



International Chamber of Commerce

The world business organization

Department of Policy and Business Practices

ICC International Code of Direct Selling

(2007 Edition)

Updated by the Commission on Marketing and Advertising

Introduction

Direct selling is a vital means of marketing and distribution. It promotes competition, helps to create efficient markets, both nationally and internationally, and brings significant benefits for consumers and companies, as well as for society in general.

Responsible direct selling, based on widely supported self-regulatory codes of conduct, is an expression of the industry's recognition of its social obligations. The fundamental value of self-regulation lies in its ability to create, enhance and preserve consumer trust and confidence in the business communities behind it, and thereby in the marketplace itself. In addition to protecting consumers, self-regulation is also an instrument for the safeguarding of individual companies' goodwill and reputation. Self-regulatory codes continue to be developed and refined in response to societal, technological and economic changes.

Since 1937, when the first Code of Advertising Practice was issued, ICC has produced, and successively revised, global sets of ethical rules, covering all main marketing disciplines. The ICC Code of Direct Selling forms part of that comprehensive ICC normative system. In 2006, ICC adopted a new code that consolidated the major part of the previous, specialised codes into a single, easily accessible document on marketing communication. By reference (see Scope), the Direct Selling Code is clearly linked to the Consolidated ICC Code of Advertising and Marketing Communication Practice.

The ICC Code of Direct Selling was first published in 1978 and followed the already then well-established ICC policy of promoting high standards of ethics in marketing via self-regulatory codes, intended to complement the existing frameworks of national and international law.

Like its predecessor (1999), this edition has been developed in close co-operation with the World Federation of Direct Selling Associations. The WFDSA has also adopted world codes of conduct applicable exclusively to members of direct selling associations. There is conformity in substance between the ICC Code and the industry codes. The ICC Code is to be followed by all involved in direct selling.

International Chamber of Commerce

38, Cours Albert 1er, 75008 Paris, France

Telephone +33 1 49 53 28 28 Fax +33 1 49 53 28 59

Web site www.iccwbo.org E-mail icc@iccwbo.org

18 May 2007 ETR/hp
Document 240/534 Final



Purpose of the Code

The ICC Code of Direct Selling is designed primarily as an instrument for self-discipline, but may also be used by the courts as a reference document within the framework of applicable legislation. ICC expects business operators to respect and endorse the Code both in the spirit and to the letter. It is recommended as a daily reference source for everyone involved in direct selling.

The Code is intended to achieve the following objectives:

- to demonstrate responsibility and good practice in direct selling across the world;
- to enhance overall public confidence in direct selling;
- to respect privacy and consumer preferences and to provide effective consumer protection;
- to promote fair competition and free enterprise;
- to provide practical and flexible solutions;
- to minimise the need for detailed governmental and/or inter-governmental legislation or regulations.

Scope of the Code

The Code applies to all direct selling activities in their entirety, whatever their framing, form or content. As for any marketing communication used in connection with direct selling activities, the Consolidated ICC Code of Advertising and Marketing Communication applies, unless specifically dealt with in this Code. The Direct Selling Code should also, where relevant, be read in conjunction with other ICC codes, principles and framework interpretations, available at www.iccwbo.org.

The distinction between direct selling and other techniques for making direct approaches to consumers should be noted. Direct marketing and the use of electronic media, including the telephone, are covered by Chapters C and D of the Consolidated ICC Code.

The Code sets standards of ethical conduct to be followed by all direct selling companies and their direct sellers. It should also be adhered to by practitioners or other contractors providing services for direct selling purposes.

The Code is to be applied against the background of whatever legislation may be applicable.



