

# Franchise and Business Opportunity Program Review 1993-2000

A Review of Complaint Data, Law Enforcement and  
Consumer Education

PROGRAM REVIEW

Prepared by the Staff of the Bureau of Consumer Protection

June 2001

### Acknowledgments

The staff gratefully acknowledges the assistance provided by Patrick Moulding, Nicole Branch and Christopher Stone of the Bureau of Consumer Protection.

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# Complaint Data

This section presents an analysis of franchise and business opportunity-related complaint data from 1993 through June 1999 that are currently available in the Commission's CIS system. It does not purport to represent a precise accounting of all correspondence that was possibly submitted to the Commission during the relevant time period. This is particularly true of data prior to 1997. Before 1997, complaint information, especially via telephone calls, was not routinely captured in a centralized database. In 1997, the Commission created the Consumer Response Center (CRC), which standardized complaint handling. At the same time, the Commission began accepting complaint data from non-FTC sources, such as from state law enforcement agencies and from regional offices of the Better Business Bureau. In addition, in the summer of 1998, the Commission established a toll-free number, and in October 1998 the Commission introduced an online complaint form. For these reasons, data submitted after 1996 is the most complete. Nonetheless, the CIS is the single best source of complaint data both before and after 1997.

## Methodology

### Initial Data Entry

An initial query of franchise and business opportunity-related complaints in the CIS generated 6,468 records. For a test period 1998-1999, these complaints represented between 3.3% and 3.6% of the total number of consumer complaints in the CIS. FTC staff entered information from all 6,468 records into a separate Microsoft Access database ("primary database") according to the protocol described below.

Every complaint record, even if a duplicate or mischaracterized as a franchise or business opportunity, was entered. The primary database included 41 different data fields, designed to capture all relevant information from each complaint. These fields included the date of the complaint; the state of the consumer and company; whether the company offered a franchise, business opportunity, or other venture; the amount of alleged injury; how the offering was advertised; the product or service involved; and the specific complaint allegations. Because many complaints did not have sufficient information to address each of the 41 fields, frequently some fields were left blank on individual records, indicating that no data were available.

### Franchise and Business Opportunity Database

FTC staff subsequently reviewed the primary database to determine whether each complaint raised a franchise or business opportunity issue. The review process paid particular attention to verifying the characterization of each record as either a "Franchise," "Business Opportunity," "Multi-Level Marketing (MLM)," "Money-Making Scheme (MMS)," "Miscellaneous Scheme," or "Mischaracterized." Complaints verified as "Mischaracterized" – including, for example, requests for information, complaints about copyright infringement, and various others – were removed. Complaints that could be accurately identified as concerning MLMs or MMSs were removed. "Miscellaneous schemes" – those where insufficient information was provided to permit a more specific characterization – were retained in the database. This review produced a final set of 4,512 complaint records. The 4,512 records generated as a result of this filtering process form the Commission's Franchise and Business

Opportunity Database (“FBOD”). This section of the report exclusively concerns the FBOD data.

## Report Organization

The statistical analysis of franchise and business opportunity complaint data is divided into five sections, as described below. Each section includes a summary, applicable charts, and analysis.

**Overview:** The overview section describes the FBOD generally, characterizing, to the extent known, each complaint as either a franchise complaint or a business opportunity complaint, the source of each complaint, and the complaint dates.

**Companies:** This section breaks down information on the companies identified in the complaints, including company location and complaints per company.

**Consumers:** This section highlights information about complainants, including geographic distribution and amount of injury per complainant.

**Delivery and Goods:** This section details the offerings and the sales process, including how offer-

other consumer protection agencies) as a forum for addressing complaints of this type. For example, while the Commission's online complaint form generated 210 franchise and business opportunity complaints during all of 1998, it generated 208 complaints during the first half of 1999 alone.

Fourth, the number of complaints as distributed by both the company locations and consumer locations tended to correspond to state population, such that more heavily populated states (FL, CA, TX, NY) usually led in both company complaints and consumer residency. One noticeable aberration was a relatively high number of complaints against Utah companies, placing the state in the top five in that category.

Finally, most franchises and business opportunities apparently continue to be advertised by mail and print media; these media represented more than half of the complaints where the advertising type was identified, and the combination of mail, print and telephone comprised almost two-thirds of the known total when the advertising medium was stated in the complaint. The Internet's role, in both advertising and as the subject of the offerings themselves, was less significant. Offerings advertised via the Internet represented less than 10% of the complaints, and offerings where the Internet was an integral part of the business proposal made up less than 5% of complaints where such subject information was available.



## Overview

The Overview addresses some of the general metrics identified in the FBOD, including complaint type, complaint date, and how the complaint came to the FTC's attention.

