



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 home.

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, e-mail offers, infomercials, classified ads, telephone pitches, seminars, and direct-mail solicitations. Use caution as some of these pitches are scams that cannot live up to what they promise.

Research internet business opportunities as carefully as you would check out any other business opportunity.

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.”

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.

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 pressure you into believing 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

Research 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.
- Get the seller’s promises in writing. If a seller balks at putting oral promises in writing, consider doing business with another firm.

- 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. Shop around. Compare opportunities.
- Ask questions: How would your business make money? How would people find and use your service? What are the goods or services you would be selling? What are your expenses?
- Investigate claims about your potential earnings, and ask for them in writing. Broad sales claims about successful areas of business – such as, “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.
- Interview current owners in person to verify whether their experience supports the company’s claims (required by the Federal Trade Commission’s Business Opportunity Rule, 16 C.F.R. Part 437). Ask them how the information in the disclosure document matches their experiences with the company. Visiting previous purchasers in person will 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.
- Check out the company with the:

Bureau of Consumer Protection
(800) 422-7128

WI Dept. of Financial Institutions
Division of Securities
(800) 472-4325
Website: wdfi.org

- 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.
- Consider getting professional advice. Contact an accountant, attorney, or advisor to read the disclosure document and proposed contract,

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.

- 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.

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 the Federal Trade Commission’s Business Opportunity Rule, 16 C.F.R. Part 437, 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 are 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.

Be skeptical of companies that do not have disclosure documents.

For more information or to file a complaint, visit our website or contact:

Wisconsin Department of Agriculture,
Trade and Consumer Protection
Bureau of Consumer Protection
2811 Agriculture Drive, PO Box 8911
Madison, WI 53708-8911

Email: DATCPHotline@wi.gov

Website: datcp.wi.gov

PHONE: (800) 422-7128 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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