Definitions

For the purpose of this Code,

- the term *direct selling* refers to the selling of products directly to consumers, generally in their homes or the homes of others, at their workplace and other places away from permanent retail locations, where the direct seller may explain or demonstrate products;
- the term *direct selling company* refers to a business entity which utilises a direct selling organisation for the selling of products;
- the term *direct seller* refers to a person who is a member of a distribution system of a direct selling company. A direct seller may be an independent commercial agent, independent contractor, independent dealer or distributor, employed or self-employed representative, franchisee or the like;
- the term *consumer* refers to any persons to whom direct selling activities are directed, whether as an individual or as a trade customer or user;
- the term *party selling* refers to selling through explanation and demonstration of products to a group of prospective customers by a direct seller usually in the home of a host or hostess who invites other persons for this purpose;
- the term *product* refers to anything, goods or services, tangible or intangible, that constitutes the subject of an intended direct selling transaction;
- the term *recruiting* refers to any activity conducted for the purpose of inducing a person to become a direct seller.

Interpretation

The Code is to be applied in the spirit as well as to the letter, bearing in mind the different degrees of knowledge, experience and discriminatory ability of those to whom direct selling activities are directed.



RULES

Chapter A: Basic principles

Article A1

All direct selling should be legal, decent, honest and truthful.

Every direct selling activity should be carried out with a due sense of social and professional responsibility.

No direct selling should be carried out such as to impair confidence in direct selling.

All direct selling activities should conform to the principles of fair competition as generally accepted in business.

Chapter B: Conduct towards consumers

Fairness

Article B1

All direct selling activities should deal fairly with consumers. Activities should be designed and carried out to avoid giving ground for reasonable complaint.

Misleading, deceptive or unfair sales practices should not be used.

High-pressure tactics which might be construed as harassment should be avoided.

No direct selling should be represented to the consumer as being a form of market research.

Direct selling companies and direct sellers should not abuse the trust of individual consumers, and should not exploit a consumer's age, illness, lack of understanding, or lack of language knowledge.

Respect of privacy

Article B2

Any contact should be made in a reasonable manner and during reasonable hours to avoid intrusiveness. Where a consumer has in a clearly visible and unequivocal way (e.g. by "no selling" on a door sign) indicated a wish not to receive approaches from direct sellers this should be respected. A direct seller should discontinue a demonstration or sales presentation upon the request of the consumer.



Any collection and processing of data should be carried out in strict accordance with Article 19 of the Consolidated ICC Code of Advertising and Marketing Communication Practice.

Identification

Article B3

At the beginning of the sales presentation, direct sellers should without request truthfully identify themselves to the consumer, and should also identify their company, their products and the purpose of their solicitation. In party selling, direct sellers should make clear the purpose of the occasion to the host/hostess and to the participants.

Promotional literature, advertisements or mailings should contain the name and address or telephone number of the direct selling company or the direct seller.

Accuracy

Article B4

The terms of the offer should be clear, so that the consumer may know the exact nature of what is being offered and the commitment involved in the placing of an order.

Truthfulness

Article B5

Presentations and other treatments used in direct selling should not contain any product description, claim, illustration or other element which directly or by implication is likely to mislead the consumer.

Explanation and demonstration

Article B6

Explanation and demonstration of the product offered should be accurate and complete, in particular with regard to price and, if applicable, credit conditions, terms of payment, cooling-off periods and/or return rights, terms of guarantee, after-sales service and delivery.

The direct seller should endeavour to make sure that the individual consumer clearly understands the information given. The demonstration of the product should be adapted to the needs of those consumers to whom it is directed. Direct sellers should give accurate and understandable answers to all questions from consumers concerning the product and the offer.

The consumer should be given an opportunity to read the entire contract form thoughtfully and without harassment.



Order form

Article B7

A written order form should be delivered to the consumer at the time of sale, which should identify the direct selling company and the direct seller and which should contain the full name, permanent address and telephone number of the direct selling company or of the direct seller and all material terms of the sale. All terms should be clearly legible.

Comparisons, denigration and exploitation of goodwill

Article B8

Direct selling companies and direct sellers should refrain from using comparisons which are likely to mislead and which are incompatible with principles of fair competition. Points of comparison should not be unfairly selected and should be based on facts which can be substantiated. Direct selling companies and direct sellers should not denigrate any person, firm or product directly or by implication. Direct selling companies and direct sellers should not take unfair advantage of the goodwill attached to the trade name and symbol of another firm or product.

Testimonials

Article B9

The presentation of the offer should not contain or refer to any testimonial, endorsement or supportive documentation unless it is genuine, verifiable and relevant.

