

Opportunity Overhaul

One man's crusade to legitimize the business opportunity industry

BY JANEAN HUBER

LIKE LAS VEGAS and polyester suits, business opportunities have long suffered from an unfortunate stereotype of sleaziness. And while business opportunities have come a long way, often providing legitimate low-cost ways for people to make an income, the stigma seems to have stuck.

By most accounts, business opportunities are considered "the evil twin of franchising," says Andrew A. Caffey, a franchise attorney in Bethesda, Maryland, and frequent contributor to *Entrepreneur*. "The general perception is that business opportunities are inherently risky in-

vestments and that business opportunity sellers adhere to very low ethical standards or no standards at all."

Arguing that legitimate business opportunity sellers deserve a fair shake, Caffey has started somewhat of a one-man crusade to achieve regulatory rights for business opportunity sellers and buyers. "There is no measurement of the business opportunity seller community," says Caffey. "There is no trade association, no advocate, no voice. It is a community without definition."

By founding The American Business Opportunity Institute in mid-1994, Caffey has taken on the considerable task of providing business opportunity sellers with an identity.

"Franchise sellers have a very active trade association, and we've seen multiple associations spring up representing franchisees' interests. There is simply nothing comparable in the business opportunity arena," he says. "With an industry voice, perhaps legitimate business opportunity sellers will have an opportunity to affect how policy makers regulate them."

■ LAWS AND DISORDER

Caffey is well aware that he faces an imposing battle. "I was involved on behalf of the franchise industry in the creation of many of the state business opportunity laws," he says, "and I recall vividly the concern expressed by state regulators, the state attorneys general and consumer protection agencies."

According to Caffey, the general consensus when he worked with state legislatures was that business opportunities represented "a brand of white-collar crime that [cheated] people out of substantial sums of money."

Business opportunity sellers themselves have done little to rectify the situation. "In the early '80s, when many business opportunity statutes were adopted, the only industry groups that testified were representatives of franchisors and of direct sellers, who argued that [their groups] should be exempted from the legislation. But there was never any group that would show up to represent legitimate business opportunity sellers," Caffey says. "Business opportunity sellers rarely recognize that while they're in diverse types of businesses, they have policy issues in common. In many ways, the business opportunity community is at the same stage franchising was in the early 1960s. There is no strong identification between these companies, and they often don't perceive the regulatory threat until it's upon them."

Unfortunately, it is upon them. Business opportunity sellers today deal with a double whammy: Not only do they bear the brunt of a tainted reputation, but in some cases they must adhere to the same regulations franchisors do, even if those rules make little sense for them. For

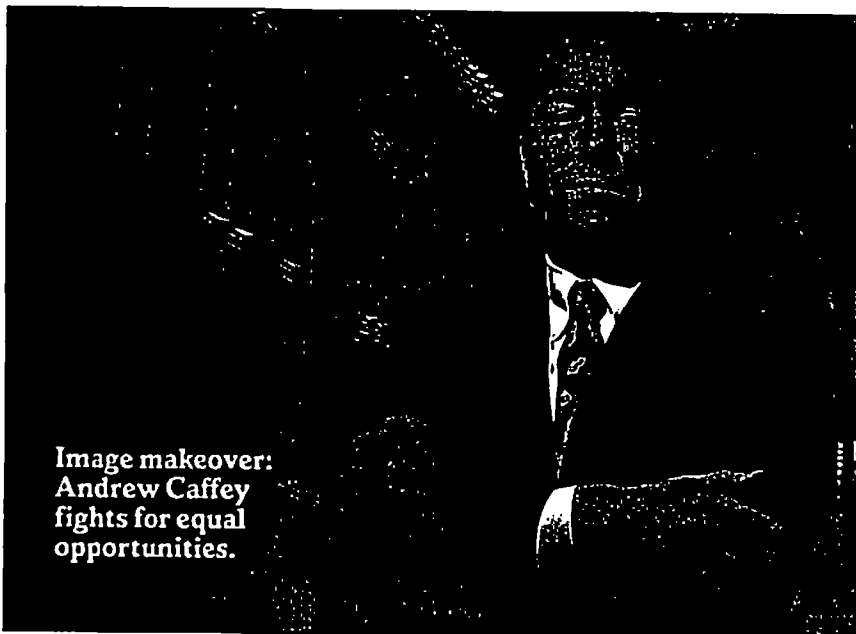


Image makeover:
Andrew Caffey
fights for equal
opportunities.

PHOTO COURTESY TINA WILLIAMS/PHOTOGRAPH INC.

example, Caffey points out that while requiring opportunity sellers to provide a disclosure document to potential buyers 10 business days before any money changes hands may apply to "a large investment like a franchise, it's nonsense for most business opportunities, which may cost no more than a few hundred dollars and [are often spur-of-the-moment purchases]. Business opportunities would benefit more from a post-sale 'cooling off' period."

The problem with current laws, Caffey argues, is that legitimate business opportunities are regarded in the same light as their less moral business opportunity associates. "There's no reason for legitimate sellers to put up with this mind-numbing patchwork of state laws," Caffey says. "And there's no reason these legal definitions must lump legitimate companies together with unworthy companies selling sham packages."

■ ALL TOGETHER NOW

Caffey, however, is the first to admit some of the bad rap is deserved. "The perception is based on the consumer protection agencies that are handling complaints from [purchasers]," he says. "I think it's fair to say that there are some shoddy practices among business opportunity sellers."

Initially, Caffey intends to handle the issues by educating the players. The American Business Opportunity Institute has already developed two publications, one for sellers and one for purchasers. Lobbying remains a distant, but distinct, possibility. "I think dissemination of information is its first purpose, but I have big plans for the institute," says Caffey.

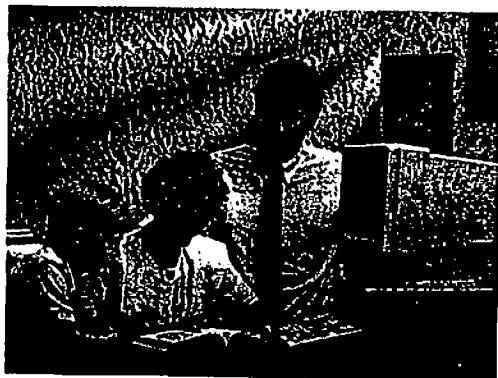
One of those big plans is to become a full-fledged trade association. "A measure of uniformity and a method of self-regulation would be extremely helpful to all sellers," Caffey says.

Before attaining these goals, how-

ever, Caffey must topple some hefty misconceptions. "There has not been a lot of understanding about this community," he says, "and that's part of the reaction I'm seeing from business opportunity sellers. They hesitate to join an association, where they will have a higher profile. A lot of these companies are keeping as low a profile as possible so they have less dealings with regulators."

The effort to legitimize business opportunities is a lonely quest, "and it may be an unreasonable one," says Caffey. "I don't know how to measure the response, except to say I've been encouraged by it and will continue. I would like to take steps to see if the regulatory atmosphere could be improved on behalf of business opportunity sellers. We'll have to see how many of them share my view."

For more information, write to The American Business Opportunity Institute, 3 Bethesda Metro Center, #700, Bethesda, MD 90814.



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