## Findings

1. More than 75% – 3,392 of the 4,512 FBOD complaints – concerned business opportunities, while only slightly more than 6% concerned traditional franchise arrangements. The overwhelming majority of the complaints submitted to the Commission, therefore, involved some form of business opportunity.
2. More than 12% of complaints appear to involve vending machine schemes.
3. Most complaints in the FBOD were recorded by the FTC or its Regional Offices. More than 60% of all the complaints were recorded by those two sources, by consumers using the FTC's online complaint form (public users), or via the FTC's toll-free number. The Better Business Bureaus and

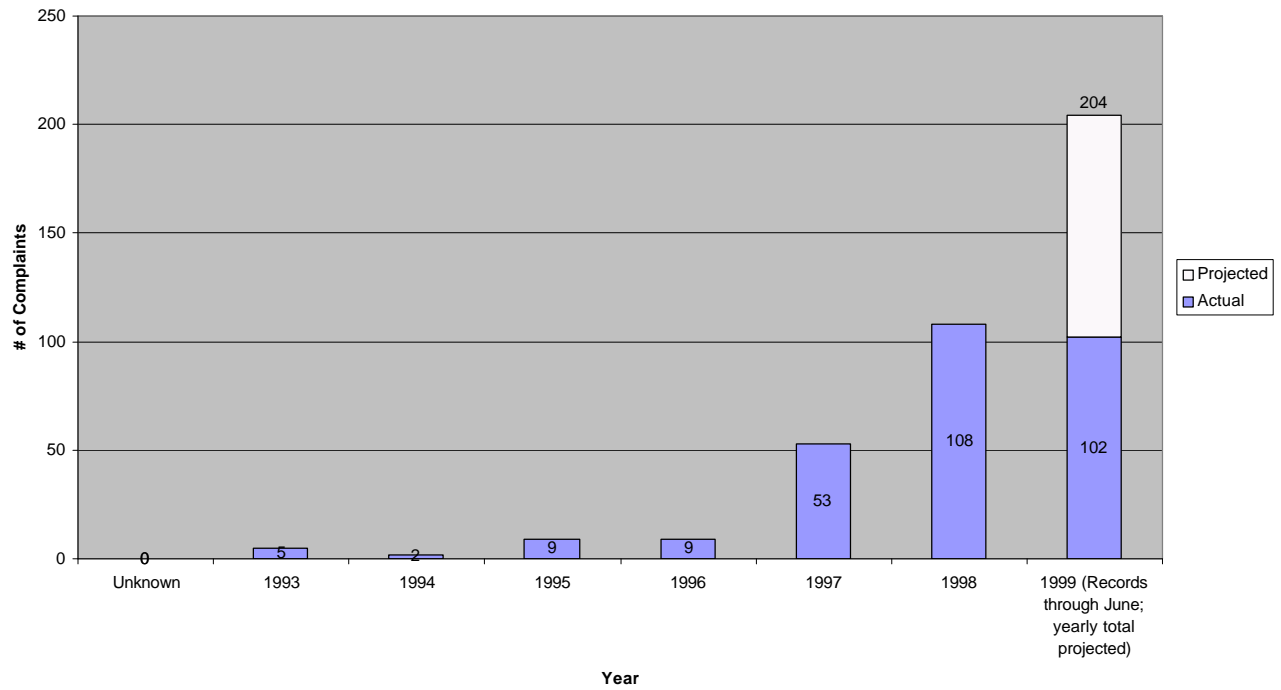
Chart A.2

**Complaint Count by Year**

Chart A.2 tracks the FBOD complaints by time, as entered into the date field. All but eight of the FBOD records noted the year the record was created. The chart indicates a general increase in complaints (except for an upsurge in 1995), a trend that 1999 complaints were, through June, on pace to continue.

**Chart A.3  
Franchise Complaints by Year**

Similar to Chart A.2, franchise complaints indicate a general increase by year.



**Chart A.4  
Business Opportunity Complaints by Year**

As with Charts A.2 and A.3, business opportunity complaints follow the trend of generally increasing numbers each year.

