

BBB NATIONAL PROGRAMS, INC.
The Direct Selling Self-Regulatory Council

Case Number: 14-2020 – Monitoring Inquiry – Paparazzi Accessories, LLC

COMPANY DESCRIPTION

Paparazzi Accessories, LLC (“Paparazzi” or the “Company”) is a multi-level direct selling company based in Utah that specializes in fashion accessories such as jewelry.

BASIS OF INQUIRY

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

Specifically, DSSRC identified several core earnings claims being disseminated on social media by independent consultants of the Company.

The representative earnings claims that were the subject this inquiry are as follows:

- “The last 2 years my upline has dedicated her life to building a business that has created well over a 6 figure income for her family! In only 5 months she's moved over 12,500 pieces, woot woot 🎉🎉 now you do the math x 5.00 and some even x 25.00!!! Now say to yourself Is there money to be made? Yes and lots of it! We have an affordable product that so many people are loving the lead and nickel free pieces.”

Be a Full-Time
MOM

Have a Part-Time
BUSINESS

With Full-Time
PAY



- “I realized with Paparazzi Accessories that I can completely replace my full-time income with hard work and determination.”
- Facebook image of Paparazzi consultant’s sales in the last 30 days — “\$25,336.99 Paid – Last 30 days

Below is a screenshot of my sales in the last 30 days. 🙏

I have a degree in Human Services and picked this up to make an extra \$300 a month, knew nothing about running a business, never had a retail job but look BECAUSE of PAPAZZI I have been able to accomplish more than I ever thought I could”

- “Looking to make some extra cash Interested in replacing your full time income?”
- “Invest into her future... Not every investment can bring financial freedom. But Paparazzi can!”
- “❤️ Earn as little or as much as she wants”
- “From the comfort of your phone You can sit in and listen to this live opportunity call and hear from real men and women who’ve changed not only their lives but their families as well, they’ve made 1000’s of dollars and still are and are gladly sharing the how.”

DSSRC informed the Company of its concern that the reasonable consumer may interpret these representative claims and similar claims to mean that the financial success depicted would be typical of the results and financial success that a Paparazzi consultant will generally achieve.

COMPANY’S POSITION

The Company maintained that it devotes significant time, resources and attention to ensure that it sustains high-standards of truth and accuracy in its advertising and that of its consultants. Specifically, Paparazzi stated that through both its written policies and compliance program it has worked to limit earnings claims made by consultants of the Company. In addition, the Company informed DSSRC that it was in the process of initiating a new enhanced compliance program to further eliminate earnings claims by consultants of the Company. As part the Company’s efforts, Paparazzi indicated that it would include an earnings statement on the Paparazzi website and make it a mandatory requirement for consultants that all earnings-related statements contain a link to the Company’s earnings statement. In addition, the Company stated that it would work to enhance its monitoring of the claims being made in the marketplace by consultants of Paparazzi.

In response to DSSRC’s concern regarding consumer takeaway of the representative earnings claims at issue, the Company maintained that it had made additional changes which included: a new Earnings Statement Disclosure on the Paparazzi website, a written statement disseminated to all consultants with guidelines on the use of earnings claims which include a prohibition of any type of earnings claim without a clear and obvious link to the Company’s Earnings Statement Disclosure. The Company also informed DSSRC that it further modified the Company’s Policy & Policies regarding earnings statements and undertook a new initiative with its Compliance Team to monitor and police all earnings claims. The Company further maintained

that Paparazzi strives to be at the forefront of best practices in the industry and will continue to take steps to work on and improve its practices to have fair and accurate disclosure regarding its consultants' earnings. The Company also maintained that it would use bona fide good faith efforts to have the representative earnings claims at issue in this inquiry, as well as similar claims, removed from circulation.

ANALYSIS AND RECOMMENDATION

At the outset, DSSRC notes that four of the five representative earning claims that DSSRC brought to Paparazzi's attention at the commencement of this inquiry remained online throughout the pendency of this inquiry. Since the Company did not provide substantiation for such earnings claims and conceded that such claims should not have been disseminated, DSSRC recommends that Paparazzi promptly continue bona fide good faith efforts to have its distributors remove the representative earnings claims as well as any similar claims that are being made in the marketplace from circulation.

DSSRC acknowledges and appreciates Paparazzi's stated intention to work to limit earnings claims made by consultants of the Company which DSSRC found to be necessary and appropriate. In addition, DSSRC appreciates the Company's efforts to launch its new enhanced compliance program to further eliminate earnings claims by consultants of the Company by, among other things, including an Earnings Statement Disclosure on the Paparazzi website and requiring its consultants to provide a link to the Company's Earnings Statement Disclosure in connection with any income claims. DSSRC notes that, in connection with any material disclosure regarding an atypical income claim, the best practice is for the Company to require its consultant to state that the amount of earnings depicted is not typical, state the results that can generally be expected by a consultant of Paparazzi in the depicted scenario, and also to provide a clear and conspicuous link to the Earnings Statement Disclosure. DSSRC notes, however, that the success depicted in some earning claims (and lifestyle claims) may be so extraordinary that such claim cannot be qualified by a disclosure of generally expected results. "Even truthful testimonials from the very small minority of participants who do earn career-level income or more will likely be misleading unless the advertising or presentation also makes clear the amount earned or lost by most participants." Federal Trade Commission Business Guidance Concerning Multi-Level Marketing (2018). Particular attention should be given to claims such as the representative claims at issue in this inquiry that a consultant "can achieve career-level income." *Id.* Such claims "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." *Id.*

CONCLUSION

DSSRC recommends that Paparazzi use bona fide good faith efforts to have the representative earnings claims at issue in this inquiry, as well as any similar claims, removed from circulation.

In addition, DSSRC acknowledges the steps being taken by the Company to work to limit earnings claims made by consultants of the Company which DSSRC found to be necessary and appropriate. Specifically, DSSRC appreciates the Company's efforts to include an Earnings Statement Disclosure on the Paparazzi website and require its consultants to provide a link to the Company's Earnings Statement Disclosure in connection with any income claims. Accordingly, DSSRC will continue to monitor the actions taken by Paparazzi to address DSSRC's concerns regarding the dissemination of unsupported earnings claims.

COMPANY STATEMENT

The Company failed to provide a Company Statement to DSSRC despite being provided a significant amount of time to do so and numerous entreaties from DSSRC for such a Company Statement. DSSRC's Policies and Procedures provide that: "In the event that the subject company fails to submit a responsive statement, DSSRC may refer the matter to an appropriate government agency for review and possible law enforcement action." Here, in the absence of a written commitment from the Company that it will adhere to DSSRC's recommendations and in light of the fact that at least one of the representative claims identified in this decision remains online, DSSRC will monitor Paparazzi's ongoing marketing and consider whether this matter warrants a referral to an appropriate government agency for review and possible law enforcement action.

(Case No. 14-2020, closed on 2/21/2020)
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