

Protecting Wisconsin Consumers for 75 Years

Internet-based business opportunities

Internet businesses sound like the perfect job: be your own boss, set your own hours, and work from the comfort of your house. The truth is, like any business opportunity, it requires a large investment of time and money, and few succeed. If you want to buy an Internet business, you should know that big profit and a perfect work environment is impossible for most. The tales about college-aged billionaires are few and far between. There is no safe bet.

Some companies selling Internet-related business opportunities are trying to cash in on the Web's potential using questionable business practices. Do not let them fool you. Although the Internet has vast commercial possibilities, not every entrepreneur who buys into an online "opportunity" finds an automatic pot of gold at the end of the rainbow.

Pitches like "Start your own internet business;" "No prior experience needed;" "Expert staff ready to help you" are common catch phrases and exist in many places: on-line and in e-mail offers, infomercials, classified ads, telephone pitches, seminars, and direct-mail solicitations. Many of these pitches are scams that

cannot live up to what they promise. Fake Internet business pitches are often light on details, and heavy on pressure to convince you to buy before you fully investigate their company.

Some companies prefer to target individuals who are not technologically savvy. In fact, many pitches appear to take advantage of an entrepreneur's "Internet innocence."

In Wisconsin

The Bureau of Consumer Protection has received complaints from consumers who say that promises made by companies selling internet businesses were not kept. Additionally consumers who signed up allege they had difficulty canceling the contract, after they were told in the sales presentation that they had a money back guarantee.

Shopping locally for help in establishing an Internet-related business or a web site instead of dealing with out-of-state companies is a good idea. That way if something goes wrong, the matter can be resolved more easily within the community.

Short on details

Every business, including Internet-based businesses, require a good business plan. Sellers of legitimate businesses should provide you with thorough information. Be wary of any seller offering vague descriptions of the business model or how the business will work. Take time and ask important questions, like:

- What are the goods or services you would be selling?
- How would consumers find your business?
- What are your expenses?
- How would you make money?

Answer these questions before you pay any promoter the price of admission to a business.

Be skeptical of sellers who say you do not need to know the details because "it is the Internet" or they have staff to "take care of things for you." The Internet is not a magic box for businesses: a successful Internet plan requires the same hard work as any other successful plan.

High pressure

Scam artists create the sense that if you do not act quickly, you will miss your opportunity. They

stress fast action, and imply that other buyers are ready to take your place if you wait or want details. These people want you to give up your credit card or checking account number before you have time to research their claims, or find out about their company from other consumers. They know that if you look, your search will reveal many alarming complaints. A legitimate business opportunity will not use high-pressure sales. An offer that is good today will likely be good tomorrow.

Part of the scam artist's pitch will be a "no risk" return policy that will encourage you to buy before you research their claims. Do not rely on a refund policy or money-back guarantee because you have "nothing to lose." Despite these guarantees, the scammers will make it almost impossible for you to recover your money.

Check it out

Investigate Internet business opportunities as carefully as you would check out any other business opportunity. Before you invest or buy into any business opportunity:

- Realize that seminar "trainers" or "consultants" often are there to sell you a business opportunity, not teach you Internet basics. In fact, they may be counting on your lack of experience with computers or the Internet. Do not commit to anything based on verbal representations made during any presentation.
- Ask questions: How would your business make money? How

would people find and use your service?

- Investigate all earnings claims. If a promoter claims you can earn a specific amount, they must give the number and percentage of purchasers who earned that much.
- Talk to others who have purchased the opportunity to see whether their experience supports the company's claims. Visit previous purchasers in person to reduce the risk of being misled by "shills" – people paid to give favorable reports. Never rely solely on the promoter's list of references because it may contain shills.
- Demand to see the company's claims in writing. In fact, get all promises in writing.
- Ask for a disclosure document. Many business opportunity programs are required to provide a document to potential buyers, including: cancellation and refund policies; information about any lawsuits from other buyers; and contact information for references. The disclosure document should provide detailed information to help you compare one business with another. Be skeptical of companies that do not have disclosure documents.
- Check out the company with the:

Bureau of Consumer Protection

1-800-422-7128

**Dept. of Financial Institutions
Division of Securities**

1-800-472-4325

Website: www.wdfi.org

**Better Business Bureau
(BBB)**

1-800-273-1002

On the BBB website search in your area and the area where the promoter is located:

www.bbb.org/wisconsin

Your local Postmaster

The US Postal Service investigates fraudulent mail practices.