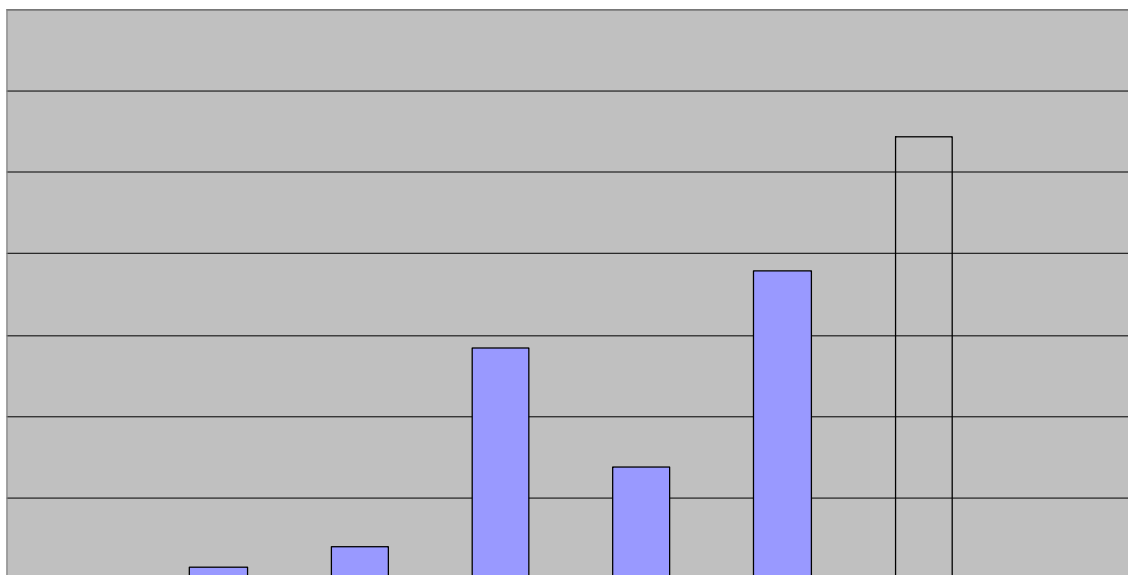


Chart A.5  
**Complaints by Source**

This chart analyzes the source of complaint data. The “All FTC” category incorporates entries from several different offices within the FTC, but FTC Regional Office records are kept separate. The State Law Enforcement category groups records originating with both State Attorneys General and State Departments of Justice. Public Users refers to email complaints sent to the FTC by consumers. FTC sources – home office, regions, direct mail to the agency, and the FTC hotline – make up the bulk of the complaint records.

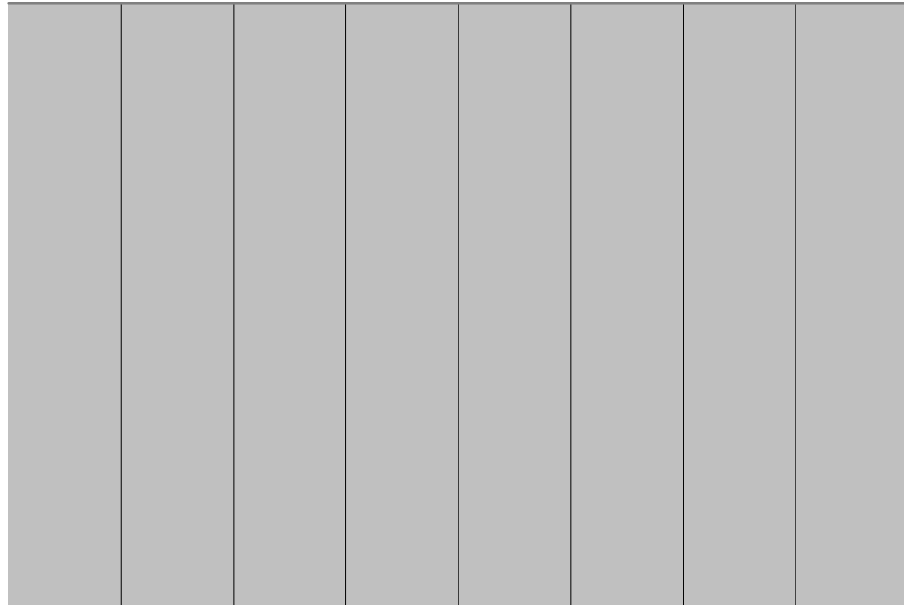
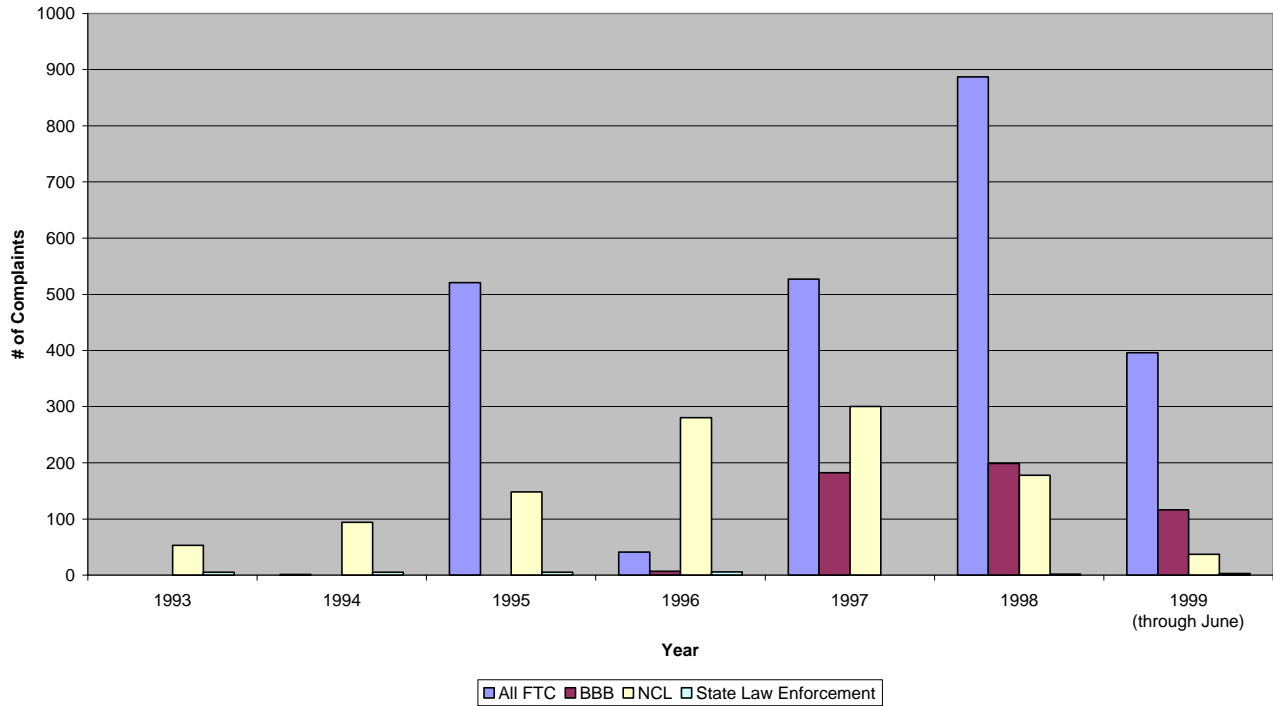


Chart A.6  
**Top Information Sources by Year**

Chart A.6 combines data from the Year field and the Source of Information field, tracking over time the number of complaints from the database's top information sources. The result suggests the emerging importance of Public User and FTC hotline complaints. Note: FTC internal sources are combined with the Regional Office numbers for this chart's FTC category.



