

# Orion Research, LLC

June 9, 2017

## **According to a Team Beauty Distributor in New Mexico, Aspiring Coaches Must First Undergo a Transformation and Make Minimum Product Purchases, Violations for the FTC Order**

We asked a researcher to call a Team Beauty promoter/Herbalife distributor in Albuquerque, New Mexico, to learn about the requirements for enrolling in a Team Beauty transformation. The promoter, Bianca Arellin, who operates Healthy Scene Nutrition, told our researcher that she would need to buy a set amount of Herbalife products after registering as a Preferred Member with the company. In order to become a Team Beauty coach, she would need to go through a transformation.

Team Beauty, as explained by the distributor in New Mexico, violates several aspects of a Consent Order imposed on Herbalife's business by the Federal Trade Commission in July 2016. It imposes minimum purchases (**Subsection I.F.1**) and causing ineligible commissions to be paid on those purchases (**Subsection I.A.5**). The program also interferes with the FTC Order (**Subsection 1.E**) by likely inflating the average monthly purchases of Preferred Members, which are used to determine certain commissions.<sup>1</sup>

The FTC Order also specifically sought to break any connection between a Preferred Member's purchases and advancement in the business: "A Preferred Customer who becomes a Business Opportunity Participant may not receive any benefit or status that depends in any way on that individual's activity as a Preferred Customer, except that any discount that the individual obtained as a Preferred Customer may continue to be used to purchase Product that is designated, at the time of purchase, as being for the individual's own or household use." (**Subsection I.B.3**)

Below are excerpts from notes our researcher submitted the following the June 9, 2017 phone conversation with the Team Beauty promoter:

"She said Team Beauty is a 12-week transformation fitness program that requires participants to purchase Herbalife products. There's a \$40 membership fee to join."

"The good thing about being a member of Team Beauty is that I would get a 25 percent discount on Herbalife products because I would be considered a Preferred Member."

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<sup>1</sup> For more details on how the imposition of minimum product purchases violates the FTC Order, see "Herbalife Fitness Transformations are Used to Impose Minimum Purchases, Violating and Interfering with the FTC Order."

“I asked Bianca how she became a coach and what were the perks of being a coach. She didn’t go into too much detail. The only thing she said is that you do have to go through a transformation yourself.”