



July 22, 2020

VIA EMAIL

Peter C. Marinello, Director
Howard J. Smith, Attorney
Direct Selling Self-Regulatory Council
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Re: Illegal Income Claims by Beautycounter

Dear Peter and Howard:

We write to file a complaint with the Direct Selling Self-Regulatory Council against Counter Brands, LLC, dba Beautycounter, a California-based multi-level marketing company that sells cosmetics and skincare products.

For years, Beautycounter and its distributors have been using – and continue to use – deceptive, atypical and unsubstantiated income claims to market the Beautycounter business opportunity. Such marketing materials include claims of participants achieving financial freedom, earning a replacement income, quitting their jobs, making six figures per year and paying for graduate school, among other things, when the reality is that the vast majority of Beautycounter distributors are making little to no money in the venture.¹

TINA.org has collected more than 100 examples of such unsubstantiated income claims, all of which are available at www.truthinadvertising.org/beauty-counter-income-claims/. As of yesterday, 78 of these claims – or nearly 75 percent – were still in

publication despite assurances from the company that it had removed, or had requested Consultants to remove, inappropriate earnings claims in response to an article published by TINA.org on July 17.²

Some examples of marketing materials in TINA.org’s Beautycounter database still in publication are included below.

Beautycounter Website³

Meet Christi-An

What started out as a goal to be able to send her daughter to a private kindergarten has grown into a thriving business based out of her hometown of Whitby, Canada. A former barista with no prior experience in sales (and a fear of putting herself out there on social media) Christi-An pushed herself out of her comfort zone and is now a top #betterbeauty boss. Here’s her story.

Fearless Leader

“[My girlfriend] was making, in one month, how much it would take me three months to make working forty hours a week. My driving force to join Beautycounter was to literally make a thousand dollars a month. That was my big vision goal and dream when I joined. I hit director with the company, I matched my salary by just doing posts. Literally, I had zero experience, never done an online business before, never sold anything (except a killer latte) before, and I turned this business into a six-figure income.”

Beautycounter Distributors’ YouTube channels⁴

Why I Love Being a Beautycounter Consultant

In three years, I increased my income 600%.

288 views · Apr 11, 2019

“...In three years of being with Beautycounter, I have increased my income by 600 percent...”



“...So right before I did this, I used to work for the government. I had a really nice cushy job, great benefits... But recently I’ve been able to replace that income, which makes me feel so proud of myself...”



“...For me, Beautycounter has given me financial freedom, it’s given me the flexibility to be present at home all the time, to also be happily married and present for my husband...”

Beautycounter Distributor Instagram page⁵

“A side hustle is more than just another stream of income, it’s also the new job security. More income means more options, more options equals freedom.”

– Forbes –

[BEAUTYCOUNTER.COM/JOIN](https://www.beautycounter.com/join)

Though some of the company’s marketing materials include language to indicate that “earnings with Beautycounter may vary significantly” and that “the average Beautycounter Consultant earned \$2,060” in the U.S. in 2019,⁶ Beautycounter’s disclaimers are legally insufficient as none of them clearly or conspicuously disclose what typical participants earn, as is required by FTC law.⁷ (Beautycounter contends that disclosing averages rather than generally achievable – or typical – results is sufficient to satisfy FTC law, as stated in its July 18 letter to TINA.org.⁸)

In short, Beautycounter is deceiving consumers with inappropriate income claims. As such, TINA.org strongly urges the DSSRC to review the claims being made by Beautycounter and its distributors and take appropriate action.

If you have any questions, please do not hesitate to contact us.

Sincerely,



Laura Smith, Esq.
Legal Director
Truth in Advertising, Inc.



Bonnie Patten, Esq.
Executive Director
Truth in Advertising, Inc.

¹ See Beautycounter’s 2019 U.S. Commissions Overview, <https://www.beautycounter.com/ids>.

It is important to note that this income disclosure has several flaws. For example, the company only includes “active” Consultants – that is, Consultants who have met specific selling targets. Those Consultants that spent hundreds of dollars to start their business but failed to make the continual, mandatory six-month sales quotas are re-categorized as customers and excluded in the disclosure presumably because they did not earn any money.