## Companies

The Companies section breaks down information on the companies identified in each complaint, including company location and complaints per company.

### Findings

1. The most populous states tended to exhibit higher complaint counts; Florida, California, Texas, and New York were the most common company locations. One notable exception was Utah, which made the top five states.
2. The majority of complaints – almost 75% – were isolated occurrences. Very few companies generated more than one complaint, and only about 5% of companies had more than 6 complaints.

### Supporting Data and Analysis

Chart B.1  
Top 10 States, by Number of Companies Complained About

Chart B.1 indicates the states with the most complaints against in-state companies. Complaints generally seemed to follow state population. However, given the sample size involved in the database, the relative ranking of those states with fewer complaints should not be interpreted as definitive. This chart excludes the sizeable category of “unknown” locations – where the complaint did not provide the state of the subject company. This category represented the second highest complaint count.

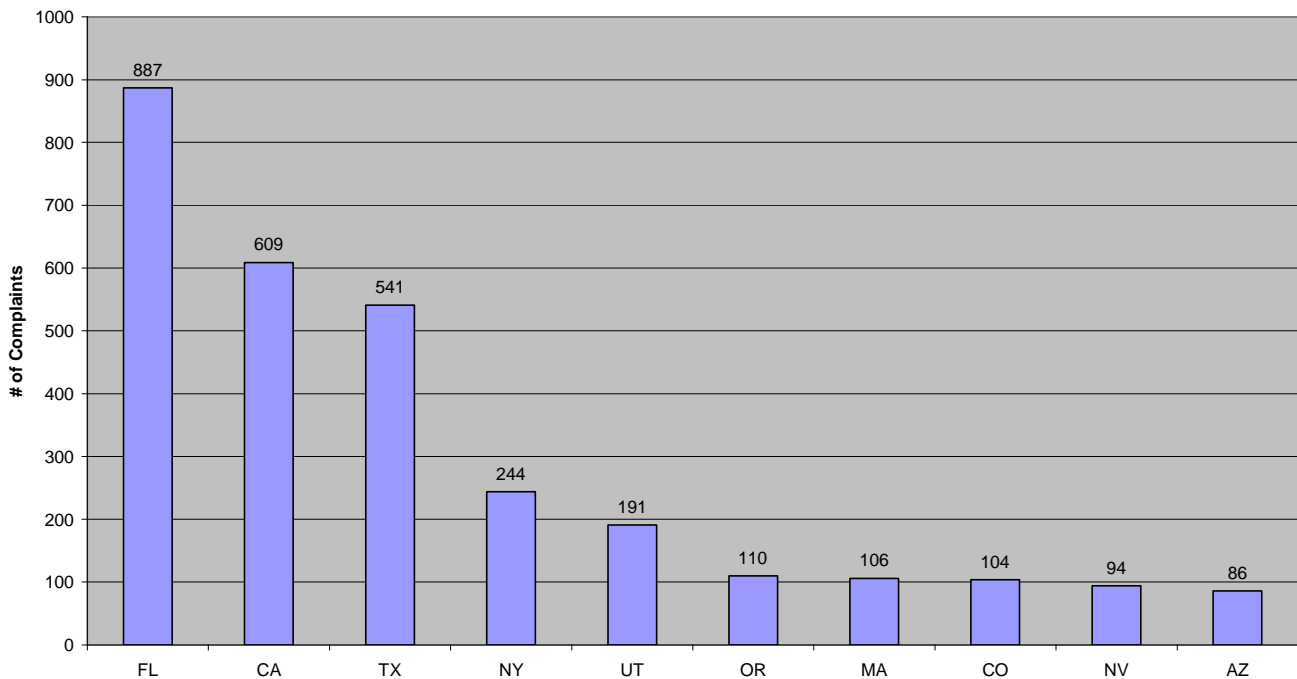
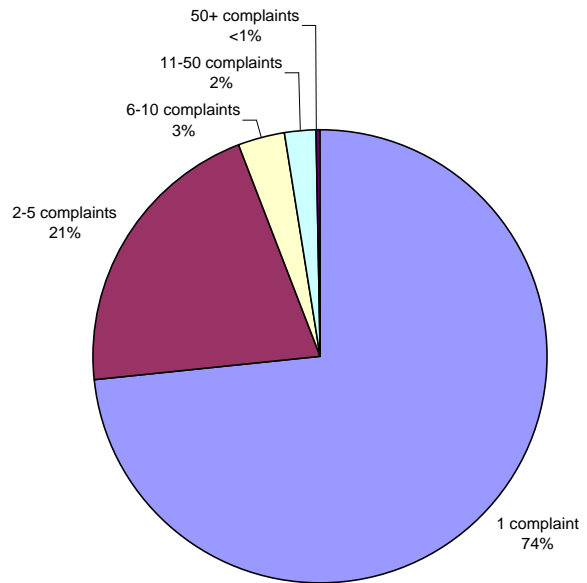


Chart B.2  
Complaints per Company

Chart B.2 shows that the overwhelming majority of complaints were isolated; less than 6% of the companies in the FBOD generated six or more complaints.



