

FTC Business Alert

Federal Trade Commission ■ Bureau of Consumer Protection ■ Division of Consumer & Business Education

Starting an Internet Business: Dream Job or Pipe Dream?

Starting an internet business can sound like a dream: work from home, set your own hours, be your own boss. But most internet startups require significant investments of time and money, and many of them fail. If you're considering buying an internet business opportunity, know that the promise of big earnings and ideal work conditions is a pipe dream for most. Regardless of the handful of stories you've read about college-age entrepreneurs turning into internet gazillionaires, there's no such thing as a sure thing.

You may encounter pitches like *"Start your own internet business;" "No experience required;" "Experts available to coach you"* in a variety of places: on the Web and in e-mail offers, infomercials, classified ads, flyers, texts, telephone pitches, seminars, and direct-mail offers. The Federal Trade Commission (FTC), the nation's consumer protection agency, says that many of these solicitations are scams that promise more than they can possibly deliver. Often, bogus internet opportunity sales pitches are short on details and long on high-pressure tactics to persuade you to buy before you've investigated the offer.

Short on Details

An internet business is just like any business – it requires a solid business plan. Anyone who sells legitimate business opportunities should give you detailed information. Be skeptical of a seller who offers vague descriptions of what the business is and how it will work. Sit down and ask yourself some critical questions, like:

- What would you be selling or doing?
- How and why shoppers would find and use your website?
- How would the business generate income and what are your specific expenses?

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

Some sellers claim you don't need to understand the details of the business because "it's the internet" or because their expert coaches and support staff will "take care of everything for you." The internet is not a magic place for business owners: in an internet business success requires the same solid planning and hard work as in any other venture. It's your business and your reputation; you can't afford to be in the dark about key details.

Long on Pressure

Scammers try to create the impression that if you don't buy immediately, you're going to miss out on a valuable opportunity. They emphasize the need to act fast, and may suggest that other buyers are ready to take your place if you hesitate or ask questions. They want to persuade you to give up your credit card or bank account information before you've had time to research their claims or other people's experiences with the company. The scammers know that if you do even a little research, you're likely to find reports of rip-offs. In fact, a quick internet search often is enough to reveal alarming complaints. Legitimate business opportunities don't need to use high-pressure sales tactics: if an offer is good today, it should be good tomorrow.

As part of their sales pitch, scammers often hype a “no risk” refund policy to encourage you to buy an opportunity before you’ve researched it. Here’s a tip: don’t rely on a refund policy or a money-back guarantee because you have “nothing to lose.” No matter the guarantee, scammers will make it virtually impossible for you to get your money back.

Before you buy any business opportunity:

- Consider the promotion carefully. If it claims buyers can earn a certain income, the promoter also must give the number and percentage of previous purchasers who earned that much. If the promotion makes an earnings claim - but the additional information isn't there - the business opportunity seller may well be violating the law.
- Study any disclosure documents. Under the Business Opportunity Rule, which is enforced by the FTC, many business opportunity promoters are required to provide a document to potential purchasers that includes information about cancellation and refund policies, whether the seller has faced any lawsuits from purchasers or other legal actions alleging fraud, and contact information for references who have bought the opportunity.
- Interview previous buyers in person. This helps reduce the chance of being misled by phony references.
- Do a few internet searches by entering the company name, or the name of the company’s CEO or president, and words like “complaints” or “scam.” Contact the state attorney general's office, local consumer protection agency, and Better Business Bureau, both where the business opportunity promoter is based and where you live, to see if complaints are on file. While a complaint record may indicate questionable business practices, a lack of complaints doesn't necessarily mean the company - or the opportunity - is legitimate. Unscrupulous dealers often change names and locations to hide a history of complaints.
- Consult an attorney, accountant, or other business advisor before you put any money down or sign any papers. Entering into a business opportunity can be costly, so it's best to have an expert check out the contract first.

Report Possible Fraud

If you suspect a business opportunity promotion is fraudulent, report it to the attorney general's office in the state where you live and in the state where the business opportunity promoter is based. You should also report it to the FTC. File a complaint online at ftc.gov or call toll free 1-877-FTC-HELP (1-877-382-4357).

If You Have A Complaint

The FTC works to prevent fraudulent, deceptive and unfair business practices in the marketplace and to provide information to help consumers spot, stop and avoid them. To file a complaint or get free information on consumer issues, visit ftc.gov or call toll-free, 1-877-FTC-HELP (1-877-382-4357); TTY: 1-866-653-4261. Watch a video, *How to File a Complaint*, at ftc.gov/video to learn more. The FTC enters consumer complaints into the Consumer Sentinel Network, a secure online database and investigative tool used by hundreds of civil and criminal law enforcement agencies in the U.S. and abroad.

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1-877-FTC-HELP	FOR THE CONSUMER