

Mystery to Me

Is that a business opportunity you see or just another attempt to grab your cash and run? With a little sleuthing, you can separate the money-makers from the money-takers.

Andrew A. Caffey | April 28, 2000

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We Americans have an insatiable appetite for quick, easy-to-use products and services. It began with the introduction of the frozen TV dinner in the 1950s, rocketed through various freeze-dried products of the space race in the 1960s and was brought to full flower by the fast-food franchise phenomenon of the '70s and '80s. Along the way, we learned to nuke food in a microwave and crunch numbers at unbelievable speed on our desktop. Compress it, package it, reduce it to its essence, save time, don't think about it, just do it, do it all for me and don't spare the horses.

It was inevitable that our culture would produce the "business opportunity." This is a self-contained, self-executing, affordable (just put it on a credit card) no-brainer of a business concept. It has sizzle. It has instant curb appeal. It seems so simple. It has potential. It's catching a wave. It *is* the ground floor. It's the next McDonald's. It's the next Pet Rock, that touchstone of irrational success. It's an investment that embodies the giddiness of personal business ownership and promises the buyer an opportunity to grab hold of the elusive dream of financial success that dogs the American psyche.

What Is a Business Opportunity?

The Basic Deal

Business-opportunity packages offer a first step into business. The typical business opportunity offer runs, "For a lump-sum purchase price, we will provide you with a package of materials explaining in detail how to make money operating a particular, usually simple, business. We provide instructional materials in our package and sell you the the equipment/products/display devices you'll need to start and conduct the

business. You'll go forth and sell your products/services under any name you choose in an active and competitive marketplace. This is a one-time transaction, and after this we won't have a continuing relationship with you, except possibly to sell you additional supplies of products/services. You will not pay us continuing royalties."

For some people, a business-opportunity investment is an affordable way to get their feet wet in business. However, it can also pose problems. If the business isn't right for you, or worse, if it's not completely legit, your investment is 100 percent wasted.

Your task in evaluating a business opportunity is to determine whether it's the right business for you, whether you can afford it and whether the business is all it's cracked up to be. Sometimes, that's not as simple as it sounds.

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Choosing the Right Biz Op For You

The Fit

How do you know if a business concept is the right one for you? There's no freeze-dried answer. It takes a measure of self-examination. List your business and personal goals on a piece of paper. Are you looking for part-time or seasonal work, or a full-time career change? What are your strengths and weaknesses? What do you most enjoy about your current work? Do you like talking to customers, dealing with machines, organizing information, working on computers or working outdoors? Using the theory that no one is happier than the person who works at something he or she loves, think hard about your passions in life.

The reason this process is so important becomes evident only on the back end of the business-opportunity purchases. Virtually all business-opportunity programs involve the buyer getting off the couch and making sales of one sort or another (yes, it does sound like work). The difficulty of this task is easy to play down in your mind. "If the product/service is attractive enough," you say to yourself, "it'll sell itself." No one who has every been in sales would make this claim with a straight face. It simply isn't true. In fact, it takes energy, enthusiasm, drive and simple hard work

to make a sale. If you aren't highly motivated by the business concept, the product or the service-if the business just isn't a good fit for you-the challenges of selling will quickly defeat you.

Talk to a spouse, family member or trusted advisor about your assessments of your strengths and weaknesses. Does he or she agree with your perceptions? Use the people closest to you as a reality check-if you're way off base, the people who care about you will help you refocus and be objective.

·**Learn More:**[A Step in the Right Direction](#)

What Will It Cost?

The Dollars

Can you afford the package? This is a toughie. Many business-opportunity investments run into five digits. In the right (wrong?) frame of mind, many of us will spend untold sums as investment in ourselves. The reasoning goes: "I believe 1,000 percent in myself and in my drive to succeed, and I will make a go of this business by the sheer force of my will." The availability of easy plastic credit in these situations make it easy to vote for ourselves with money we don't have. A natural rationalization sets in: "I'll be making big money on this business in the first month, and can easily carry and pay down the credit-card debt."

Use this one rule to decide whether you can afford to buy a business opportunity: "If you can afford to lose every dollar you invest in the business opportunity, then you can afford it." No matter how much you believe in your *own* limitless ability and fierce determination to succeed, a business opportunity is a risky investment. *Any* start-up business is risky, and the risks increase exponentially when the person at the helm has no experience in starting and running businesses. By definition, your purchase of a business opportunity is at the risky end of the investment scale.

Let your first lesson in business be to understand and plan for its inherent risks, as well as its potential successes. The business may well meet your goals, but there's also a chance the business won't succeed. Be realistic in your evaluation of the investment costs and risks, and you'll be well ahead.

The Marketplace

Prepare for a loud and vigorous marketplace of business-opportunity ideas, programs, sales techniques and advertising approaches. At first, it can be a bit overwhelming. The sheer number of choices, each more interesting than the last, can throw you. Attend a business-opportunity trade show and you'll immediately sense the size of the task ahead of you. This is when your self-evaluation comes in handy. If you've thought carefully about the type of business you're seeking, you can cut through a lot of the glittering distractions right away.