## Consumers

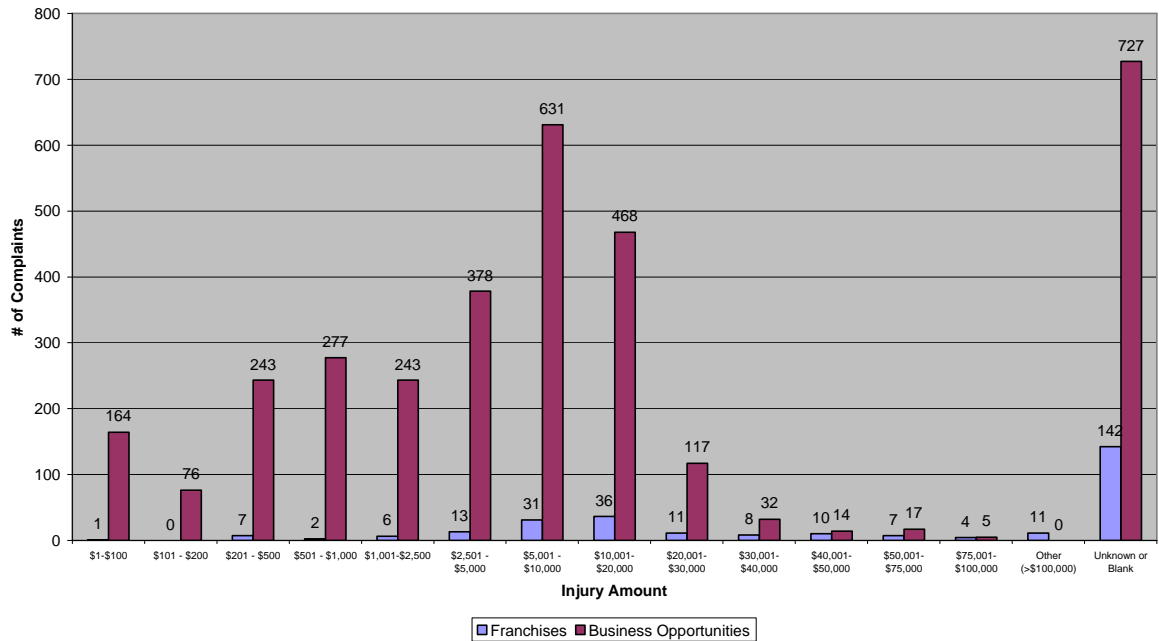
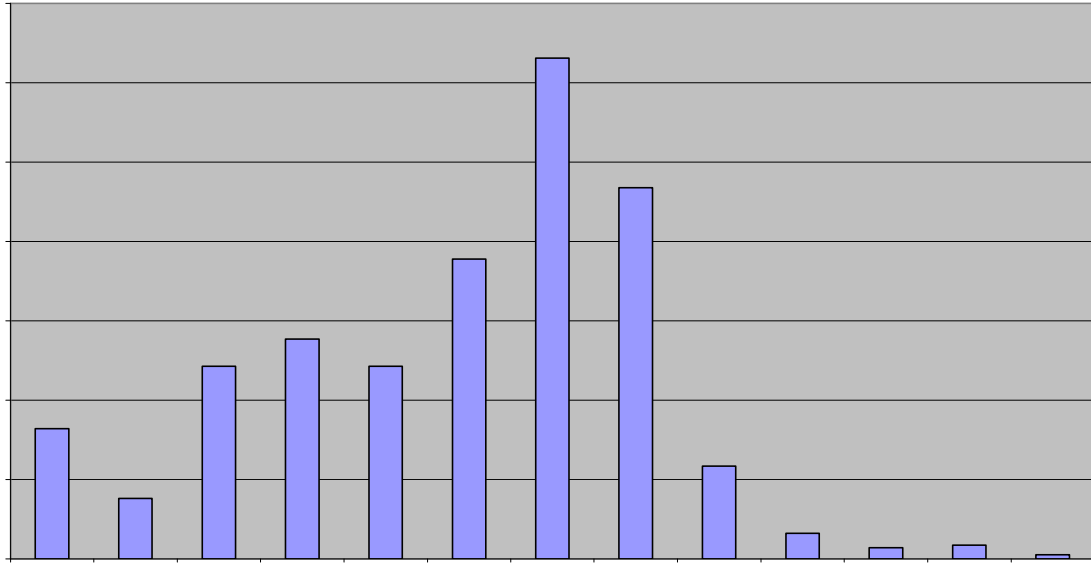
The “Consumers” section highlights information about complainants, including geographic distribu-



Chart C.3  
Amount of Injury (unknowns  
or blanks omitted)

Chart C.3 indicates that where the amount of injury was specified, the most frequent amounts fell between \$2,500 and \$20,000; these made up





## Delivery and Goods

The “Delivery and Goods” section details the offerings and the sales process, including how offerings were advertised, what products or services appeared most frequently as an integral part of the offering, and specific complaints about the goods offered in connection with the offering.