As for the 44,000 active Consultants Beautycounter does count, the company continually uses “averages” to present earnings claims and other important information. (Of course, the issue with using averages is that if 99 consultants make no money and 1 consultant earns \$1 million, the average earnings for those 100 consultants is \$10,000, even though the typical earnings for the consultants would be zero.)

Regardless of the flaws in the disclosure, one thing is certain – the typical Beautycounter consultant is earning little to no money. More than 82 percent of active distributors earn (on average) \$552 a year *before* deducting expenses. According to the company, new consultants spent (on average) \$440 when they initially joined, which would immediately drop annual earnings (on average) down to \$112 for most new consultants. Further, 21 percent of Consultants are reported to have earned nothing in 2019 and the true figure is likely much high after accounting for failed Consultants *See, e.g.*, Beautycounter, Join, Frequently Asked Questions, “Do I have to sell a certain amount every month?,” <https://www.beautycounter.com/join>.

² See July 18, 2020 letter from Beautycounter to TINA.org, available at https://www.truthinadvertising.org/wp-content/uploads/2020/07/7_18_20-letter-from-Beautycounter-to-TINA.pdf; The Ugly Truth About Beautycounter, <https://www.truthinadvertising.org/the-ugly-truth-about-beautycounter/>. See also July 22, 2020 letter from TINA.org to Beautycounter, https://www.truthinadvertising.org/wp-content/uploads/2020/07/7_22_2020-ltr-from-TINA-to-Beautycounter.pdf.

³ <https://www.beautycounter.com/join>; also available at https://www.truthinadvertising.org/wp-content/uploads/2020/07/BC_CW_Christi-An-wm.mp4.

Other examples of claims that were published on company platforms but which have been removed following TINA.org’s July 17, 2020 publication include:

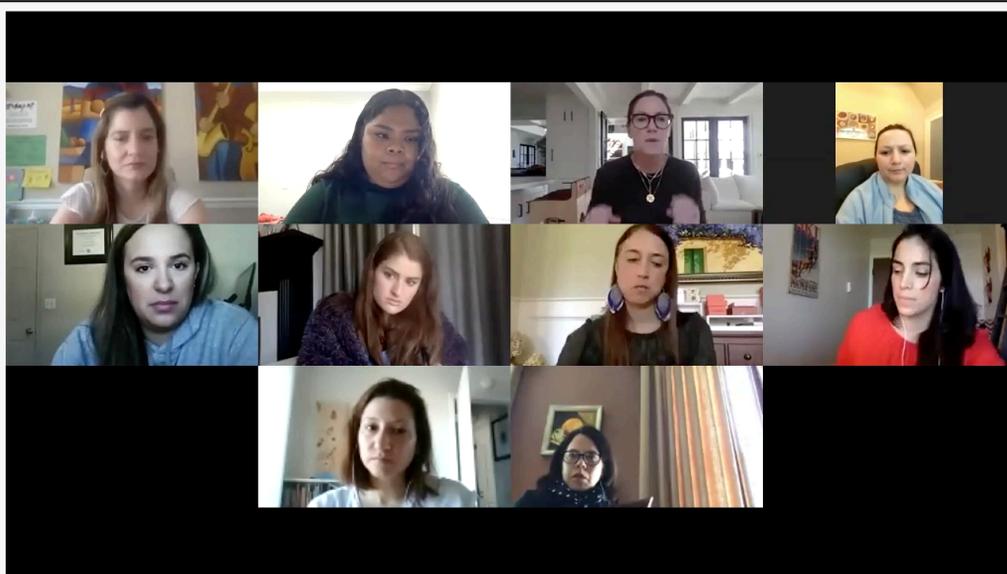
Four reasons to become a Beautycounter Consultant

1. GET PAID—ON YOUR TERMS

Build a better future for yourself and those you love. What's important to you? A family vacation? Paying off debt? Summer camp for your kids? You decide how much you make—it's all depends on what you want to achieve. Those that lead large teams have the opportunity to earn as much as corporate executives (yes, you read that right).



<https://www.truthinadvertising.org/wp-content/uploads/2020/07/BC-CW-Get-Paid-On-Your-Own-Terms-Slider-wm.png>.



Bilingual Opportunity Call w/ Gregg Renfrew - April 2020

137 views • Apr 16, 2020

👍 5 🗨️ 0 ➦ SHARE ≡+ SAVE ...

