

# The Critical Importance of an Automated Digital Compliance Program for Direct Selling Companies



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## Introduction

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Over the past decade, the direct selling industry has migrated from in-person sales meetings and events toward more online and social media-based marketing. This massive change has brought significant challenges and increased risks to direct sales companies, especially with regard to brand and regulatory liability. As Networkers increasingly use the Internet to promote their businesses, companies invite more risk from uncontrolled or unmonitored claims by the field, often to disastrous effect.

As a result, compliance officers continue to play the world's largest game of whack-a-mole; retaining oversize compliance departments charged with constant Google searching in hope of finding anything afoul of corporate and legal guidelines. It is an expensive process, requiring immense effort and resources to be able to "catch" and review all online mentions. Even so, the tools often employed by companies are not capable of finding the real issues lurking in dark and distant corners of the Internet.

## The Costs of Non-Compliance

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Direct selling companies often spend millions of dollars annually to retain large compliance departments. However, the work of searching the Internet becomes a game of finding a needle in a haystack as department staff use Google to sort out violators. These teams continuously scour the Internet for any questionable mention of their company's name - a method that is time inefficient, costly and decidedly ineffective.

Often this work is at odds with the corporate executive team, whose members sometimes treat independent representatives with more leniency. Some organizations, meanwhile, try taking a hardline approach by restricting their independent representatives from social posts or marketing, which can suppress initiative and enthusiasm in the field. This often results in representatives either shutting down (ceasing all marketing or relationship-building), or posting even more "creative" content by bending the rules in an effort to sell more successfully.

Other organizations follow a more "head-in-the-sand" approach - ignoring the problem altogether, or just doing the bare minimum to demonstrate effort. This approach is not only ineffective at stemming the tide of errant and illegal posts, but is actually dangerous. It is not only a company's highest duty to protect itself from existential threats, but federal law does not accept a company's excuse of ignorance as grounds for absolution. Organizations are required by law to keep track of the activities of all of their employees and independent representatives.

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## Automated Compliance Monitoring

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Automated Compliance Monitoring improves the largely manual compliance processes previously used to comply with government regulations and protect their brands.

With automated monitoring, a company's internal team can shift from the manual and low-skill work into higher level strategy, policy development and field communications, which are the hallmark and strength of the best compliance professionals.

By enabling this new approach, sophisticated tools are used to find information posted online in many different "social channels" (such as Facebook, Instagram, Twitter, LinkedIn, blogs, videos and more) as well as basic search results that are normally identified in the course of daily business. As a result, many items and updates posted outside of compliance guidelines can be dealt with immediately, whether using pre-approved "in-compliance" resolutions or directing mid- to high-level issues to the correct compliance department person.

## The Internet is a Big Place

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It seems simple enough, but all too often companies can underestimate the scope of monitoring the entire Internet. Raw hits from the dozens of online and social media sites means potentially millions of data points that must be culled and converted into incidents for the team to follow up. Every incident generates a case file, and many case files generate an investigation, and ultimately outreach to the field member in order to resolve the case. Each case can mean a dozen person-hours invested in a resolution, which clearly shows how manual processing of compliance management is cost prohibitive.

*"A company leveraging widely dispersed teams of reps today will find it increasingly difficult to ensure compliance with corporate policies, governing body guidelines and federal laws with only manual processes," says Jonathan Gilliam, CEO at Momentum Factor, creators of FieldWatch™, the leading compliance management platform for direct sellers. "The Internet's too big, and social media too ubiquitous to be able to keep tabs on everything, without help from technology and smart people."*

Simply put, direct selling companies are vulnerable in the internet age. Many compliance policy violations go undetected and unenforced due of the overwhelming difficulties of trying to track all of the rep activities on the Internet. These rogue violators expose a company to public embarrassment, litigation or worse, regulatory action.

## Fertile Hunting Grounds for Law Enforcement

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The Internet and social media also provide source material for law enforcement and consumer advocacy groups. An investigator may not receive many complaints to support an ongoing inquiry, but if he or she discovers dozens of YouTube videos about "how to become a millionaire" with your company, it may raise a red flag and spur further investigation.

Adequate monitoring requires more sophistication and resources than many companies can afford. Internal staff are often poorly trained in direct selling compliance guidelines and federal laws, which means they may overlook some problems and misunderstand others, resulting in serious consequences. Without the proper tools, staff can waste time and money while potentially exposing the company to future liability.