### Findings

1. Traditional advertising media – print, direct mail, and phone – remain the most important methods for publicizing both franchises and business opportunities. Advertising via email and the Internet made up less than 10% of the complaints where the medium was stated.
2. The complaints relate to a very wide range of products and services, although medical billing and pay phone sales were among the most frequently occurring.
3. The most common complaint about goods was non-delivery, cited in more than 10% of cases.

### Supporting Data and Analysis

Chart D.1  
How Advertised

Chart D.1 identifies how consumers originally became aware of the franchise or business opportunity. Although this information was only available for about half of the complaints, traditional media appear to remain the most frequent means of contact.

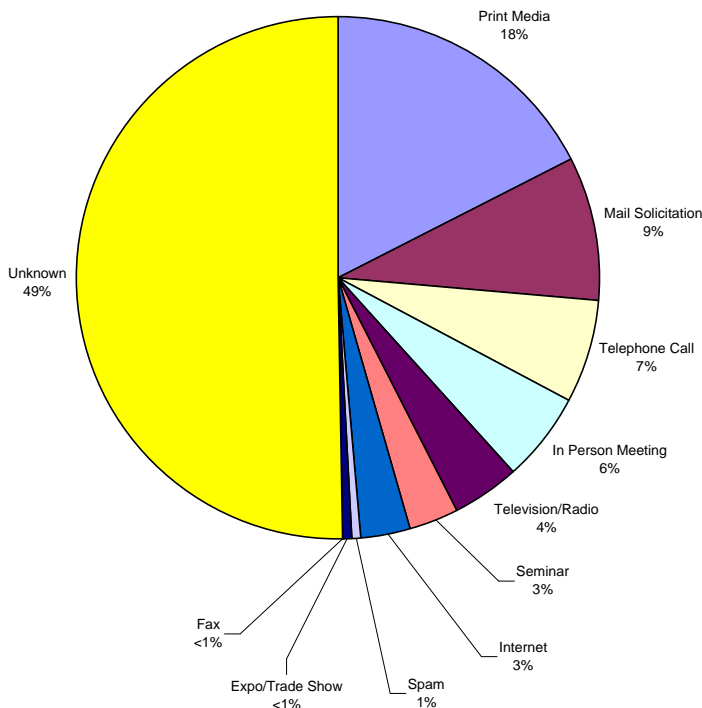
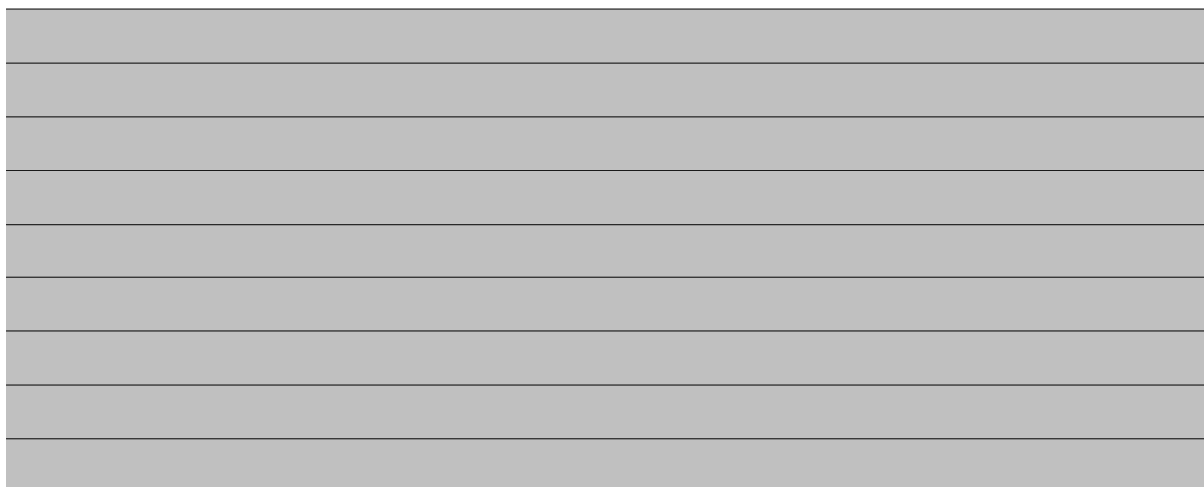
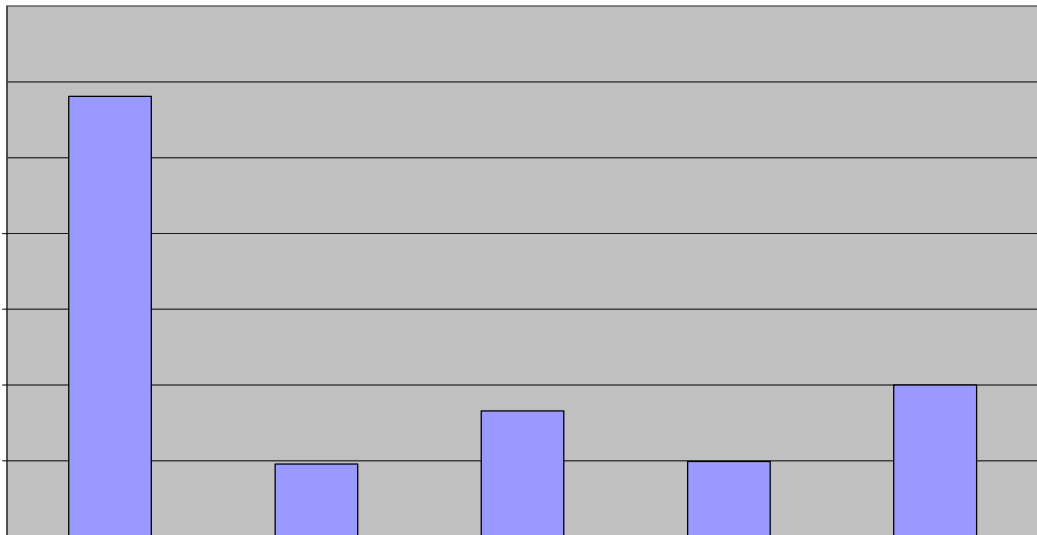