The range of business concepts in this marketplace is its most impressive feature. Just survey the concepts on display: vending machine routes, snack food distributorships, commercial cleaning companies, window blind cleaning devices, T-shirt printing presses, lotto machine routes, aspirin vending machines, travel agencies . . . the list goes on and on.

As you wander through this marketplace, be forewarned: Sellers of business opportunities are some of the most effective and aggressive salespeople in the world, and they know exactly why most people are shopping for a business-opportunity package. They know you're probably unhappy with your current situation. You want to tell the boss to shove that job. You want to work for yourself. You want to work at home. You want to better yourself. You want to make more money. You want to spend more time with your family. You don't want to commute to work. And so the sales pitch is made at that level. The representative will push every one of those hot buttons in the course of presenting the business-opportunity package.

·**Learn More:**[Shop Around](#)

There's no substantiation behind the promise of big money for little work. Nevertheless, you'll hear that appeal in the business-opportunity market all the time, much to the consternation of consumer protection enforcers. Big dollar signs are thrown out to get your attention. Disregard the claims and move on.

Most decisions to purchase a business opportunity are made on an impulse, and usually for all the wrong reasons. Those hot buttons work all too well. Watch for, and disregard, rather obvious closing techniques ("I

only have 13 of these contracts to award in this area, and nine have been assigned already. I'm leaving tonight on a 7 p.m. flight, so make your decision. Stay in that boring job or get on this gravy train before it leaves the station!"), and for downright elastic price points ("Our standard price is \$5,000, but at this show we're giving them away for \$2,999!"). Take your time, and don't allow yourself to be put in a hot box. Ask questions ("What exactly do you mean I can earn thousands of dollars working for only two hours a week?"). Make sure the purchase is right for you and, whatever you do, don't buy on an impulse.

Regulation and Enforcement

State and federal laws regulate the sale of business-opportunity ventures and franchises. However, there's a big difference between the regulation of a franchise and a business opportunity, and you should understand what protections are in place, or not in place, to help you.

First, a business-opportunity package is generally not regulated as thoroughly as a business-format franchise. The principal difference between the two concepts is the presence of a trademark license in a business opportunity. A true business opportunity provides materials necessary to begin a business but prohibits the use of any marks, images or trade names owned by the seller. The business-opportunity buyer is expected to operate under his or her own name or trademark. In a franchise system, the trademark is clearly licensed to the buyer's use. Indeed, franchise programs boast some of the best known trademarks in the world, such as McDonald's® and Holiday Inn®.

Federal and state laws require a franchisor to deliver a comprehensive disclosure document before closing the sale of a franchise. In *some* business-opportunity transactions, a similar disclosure statement is required and delivered. Why in only some of them? As the elastic concept of a business opportunity is harder to define than a franchise, fewer programs are reached by the regulations, and a lower level of compliance is attained in the marketplace. The bottom line: Fewer protections are in place for business-opportunity buyers than franchise buyers, so be prepared to protect yourself.

In October 1999, the FTC announced it would revise its regulation of

business-opportunity ventures, and FTC staffers have signaled that new definitions will reach further into the business-opportunity market than current FTC regulations. Although the FTC and state agencies have aggressively pursued a number of business-opportunity sellers, government budgets and resources are always limited.

If you do receive a disclosure statement prior to closing on the business-opportunity purchase, it should lay out some basic information about the seller, the exact materials and services you're receiving and information about sales in your state. Ask for a disclosure statement from your seller-if you don't receive one, plan on doing your own basic research on the company.

How to Protect Yourself

Steps to Protect Yourself

How can you tell whether the business opportunity is legitimate? The best indicators are usually independent reports from satisfied buyers. Request a list from your seller of all buyers in your state and adjacent states; call a number of them with a few basic questions. Did the program work for them, and did the seller do what it said it would do? Have they made money on the program, and would they recommend the purchase to a friend?

Be wary of the seller offering you only one or two names of people to call. Legal cases have revealed that, in some instances, these people may be shells, paid by the seller to deliver an enthusiastic evaluation to prospective buyers.

You can check with the attorney general/consumer protection office in your state to see if there are any enforcement actions pending against the company. Also call the Better Business Bureau for a report on any complaints filed about the seller. If you're a netizen, stop by the [FTC's home page](#) for the agency's tips and traps to look out for in the business-opportunity arena.

Finally, be creative in negotiating the terms of your purchase. Put less money down until the seller can deliver on some early promises. If the purchase price is \$3,000, suggest putting down 20 percent, and paying the

balance over the course of the first few months of operation. Using a credit card can offer some protections if the seller doesn't deliver on the purchase. You should check with your card issuer about when a "charge-back" on a purchase can be made.

Resist the lure of fast and easy money-the promise of a frozen TV dinner approach to business. Take the smart approach to buying a business opportunity and find success on your terms, in your own sweet time.

What About Network Marketing?

By Jane Easter Bahls

While you'll see dozens of business opportunities advertised in this magazine, some direct-sales companies you'll only learn about by word-of-mouth. Instead of pouring money into advertising, network marketing or multilevel marketing (MLM) companies build sales through a network of independent distributors. If you become a distributor, your goal is to build a "downline," or group of people you recruit into the company, because you'll earn a percentage of every sale they make.

