
- “\$60,000 Base Pay”
- “\$22,400 Base Pay”
- “\$28,000 Monthly Base Pay”
- “whether you want to make that couple of hundreds of thousands of dollars or tens of thousands of dollars...”
- “1.3 million in SALES in just one hour

Product Claims:

- “supports joint health”
- Before and After Weight Loss depiction
- “It’s not just the losing weight that makes TRANSFORM great. It’s the restored clarity and endurance for the day you get back that life just stole from you.”
- “My energy is endless. I’m down exactly 13 pounds. I’m down two pants sizes. My glucose levels seriously went from highs of 200-300 and lows below 50 to staying in the 85 – 130 range ALL THE TIME”

Company’s Position

Upon receiving the Notice of Inquiry from DSSRC, Tranont promptly reached out to DSSRC to clarify that several social media posts in question had already been taken down. The company assured DSSRC that they were actively addressing the remaining posts and actively educating the involved members of the salesforce. Tranont asserted that the statements communicated by the salesforce members were not sanctioned by the Company. Consequently, the Company did not seek to validate these claims and acknowledged that such assertions should be removed from circulation.

In less than one month, all of the 47 posts that were brought to Tranont’s attention by DSSRC had been removed. Tranont also explained that a majority of the posts identified by DSSRC originated from four or five Company salesforce members who have since removed each of the posts and subsequently went through re-training with the Tranont compliance team.

Tranont further explained that its outreach to the salesforce members included education and some form of warning regarding health and/or income claims. In addition, the Company informed DSSRC that compliance training was conducted by its General Counsel and the Chief Sales Officer together to the entire field specifically about health-related claims. Specific examples were used that were taken directly from the Federal Trade Commission’s Health Compliance Guidance.

Moreover, the Company informed DSSRC that compliance training was conducted to the entire field about both permissible and inappropriate earnings claims and accurately promoting the business opportunity. Specific examples were used that were taken directly from DSSRC’s guidelines but also from the violations that we received as a part of the Inquiry.

The training on both earnings claims and health-related claims were uploaded and recorded and copies of the slides were sent to field leaders.

In addition, compliance trainings with Diamond Level leaders specifically addressing the inquiries and violations and answering questions and providing examples of compliant posts were conducted by the Tranont legal and sales teams. Calls to Diamond Level leaders were made by the Company’s executive team to discuss the importance and expectation of compliant behavior in their marketing of the company and its products.

Tranont also created compliance training documents, including Do’s and Don’ts, social media guidelines, quick tips, examples of compliant and non-compliant posts and why, income disclosure statements, FDA and Income Disclaimer statements, and other educational documents that were sent to top leaders and will be available in everyone’s back office for reference. The Company also held a leadership training at its corporate offices and the new compliance education documents were used to train the new leaders and will be incorporated into the curriculum of these and other leadership trainings going forward.

Tranont informed DSSRC that it has contracted with a third-party monitoring vendor and now conducts a review of weekly compliance incidents that are reported by the monitoring company and a report of the activity is presented to the owners and executive team each week.

DSSRC was advised that Tranont's legal and compliance teams instituted quarterly trainings with its Customer Support Managers using the new training documents to help ensure that all questions are being answered correctly and compliantly. The training documents are a mandatory part of the trainings for all new hires to Tranont.

Lastly, Tranont stated that the Company is working on launching a mandatory online Compliance Certification Training Program and implementing the required training at certain stages of the Associate's time with the Company. Tranont informed DSSRC that the anticipated launch of the system is by the end of the first quarter of 2024.

Administrative Closure

While DSSRC appreciated the efforts of Tranont to contact the salesforce members responsible for the social media posts that were the subject of this inquiry, which resulted in all of the posts being completely removed, it expressed its concern to the Company regarding the unqualified claims of substantial income that was earned by a very small minority of salesforce members.

In its DSSRC Guidance on Earnings Claims for the Direct Selling Industry, DSSRC cautions direct selling companies and their independent salesforce members against the use of any words or images communicating that a direct selling business opportunity will result in earnings beyond what can be generally expected by the typical salesforce member in the depicted circumstances (e.g., modest or supplemental income). It is a core principle in advertising law that 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.¹

Here, DSSRC concluded that the subject earnings claims at issue could be reasonably interpreted by consumers as meaning that they can expect to earn substantial income from the Tranont business opportunity. DSSRC further determined that the amount of income communicated by top sales leaders at the Company were so extraordinary that such earnings would not be realized by typical salesforce members and were incapable of being qualified with by even a clear and conspicuous disclosure of generally expected results. Accordingly, DSSRC agreed that the Company's voluntary actions to remove these claims were necessary and appropriate.

With respect to the product claims at issue in this inquiry, DSSRC has noted in several previous inquiries that health-related claims must be supported by reliable and competent evidence, demonstrating that the product can perform as claimed. The FTC's standard of competent and reliable scientific evidence has been defined as "tests, analyses, research, or studies that (1) have been conducted and evaluated in an objective manner by experts in the relevant disease, condition, or function to which the representation relates; and (2) are generally accepted in the profession to yield accurate and reliable results." In addition, the FTC requires that the research must be "sufficient in quality and quantity based on standards generally accepted in the relevant scientific fields, when considered in light of the entire body of relevant and reliable scientific evidence, to substantiate that the representation is true."²

While DSSRC appreciated the good faith efforts of Tranont to contact the salesforce members responsible for the social media posts and remove all of the posts in their entirety, DSSRC cautioned Tranont from disseminating any extraordinary income claims in future advertising and on social media posts disseminated by Company salesforce members. Moreover, when referencing income that could not be typically expected by Company salesforce members, such claims must be accompanied by a *clear and conspicuous* disclosure regarding the income that can be generally expected by the typical salesforce member in the depicted scenario. Such claims should also be otherwise truthful and not misleading.

Similarly, any express or implied claims of weight loss (including the use of before and after depictions) that would not be expected by the typical product user should be accompanied by a disclosure clearly and conspicuously indicating how much weight consumers typically can expect to lose.

DSSRC closed its inquiry based upon Tranont's good faith actions to remove all 47 social media posts identified by DSSRC and noted that it will continue to closely monitor the income and product claims being communicated by Tranont and its salesforce members.

(Case No. 145-2023. Closed on 12/19/23)
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[1] Direct Selling Self-Regulatory Council Guidance on Earnings Claims for the Direct Selling Industry, General Principles

[2] FTC Health Products Compliance Guidance, Section III (B) page 12.

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