

Controversial energy drink company targets students as sellers - Jin Sung Pak

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Imagine if someone came up to you when you were in college and said you could be a millionaire, drive fancy cars, even fly in private jets — just by selling an energy drink and getting your friends to sell the product too.

You might have been excited by the opportunity. But today, some universities are issuing warnings telling students to be careful of a company doing just that — targeting, they say, college kids.

It's a health and wellness company called Vemma, and its recruitment videos say that if you sell its energy drink, Verve, you could be a millionaire: "\$500 a month, \$5,000 a month or even \$50,000 a month or more," CEO Benson K. Boreyko claims in one.



Video: Some universities are issuing warnings telling students to be careful of a company that they say targets college kids to sell its energy drink. NBC national investigative correspondent Jeff Rossen reports. <http://www.nbcnews.com/id/46060845?launch=55762945&width=564&height=395","Width":564,"Height":395>

The online videos feature private jets and fancy cars, and students are buying in and signing up. But one such student said that after joining Vemma he lost money and more.



"They promised that you could make a lot of money relatively quickly," said Peyton Carlucci, 20, who attends Grove City College in Pennsylvania, north of Pittsburgh. "They promised you that you could have a BMW or a Mercedes. Basically, they just promised you the world and back."

Vemma operates around the world. In the U.S., the Federal Trade Commission has received 170 complaints against the company. "There are some classic signs here that Vemma could be a pyramid scheme — primarily, their reliance on recruitment," said Dr. Bill Keep, dean of the school of business at the College of New Jersey in Ewing Township, New Jersey.



To check out how Vemma recruits, a young producer for the Rossen Reports team went undercover, wearing hidden cameras to meet with JD Park (Jin Sung Pak), a top salesman with the company. "What are the opportunities available to me?" the producer asked him.

Park said: "The best way to do Vemma is part time so you have money coming in paying your bills, and part time I can get you. Right now, everyone who is doing my team right now, we just had a strategy session and the goal is executive by December, that's about \$4,000 a month."

"\$4,000 a month?" the Rossen producer said.

"In residual permanent lifetime income," Park told her. But documents show that less than 1 percent of Vemma salespeople made that last year.



Still being recorded on hidden camera, Park said he had personally used the product and then described aspects of how the business works: "Let's say you signed up three friends. Then you and I would help those three friends sign up their three friends and get their \$700 check. Now there's nine people there, right? Then we help those nine people sign up their three friends, and then they get their [\$700] — so everyone kind of gets their money back."

As for the BMWs and Mercedes shown in Vemma's recruitment videos, Park told the producer: "They want to give you a car pretty early. The cars come into play three to six months in."



After Park's meeting with the producer, Jeff Rossen introduced himself and asked Park about accusations that Vemma could be a pyramid scheme: "The way you were describing it, you weren't telling her to go sell a drink; you were telling her to go sign up some friends and make money, and those friends make money if they sign up friends."

"Buying product," Park said.

"That sounds a little like it [a pyramid scheme], doesn't it?" Rossen said.

"Well yes, but it's not an illegal pyramid scheme," Park said. "It's a direct selling, direct marketing company."

"Is it shaped like a pyramid?" Rossen asked.

"It is shaped like a pyramid, yes," Park said.

"But you're saying it's not an illegal pyramid scheme?" Rossen asked.

"It's not an illegal pyramid scheme," Park said.



When we shared Park's sales pitch with Vemma corporate, the company suspended him, telling NBC News that his statements were "inaccurate and not representative of the company." Vemma says it recently started to "overhaul and improve" its compliance program.

Vemma calls itself an "affiliate marketing company that sells high-quality products" with "a number of policies that distinguish our model from that of [a] pyramid scheme": Affiliates are not rewarded for recruitment and only paid for products sold, plus they have a 30-day money-back guarantee.

As for Payton Carlucci, Vemma says his accusations are not true, but they're sorry to hear he wasn't successful. Carlucci's message to Vemma: "Stop. Stop enticing these college kids. We fall into this lifestyle that you tell us we can have. But we're not gonna have it."



The Rossen team spoke to multiple college students with similar stories to tell.

The FTC won't say if it is launching a formal investigation into Vemma, but told NBC News it takes every complaint seriously. Meanwhile, Vemma continues to grow, bringing in \$221 million in revenue last year alone.