Companies must find ways to identify, select and enforce comprehensive company policies while doing it in an affordable manner. Automated Compliance Monitoring can provide such an answer by ensuring that everybody within an organization complies with corporate policies, governing body guidelines and federal laws.

## What does Automated Compliance Monitoring do?

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Automated Compliance Monitoring helps ensure everyone within an organization is operating within company policy and regulations. Just having policies in place is not enough; they must be enforced.

Automated Compliance Monitoring provides accurate documentation of such enforcement by offering proof for regulators that the company is taking action to monitor its policies and not just providing lip service to compliance. Direct selling companies can also benefit from such solutions, which enable the company to monitor all marketing directives without independent representatives feeling restricted.

For example, Momentum Factor has developed a unique, cost-effective system called FieldWatch™ to provide such a solution. Specifically designed for direct sellers, FieldWatch™ keeps compliance standards high without interfering with independent representatives' ability to realize sales growth potential.

## Why is there a need for Automated Compliance Monitoring?

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Any company with independent representatives who are not under direct control of the corporate office must consider exposure from those individuals potentially making unwarranted or illegal claims about the product, income or brand. One mistake or unscrupulous deed can lead to legal action or, even worse, enforcement action from a regulatory government agency.

The Internet makes compliance exponentially more complex for organizations, especially direct selling companies. In the past, direct selling companies had physical contact with their independent representatives via events or person-to-person meetings. Marketing material was also printed and distributed to ensure that independent representatives met all compliance standards.

In today's world, independent representatives using social media can reach many more potential prospects than in the past. It is now easy for them to create their own content in the hope of selling more products or recruiting additional representatives.

Most independent representatives do not understand the legal implications and/or how their actions may be considered noncompliant with business regulations. Few have ever read the policies and procedures of the company. They simply create their own marketing communications, often in an earnest desire to build their businesses.

Unfortunately, a company's reputation hangs in the balance and can be ruined by the actions of one independent representative.

Additionally, government regulators have become increasingly vigilant in addressing claims. This is especially true regarding direct selling companies, which often face the dual threat of income claims (FTC) and health claims (FDA). Regulators peruse the Internet to find marketing material that does not comply. They also receive reports from the public. As a result, they are not alone in identifying noncompliance concerns. Millions of people, including a company's competitors using the Internet, can and do eagerly report noncompliance activity.

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## Keys to an Effective Compliance Monitoring Program

Automated Compliance Monitoring easily identifies, scores and flags violations across most Internet properties and social media sites. The system should:

- 1 Flag any problematic online activity for an organization's brand.
- 2 Seek out any mention of the brand online with an extensive search that far surpasses normal search engine activity.
- 3 Supply an immediate response to any medium- to low-level compliance issues.
- 4 Catalog all compliance-related incidents for easy review, follow up, investigation and enforcement while also providing an audit trail.
- 5 Train field representatives in best practices, including how to prevent making improper claims and how to construct the right message.
- 6 Establish a "triage" process, which is completed in advance of alerting the internal team so that the riskiest violations are immediately expedited to a company's compliance team for follow-up.
- 7 Offer an opportunity to "prevent" improper posts from being sent in the first place via mobile app and other social posting platforms.
- 8 Significantly reduce compliance costs and increase search efficacy.
- 9 Free up time for internal staff to investigate violations and communicate in a more professional, thorough and effective manner with the field.
- 10 Provide external expertise with staff trained in direct sales to assist in ensuring compliance within the field sales force in order to reduce overall exposure. An experienced team can provide professional, knowledgeable recommendations for alerting representatives to issues and concerns working within a company's existing compliance structure.
- 11 Demonstrate the company's dedication to best practices in compliance.

With the above facets of a solid compliance program in place, should a regulator or other interested party inquire into a company's practices, a company can state that it uses the best available compliance services and technology.

## MOMENTUMFACTOR

WE PROTECT - WITH PASSION

**About Momentum Factor:** Momentum Factor is a leading digital risk management firm specializing in online compliance monitoring and global online reputation management services and technologies. Our flagship product, FieldWatch™ is the world's leading online brand protection and compliance monitoring solution for the direct sales channel. Our Reputation Defense practice protects brands worldwide in the search engines and beyond. Our mission is to protect companies from the brand and regulatory risks associated with online and social media technologies. *We Protect—With Passion.*

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