

FTC FACTS for Business

Ads for Business Opportunities: How To Detect Deception

It's not hard to see why ads for business opportunities that promote the benefits of being your own boss and making money quickly are appealing. But the Federal Trade Commission (FTC), the government agency that monitors advertising for deception, says that some ads for business opportunities feature empty promises and false claims that potential entrepreneurs could never realize.

Promoters of fraudulent business opportunities run ads where their targets are likely to see them: in daily and weekly newspapers, in magazines, and on the Internet. The FTC is asking for your help in finding these ads first. By doing so, you can protect your company and your readers from being left holding the bag.

As part of an advertising sales or production staff, you customarily review ad claims for taste and appropriateness. It's just good sense to take that extra moment to review a business opportunity claim for telltale signs of fraud, too.

- It can protect your company from being known as one that promotes rip-offs. Your readers may believe an offer is legitimate because it's in your publication or on your website. When the claim turns out to be false, they may well blame you for running the ad.
- It can keep you from getting cheated by those who are making the false claims. There's a good chance they won't pay their bills, and will have left town by the time you try to collect.
- It can keep you from harming your readers and your legitimate advertisers.

SPOTTING FALSE CLAIMS

How can you spot claims for a fraudulent business opportunity? One clue may be the type of opportunity being advertised. Fraud has most often been associated with promotions for vending machine, display rack, pay phone, medical billing, and some Internet-related businesses.

Here are several other claims that have made it into the pages of legitimate papers, magazines and websites recently:

"WORK PART-TIME FROM HOME." Most scammers promise an ideal work situation — the ability to set your own hours, be your own boss, or work from home. In fact, this rosy scenario is far from reality for most small business owners.

"Be Your Own Boss"

"Own a Dealership Today"

"EARN \$2,000 A MONTH." If an ad claims buyers can make a certain amount of money, the law says the promoter must give the number and percentage of previous purchasers who earned the income. If an earnings claim is there, but the additional information isn't, ask for more information: the business opportunity seller may be violating the law.

"\$50K/yr"

"Vending route nets \$1,700/wk"

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“NO RISK! GUARANTEED!” Ads that promise a big payout with little or no risk are usually a telltale sign of a fraud. Legitimate business ventures involve risks — usually in proportion to the promised return.

“Huge Income”

“100% return on your investment!”

“QUICK AND EASY!” Successful start-up businesses, including franchises, require a lot of work to get off the ground, let alone manage. Only a few are profitable from the start. If ads promise vending locations, they may not be current or high-traffic; the merchandise also may be out-of-date or of poor quality.

“Start Earning Today”

“Prime locations available now”

These are examples of possibly deceptive claims. If you see them, highlight them for the appropriate person in your company. At the same time, know that many fraudulent business opportunity promoters use more subtle language when making promises, guarantees, and claims that they can't possibly keep.

By taking a few moments to review the claims made in business opportunity ads, you can protect the reputation of your company — and the consumers in your community.

FOR MORE INFORMATION

For information on red flag claims for weight loss products, visit ftc.gov/redflag. If you see an ad you think is deceptive, you can report it to the FTC using the complaint form at ftc.gov.

The FTC works for the consumer 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 to 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. The FTC enters Internet, telemarketing, identity theft, and other fraud-related complaints into Consumer Sentinel, a secure, online database available to hundreds of civil and criminal law enforcement agencies in the U.S. and abroad.

YOUR OPPORTUNITY TO COMMENT

The National Small Business Ombudsman and 10 Regional Fairness Boards collect comments from small businesses about federal compliance and enforcement activities. Each year, the Ombudsman evaluates the conduct of these activities and rates each agency's responsiveness to small businesses. Small businesses can comment to the Ombudsman without fear of reprisal. To comment, call toll-free 1-888-REGFAIR (1-888-734-3247) or go to sba.gov/ombudsman.

FEDERAL TRADE COMMISSION	ftc.gov
1-877-FTC-HELP	FOR THE CONSUMER

Federal Trade Commission
Bureau of Consumer Protection
Division of Consumer and Business Education