

# Orion Research, LLC

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## **Team Beauty Recruitment Expanding Into Oklahoma, Where It Is Promoted With Minimum Purchase Requirements, Leading To Violations Of The FTC Consent Order**

Herbalife distributors in Oklahoma have been promoting Team Beauty fitness transformations in recent months. The Team Beauty program was developed by high level Herbalife distributors as a way to sell the company's products, but it does so by requiring minimum product purchases, which results in numerous violations of an Order imposed on Herbalife's business by the Federal Trade Commission.<sup>1</sup>



For example, if Team Beauty is used to enroll new Herbalife members it causes Herbalife to violate the Order by paying commissions on product purchases that were required as part of the enrollment process. Under “Limits on Multi-Level Compensation,” the Order states: “No compensation shall be paid solely for enrolling or recruiting a Participant or a **Preferred Customer** into the Program.” (**Subsection I.A.5**)

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<sup>1</sup> See: Herbalife Fitness Transformations are Used to Impose Minimum Purchases, Violating and Interfering with the FTC Order – 4.1.ORN.HLF.Transformation Issues Overview

In the Facebook posting below, Herbalife distributor Nikki Henley, who identifies herself as the owner-operator of two Nutrition Clubs in Oklahoma, indicates that product purchases are a cost of participation in Team Beauty.



Team Beauty’s minimum purchase requirements also have the potential to inflate commissions across Herbalife by requiring Preferred Members to buy more products than they otherwise might. Team Beauty recruiters require transformation participants sign up with Herbalife either as distributors or Preferred Members before making their mandatory purchases.

Under the FTC Order, Herbalife is required to determine a reasonable level of monthly personal consumption of its products. It uses that level to cap commissions it pays on product purchased by Business Opportunity Participants. This reasonable amount of product is referred to in the Order as “Rewardable Personal Consumption.”

**(Subsection 1.E)**

Herbalife determines Rewardable Personal Consumption by taking an average of monthly purchases by Preferred Members. As more Preferred Members join Herbalife through Team Beauty, their purchases will be driven not by reasonable or genuine demand for the products but by the minimum amounts mandated for all transformation participants.

In the social media posting below, a potential Team Beauty transformation participant mentions that she needs to buy more products in order to reach 150 volume points, suggesting there is a minimum purchase for participation in a Team Beauty transformation.