- Search the Internet with the company name and the words "complaint" or "scam." These checks may not be foolproof, as dishonest promoters change their names and locations often to hide their complaint history, but they may show whether complaints have been filed about the promoter.
- Contact an accountant, attorney, or advisor before you pay any money or make any agreement. Starting a business can be expensive, so have a business professional check out the contract before you sign.

Remember

If you are considering a business opportunity, remember:

- No one makes a lot of money without putting in long hours and hard work.
- Never pay anyone a fee in exchange for the promise of a job.

- Research can eliminate buyer's remorse. Do not buy until you have done your homework.

What you need to know

Under federal law, business opportunity sellers must give you specific information to help you make an informed decision about the offer. You are entitled to written disclosures from sellers of business opportunities at least 7 days before any money is paid or documents signed. The disclosures must include the following information to help you check out the opportunity:

- Identifying Information – the company name, business address, phone number; the salesperson's name; and date you received the document.
- Legal Actions. Disclosure of any legal actions – civil or criminal – involving the company and/or key personnel.
- Cancellation or Refund Policy. If there is a cancellation or refund policy, it has to be noted and a copy attached.
- Earnings. If the seller has stated or implied how much money a prospective buyer can earn an Earnings Claim Statement must be attached verifying that information.
- References. Contact information for at least 10 people who have purchased the business must be provided. If more than 10 people have purchased the business, the list should include those who live closest to the prospective buyer.

To do list

Before you buy a business:

- **Study the disclosure document and proposed contract.**
- **Interview current owners in person.** Their names and addresses should be listed in the disclosure document. Ask them how the information in the disclosure document matches their experiences with the company.
- **Investigate claims about your potential earnings,** and ask for them in writing. Broad sales claims about successful areas of business – for example, “Be a part of our \$4 billion industry,” – may have no bearing on the likelihood of your success. Once you buy the business, you may be competing with franchise owners or independent business people with more experience than you.
- **Shop around.** Compare opportunities.
- **Listen to sales presentations with a critical ear.** Be wary if the salesperson makes the job sound too easy. The thought of “easy money” may be appealing, but success generally requires hard work. By law, the seller must wait at least 10 business days after giving you the required documents before accepting your money or your signature on an agreement.
- **Get the seller's promises in writing.** If a seller balks at putting oral promises in writing,

consider doing business with another firm.

- **Consider getting professional advice.** Ask a lawyer, accountant, or business advisor to read the disclosure document and proposed contract.
- **Check out the company** not only where the company is located, but also where you live. Do a few Internet searches by entering the company's name and words like “complaint” or “scam.” But be wary, the absence of complaints does not necessarily mean the company is legitimate. Unscrupulous companies may settle complaints, change their names, or move to avoid detection.

Where to complain

If you think you have been defrauded in an Internet-related business opportunity, contact the company and ask for your money back. Let the company know you plan to notify law enforcement and the Bureau of Consumer Protection about your experience. Keep a record of your conversations and correspondence. If you send documents to the company, make sure you send copies, *not* originals. Send correspondence by certified mail and request a return receipt to document that the company received it.

For more information or to file a complaint, visit our website or contact the Bureau of Consumer Protection.

**Bureau of Consumer Protection
2811 Agriculture Drive
PO Box 8911
Madison WI 53708-8911**

**E-MAIL:
DATCPHotline@wi.gov**

**WEBSITE:
datcp.wi.gov**

**Toll-free in WI:
(800) 422-7128**

(608) 224-4976

FAX: (608) 224-4677

TTY: (608) 224-5058

(Some information taken from the FTC's fact sheet, "Starting an Internet Business: Dream Job or Pipe Dream?" and the FTC's Business Opportunities-Money Matters.)

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