The products these companies sell vary widely, but most are consumable products that customers will buy over and over. For instance, the oldest and largest MLM company, Amway Corp., started in 1959 with cleaning products but now offers a range of home products from food supplements and cookware to office supplies and even furniture. Mary Kay Cosmetics Inc. sells skin-care products and cosmetics. The Longaberger Company offers hand-woven baskets. Other MLM companies offer everything from water purifiers to pre-paid legal services.

Is MLM for you? That depends on your temperament. While MLM companies vary widely in their structure and emphasis, all involve selling products or services to friends, family and other people you know (or persuading them to start buying through the company). Being a successful distributor also involves enlisting some of these people in your organization. If you truly dislike either of these prospects, don't bother investigating further.

On the other hand, many distributors contend that recruiting is just like recommending a favorite movie to a friend or giving your cousin a hot

stock tip. These companies offer a chance to own a business with flexible hours and a low initial investment-plus the potential for a respectable income. If that idea appeals to you, you might prosper as a distributor.

Take a careful look at any MLM company you're considering and compare it to others. The differences between MLM companies are significant. Here are some questions to consider:

- **Is it a legitimate company or a pyramid scheme?** In pyramids, each newcomer gives a bunch of money to someone higher up in the structure, then recruits a certain number of others to do the same. Eventually each participant is supposed to reach the payoff level and get rich-with one catch: There are only so many suckers in the world. In the end, as you might guess, thousands lose out. These schemes are illegal. Note that pyramids require a large investment at the outset, and the product or service, if any, is incidental to recruiting. A legitimate network marketing company involves a minimal initial investment and low risk. Income is based on retail sales, not solely on how many people you recruit.
- **Do you like the product?** Would you buy it if you weren't selling it?
- **Does this company emphasize sales or recruiting?** Some companies focus on enthusiastic presentations of the product, leaving a discussion of career opportunities to brochures and questions from interested customers. Others focus more on the money you can make by recruiting more distributors. Some stress selling to the public, while others stress enlisting distributors to buy products for their own use. Be sure you're comfortable with the expectations.
- **Where do the sales take place?** Selling Longaberger baskets or kitchen products for Pampered Chef involves getting people to host gatherings where you give a demonstration and offer the products for sale. Mary Kay beauty consultants offer free facial makeovers as a way to introduce their products. Still others use catalogs. Which one best fits your style?
- **What's the compensation plan?** Do you have to recruit a certain number of people before you can start earning more than a pittance? How do people get paid? At Amway and many other companies, you receive a check for your own income and that of those in your downline, so you have to spend time writing checks to

people under you. (If a distributor shows you an impressive check from the company, find out if it's net income.) Mary Kay and others have each consultant or distributor buy directly from the company. Each company has certain levels you can reach by recruiting more distributors, with bonuses for reaching each level. Those at the top can make six-figure incomes. But what percentage of the distributors reach that level? Ask for the total number of distributors and the company's annual revenue, and divide the former into the latter. Due to product cost and overhead, the average income per distributor will be less. And if a few people at the top are really getting rich, those at the bottom must be making far less than average.

- **Does the company have a track record of at least two years?** Are the managers experienced in network marketing? How often are products back-ordered? Is there a service department to help with problems?
- **Is the company adequately capitalized?**
- **Does the company have a good computer system to track sales and make sure everyone gets paid?**
- **Does the company refund money on unsold merchandise?**
- **Would the company provide professional-looking sales tools?**

Obviously, network marketing is not easy money. As with any business, a sizable income comes from hard work, so you owe it to yourself to ask a lot of questions before getting involved.

Business Opportunity Lingo

Decoding the Hype

You may hear some outrageous statements in the course of a sales presentation for a business opportunity. Here's a quick guide to decoding the hype:

Seller Says: *"I only have five packages left in this area."* **Translation:** "I will sell as many of these programs as possible because I'm on straight commission, but I want to create some urgency in your mind."

Seller Says: *"Our operators earn huge money in just a few hours of their spare time."* **Translation:** "I have no idea whether you'll make one nickel

with this program. We don't know how our buyers are doing because they don't report their business to us."

Seller Says: *"The answer is in the numbers, and numbers don't lie!"* **Translation:** "There are only three kinds of lies: small white lies, medium-sized lies and numbers."

Seller Says: *"This is a smart, affordable package."* **Translation:** "It fits on one or two credit cards, whether you can afford it or not."

Seller Says: *"This program usually costs \$5,000, but today only, if you commit now, you can steal it for \$2,999."* **Translation:** "We have never actually sold this program for more than \$2,999."

Seller Says: *"I'm not supposed to tell you this, but our top producer grossed \$150,000 last year!"* **Translation:** "Our top producer last year was the owner's son, who operated three locations and actually lost money after expenses."

Andrew A. Caffey is a practicing attorney in the Washington, D.C., area and an internationally recognized specialist in franchise and business opportunity law. You can reach him at acaffey@compuserve.com.