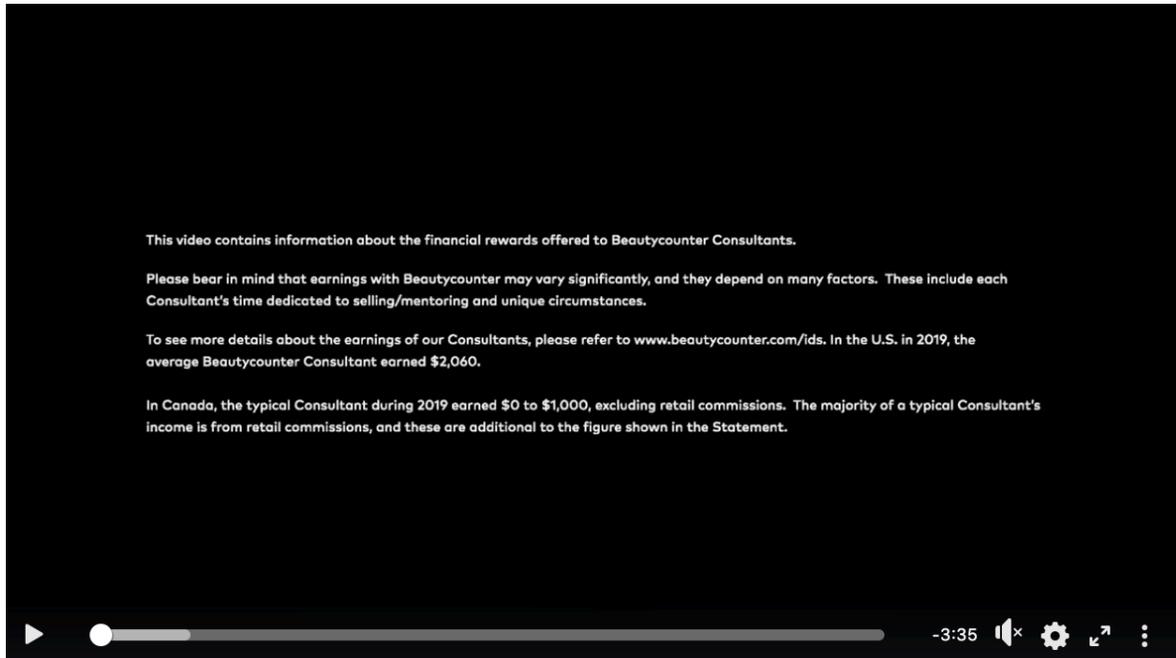
Beautycounter CEO Renfrew: “...I really want us to get really comfortable about talking about business opportunity, especially now, especially when I think 17 million Americans have lost their incomes or have been furloughed. Like this is a moment in time where we can lean into our communities and provide them with a much needed replacement income...”

https://www.truthinadvertising.org/wp-content/uploads/2020/07/BC_YT_Community-Expansion-4_16_20-Clip-1-wm.mp4.

⁴ https://www.youtube.com/watch?v=-Ins3h_DcOY;
https://www.youtube.com/watch?v=184q_ooK9A4;
<https://www.youtube.com/watch?v=4KcPOZkiS5k>.

⁵ <https://www.instagram.com/p/CBZGBuAAz-D/>.

⁶ See, e.g., Eye Imagine Better Beauty's May 5 Facebook post, *From Barista to Beautycounter!*, <https://www.facebook.com/betterbeauty.nelle/videos/829795700763129/>.



⁷ FTC Guides Concerning the Use of Endorsements and Testimonials in Advertising, <https://www.ftc.gov/sites/default/files/attachments/press-releases/ftc-publishes-final-guides-governing-endorsements-testimonials/091005revisedendorsementguides.pdf>;
FTC's .com Disclosures: How to Make Effective Disclosures in Digital Advertising, <https://www.ftc.gov/sites/default/files/attachments/press-releases/ftc-staff-revises-online-advertising-disclosure-guidelines/130312dotcomdisclosures.pdf>.

⁸ July 18, 2020 letter from Beautycounter to TINA.org, available at https://www.truthinadvertising.org/wp-content/uploads/2020/07/7_18_20-letter-from-Beautycounter-to-TINA.pdf.