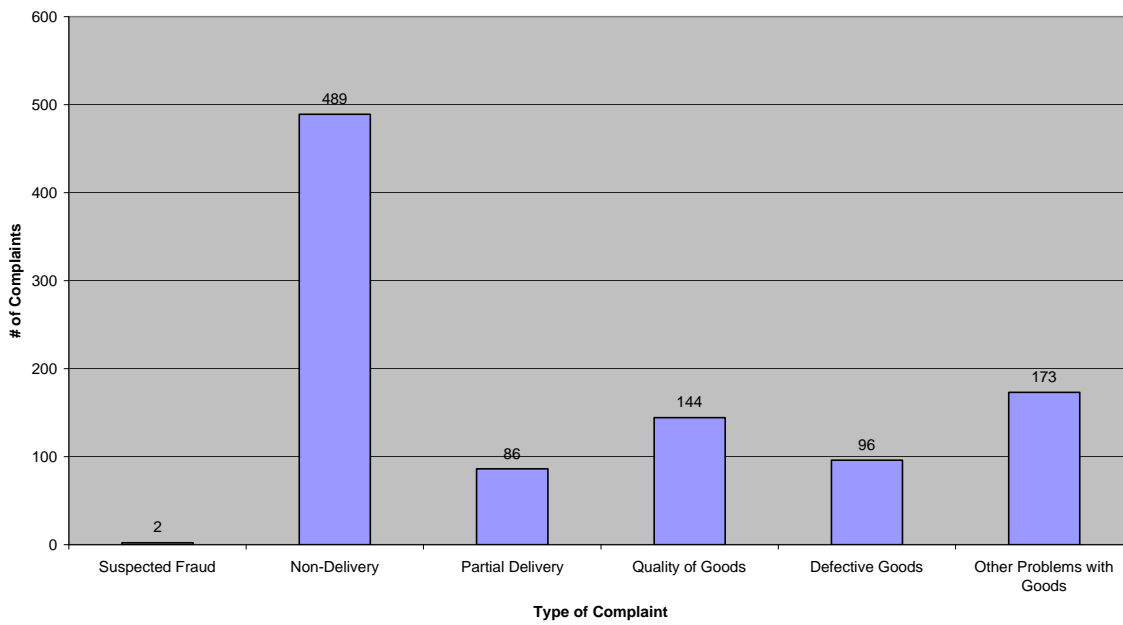
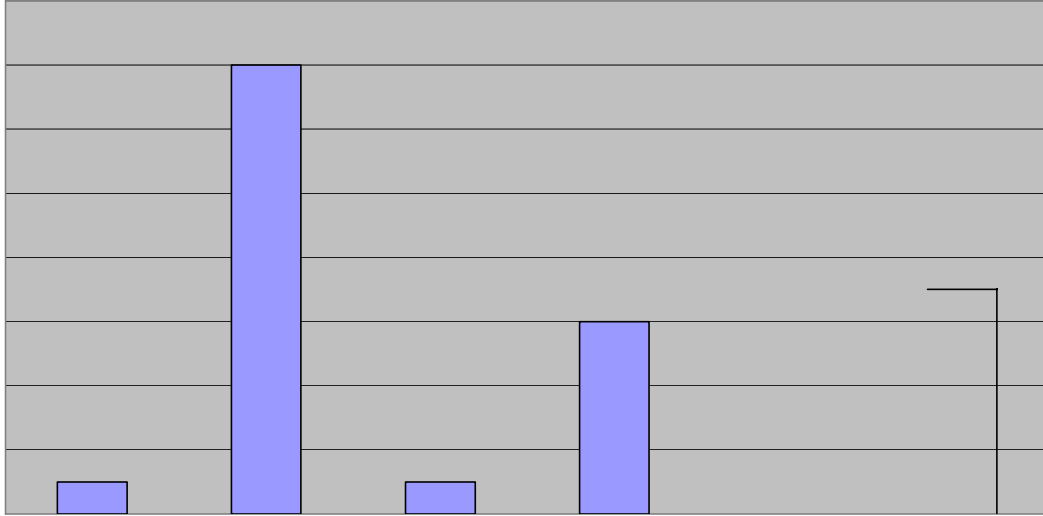
Chart D.3  
Top 15 Products