Testimonials or endorsements which have become obsolete or misleading through the passage of time should not be used.

Guarantees

Article B10

Direct selling should not state or imply that a “guarantee”, “warranty” or other expression having substantially the same meaning, offers the consumer rights additional to those provided by law when it does not.

The terms of any guarantee or warranty, including the name and address of the guarantor, should be easily available to the consumer and limitations on consumer rights or remedies, where permitted by law, should be clear and conspicuous.

After-sales service

Article B11

When after-sales service is offered, details of the service should be included in the guarantee or stated elsewhere in the offer. If the consumer accepts the offer, information



should be given on how the consumer can activate the service and communicate with the service agent.

Safety and packaging

Article B12

Products, including, where applicable, samples, should be suitably packaged for delivery to the customer – and for possible return – in compliance with the appropriate health and safety standards and with Article 17 of the Consolidated ICC Code of Advertising and Marketing Communication Practice.

Fulfilment of the order

Article B13

Orders should be fulfilled within 30 days from the date the order is signed by the consumer, unless otherwise stipulated in the offer. Direct selling companies and direct sellers should inform the consumer of any undue delay as soon as it becomes known to them. In such cases, any request for cancellation of the order by the consumer should be granted, and the deposit, if any, should be refunded immediately. If it is not possible to prevent delivery, cancellation and refunding may be made conditional on the customer's returning of the product at the direct seller's cost within a reasonable amount of time.

Substitution of products

Article B14

If a product becomes unavailable for reasons beyond the control of the direct selling company or direct seller, another product may be supplied in its place only if the consumer is informed that it is a substitution, and if such replacement product has materially the same or better characteristics and qualities, and is supplied at the same or a lower price. In such a case, an explanation of the substitution and of the right to return the substitute product at the direct seller's cost should be given to the consumer.

Cooling off and return of goods

Article B15

Direct selling companies and direct sellers should make sure that any order form contains, whether it is a legal requirement or not, a cooling-off clause permitting the consumer to withdraw from the order within a specified period of time, and to obtain reimbursement of any payment or goods traded in. Direct selling companies and direct sellers offering an unconditional right of return should clearly provide it in writing.

Complaints

Article B16

Direct selling companies should establish complaint handling procedures that are efficient and fair to the consumer. The receipt of any complaint should be confirmed



promptly, and decisions made and communicated to the complainant within a reasonable time.

Price and credit terms

Article B17

Whether payment for the offer is on a cash or instalment basis, the price and terms of payment should be clearly stated in the offer together with the nature of any additional charges (such as postage, handling, taxes, etc.) and, when possible, the amounts of such charges.

In the case of sales by instalment, the credit terms, including the amount of any deposit or payment on account, the number, amount and periodicity of such instalments and the total price compared with the cash price, if any, should be clearly shown in the offer.

For any other form of credit, information that the consumer would need to understand the cost, interest and terms should be specified either in the offer or when the credit is offered. Unless the duration of the offer and the price are clearly stated in the offer, prices should be maintained for a reasonable period of time.

Payment and debt collection

Article B18

The procedure for payment and debt collection should be determined in writing before any contract is signed and should be such as to avoid undue inconvenience to the consumer, making due allowance for delays outside the consumer's control.

Debtors should not be approached in an unreasonable manner and debt collection documents which might be confused with official documents should not be used.

Chapter C: Conduct towards direct sellers

Integrity

Article C1

Direct selling companies should deal fairly and honourably with direct sellers and prospective recruits, and should not abuse their trust or exploit their possible lack of business experience. Payments and withholdings should be made in a commercially reasonable manner.

Direct sellers should be given adequate education and training to enable them to operate ethically. Direct sellers should be fully informed by direct selling companies as to the characteristics of the goods or services offered, to enable the direct sellers to give the consumer all necessary information.



Recruiting

Article C2

Misleading, deceptive or unfair recruiting practices should not be used. Unverifiable factual representations or false promises should not be made to prospective recruits. The advantages of the selling opportunity should be presented truthfully, and should not be exaggerated.

