

Customer Relations Ongoing Training October 6th - 8th 2009

Compliance Training

Presented By: Brent Neidig – Compliance Officer and Trainer

Recipients: Corporate DSR

Date: October 6-8

Purpose: To ensure DSR are aware of most prevalent policy issues, and to give tips and training on how to handle certain policy-related phone calls.

Desired result: DSR will give accurate information to customers and will be able to ensure more efficient use of USANA's resources both in terms of commission payout and Compliance's efforts by reducing the amount of rogue associates and catching violating associates quicker.

I. Introduction

I. Question #1: What is USANA's most significant expense

i. Answer: Associate incentives (commissions, bonuses, awards, prizes)

II. Question #2: What percentage of sales was paid out in Associate Incentives in 2008?

i. Answer: 41.6% compared to 40.3% in 2007

ii. Why the increase? Possibly due to matching bonus addition.

III. Question #3: What was the dollar amount paid out in incentives in 2008?

i. Answer: \$178,309,000 (which averages approx. \$45 million per quarter)

IV. Question #4: USANA Associates earn commissions based on their sales activity. Because USANA pays commissions to Associates based on sales activity, and not recruiting, we are a legally sound entity. As such, how many sales does USANA require an Associate to make every 4 week rolling period?

i. Answer: 5 sales every 4 weeks.

V. Question #5: Which two regulatory agencies govern the way in which USANA manufactures its products and how those products are advertised and promoted?

i. Answer: FTC (Federal Trade Commission), FDA (Food and Drug Administration)

VI. Question #6: Which market experienced the greatest sales growth from 2007-2008, and by how much?

i. Answer: East Asia (Hong Kong mainly and a little Taiwan), increased by almost \$13 million.

ii. Things to look out for – rogue associates in Mainland China, trying

to order US product.

II. Main policy issues – “The Meat”

I. Policy 3.13 (One Distributorship) Husband and wife

i. What does the policy say?

1. ***“Your spouse may become an Associate and operate a second distributorship as long as your spouse’s distributorship is placed below one of your Business Centers and not in a crossline sales organization. The second business must be a bona fide independent business that is operated by the person listed on the agreement and not by the owner of the first business.”***

ii. Scenarios of what is allowed and what isn’t

1. ***One time exception to allow spouse to move in downline position. Once moved, they can terminate and come back up. If they wish to go back down they must remove their name from the account and wait six months before they are eligible.***

2. ***What does independently operated mean?*** Contact information does not need to be independent of the first distributorship. What operated independently means is to not allow one spouse to make changes, place orders, and enroll people for their spouse. This is where the DSR can help in enforcing this policy by being aware of whom they are talking to and not allowing others to participate on said account. Don’t be afraid to tell someone no. They will not cancel their account because you enforced the policy.

3. ***A good customer service reply would be “As you are the spouse to “Susan” and you have your own distributorship I wanted to explain what our policy states.*** Recently our policy was changed to allow husband and wife to have two separate accounts. Along with that change, there was a stipulation that the two accounts needed to be run independent of each other. That means that changes like the one you are trying to make are prohibited by this policy – therefore I will unfortunately be unable to make this change for you. Why don’t we conference your wife in on the call and she can give the approval to go ahead with this change”

II. Co-applicant

i. What does the policy say?

1. ***Must send in written request with both signatures and properly completed associate application form. Same format to remove a co-applicant. Send in written request with both signatures and completed application form. Also, any previous associate may not be added to an existing account as a co-app.***

ii. Scenarios.

1. Recent case where man helped operate female's account by doing data entry. He then enrolled in a new position, she waited six months and then joined his account. He is now a GDIR.

a. Problems: he was ineligible to move in the first place because he helped her operate her account. She also can't join an existing account since she was once a distributor. We ended up terminating this account.

2. Qualifications of a co-applicant

a. They must fulfill the same requirements to operate in that market, i.e. a US citizen operating in US cannot add a MX citizen to his account.

III. Fraud

I. Read notes on account

i. Make sure you read all global alerts and customer notes to see how many exceptions have been given and to see if there is anything that you must be aware of before proceeding with the call.

ii. Order History

1. Check the order history to see if there is excessive purchasing going on. Many large orders within the last week or day, etc. If you think something is suspicious, notify us.

iii. Credit card usage

1. If someone is trying to use a card other than their own, do not let them. There have been several instances of fraud lately where people's cards have been stolen and used to purchased product.

2. A good response would be: "I noticed that the name on this card is different than your own. You may not be aware of this, but recently there have been several instances where credit card fraud has taken place. Because of this, we are trying to increase our associates protection by only allowing the account holders credit card to be used on their account. So unfortunately I can't let you use this credit card. I know it may be a bit inconvenient, but I'm sure you would be glad if we stopped someone else from using your card on their account without your authorization."

IV. Rev3 retail and logo usage

i. What is the policy?

1. 3 locations per tax id and that tax id must enroll as a distributing associate and product must be sold at retail price.

a. Why 3? We wanted to hopefully get a new demographic of associates and didn't want retail to become so large as to compete with associates.

ii. Why can't we retail rev3 in UK

1. Due to government regulations our Rev3 is not available for purchase. There is an ingredient that is not allowed in the UK

V. Conclusion

VI. Survey

i. What would you like to know from us?

1. Send your policy and procedure related questions to Jenny, who can in turn, email them to me. I will try to address each issue or the most frequent asked questions and send responses to Jenny who can email them back to you or include them in her next training.

VII. Questions from DSR

I. When are we going to expand our department to take on all the cheaters?

- i. Great question, but don't have an answer for that. A lot of things need to be considered when increasing the size of a department... Budgetary concerns, available space, etc.

II. When can we get the computer to list accounts with same address, phone, ssn, etc.

- i. We already have access to most of that information, it just doesn't automatically show us it. We have spoken with IT and the more actions we place on the system, the more burdensome it becomes and the slower it operates. So for now, we have to run our own little reports to try and find multiples.

III. How rampant is credit card fraud in the system?

- i. Lately we have had several issues with Fraud. I don't have an exact number on how many issues we have, but it is a growing concern. As a result, we are currently working on changing our credit card policy to ensure an added level of protection for our associates.

IV. What is the biggest market that buys our products that we are not eligible to operate in?

- i. Once again I couldn't give you an exact answer on this. Since I work with our Asian markets, I know that a large sum of product ends up in China, but I'm sure product somehow gets shipped to other unauthorized markets as well...

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