The legal, economic and other relevant business factors that are likely to affect appreciably the decision to become a direct seller should be communicated in such a way and at such a time that the prospective recruit can take them into account before accepting the offer of employment, distributorship or commission.

Business information

Article C3

Information provided by a direct selling company to its direct sellers and to prospective direct sellers concerning the selling opportunity and related rights and obligations should be accurate and complete.

At the outset, the direct selling company should give its direct sellers either a written agreement to be signed by both parties, or a written statement containing all essential details of the relationship between them. Direct sellers should also be informed of their need to seek expert advice regarding legal obligations, including any applicable licenses, registrations and taxes.

Remuneration and accounts

Article C4

The direct selling company should provide its direct sellers with periodic accounts concerning, as applicable, sales, purchases, details of earnings, commissions, bonuses, discounts, deliveries, cancellations and other relevant data, in accordance with the company's arrangement with the direct sellers. All monies due should be paid and any withholdings made in a transparent and commercially reasonable manner.

Fees

Article C5

Entrance fees, training fees, franchise fees, fees for promotional materials or other fees related solely to the right to participate in the business should not be unreasonably high.



Earnings claims

Article C6

Actual or potential sales or earnings of direct sellers should not be misrepresented. Any sales or earnings representations made should be based upon documented facts.

Inventory

Article C7

Direct selling companies should not require or encourage direct sellers to purchase product inventory in unreasonably large amounts. The following should be taken into account when determining the appropriate amount of product inventory:

- the relationship of inventory to realistic sales possibilities,
- the nature of competitiveness of the products and the market environment, and
- the company's product return and refund policies.

Termination

Article C8

On the termination of a relationship, the direct selling company should buy back any unsold but saleable product inventory, including promotional material, sales aids and kits, and credit the direct seller's original net cost thereof less a reasonable handling charge to the direct seller up to 10% of the net purchase price and less any benefit received by the direct seller based on the original purchase of the returned products.

Chapter D: Responsibility, substantiation and implementation

Responsibility

Article D1

Direct selling companies have the overall responsibility for their direct selling activities.

Those taking part in the planning, creation or execution of any direct selling activity have a degree of responsibility commensurate with their position for ensuring that the rules of the Code are observed and should act accordingly. They should exercise due care and diligence and should operate in such a way as to enable the direct selling company to fulfil its responsibilities.

Thus in addition to the direct selling company the Code should be duly observed by:

- direct sellers, whether employed or independent;
- any other member of the direct selling company's distribution system, consultant, agency or their subcontractors, who contribute to the direct selling activity.



Article D2

The rules of this Code embrace the direct selling activity in its entire content and form, including testimonials and statements, and audio or visual material originating from other sources. The fact that the content or form of the direct selling activity may originate wholly or in part from other sources does not justify non-observance of the Code rules.

Effect of subsequent redress for contravention of the Code

Article D3

Subsequent correction and/or appropriate redress for a contravention of the Code, by the party responsible, is desirable but does not excuse the contravention.

Implementation

Article D4

The Code, and the principles enshrined in it, should be adopted and implemented, nationally and internationally, by the relevant independent self-regulatory bodies. The Code should also be applied, where appropriate, by all organisations, companies and individuals involved at all stages of direct selling.

All concerned with direct selling should be familiar with the Code and with decisions taken by the appropriate self-regulatory body.

The prime responsibility for the enforcement of the Code against any direct seller rests with the direct selling company.

Requests for interpretation of the principles contained in this Code may be submitted to the ICC Code Interpretation Panel.

Substantiation

Article D5

Substantiation of verifiable facts needed to establish compliance of the direct selling activity with the Code should be available and be produced when called for by any appropriate self-regulatory body.

Respect for self-regulatory decisions

Article D6

No direct selling company or direct seller should be party to the implementation of any direct selling activity or party to the publication or distribution of any communication which has been found unacceptable by the relevant self-regulatory body or available dispute-resolution mechanisms.



Direct selling companies should include in their contracts or other agreements of employment, a clause requiring direct sellers to adhere to the applicable self-regulatory rules and to respect decisions and rulings made by the appropriate self-regulatory body.

.....