Chart D.4  
Top 15 Services

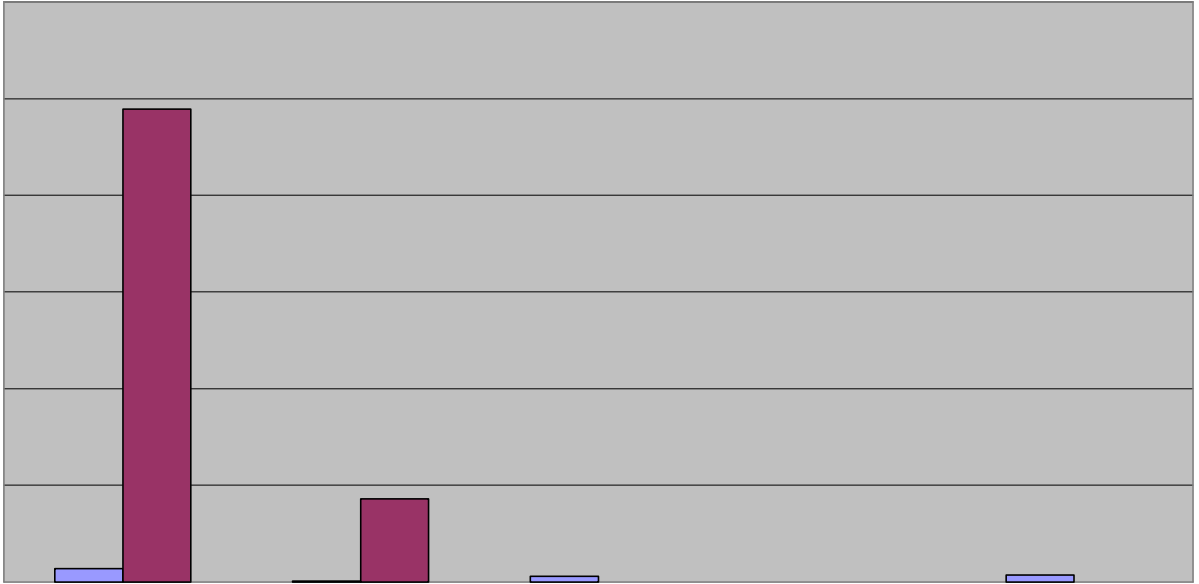
Chart D.4 shows the service categories that received the most complaints in the database. Service type information was specified in 628 of the records. Medical billing was the dominant source of complaints, although as with product types, there was a wide range of services identified in 83 categories.











## Expectations, Disclosures, and Post-Sale Issues

The “Expectations, Disclosures, and Post-Sale” section identifies various other problems encountered in the course of the business interaction, including earnings claims, misrepresentations about support or training, disclosure issues, and refund disputes.

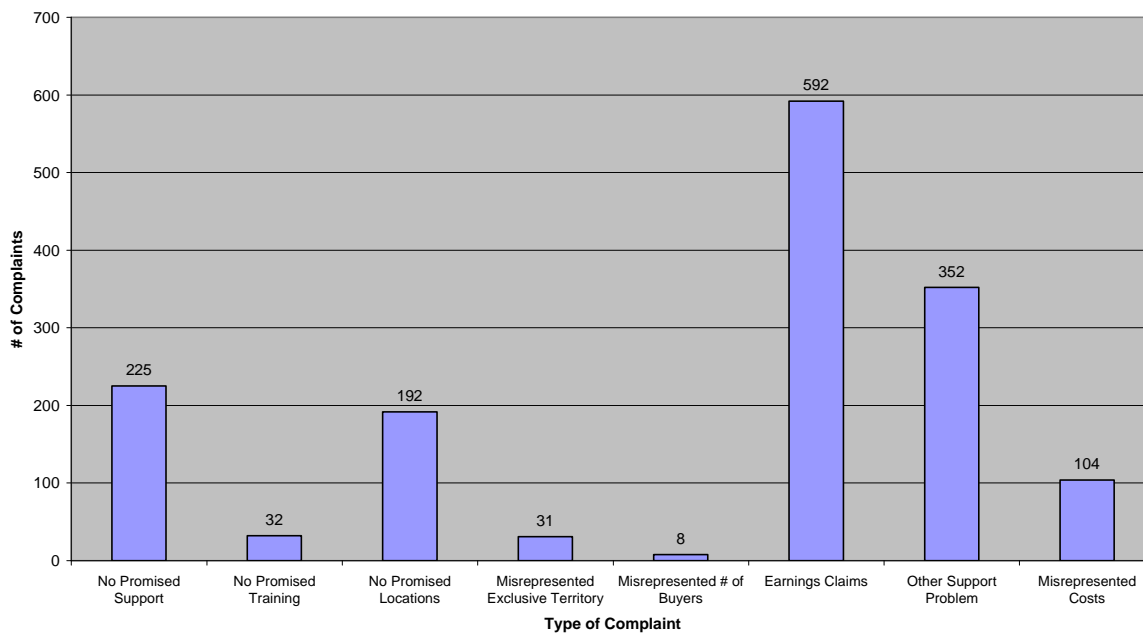
### Findings

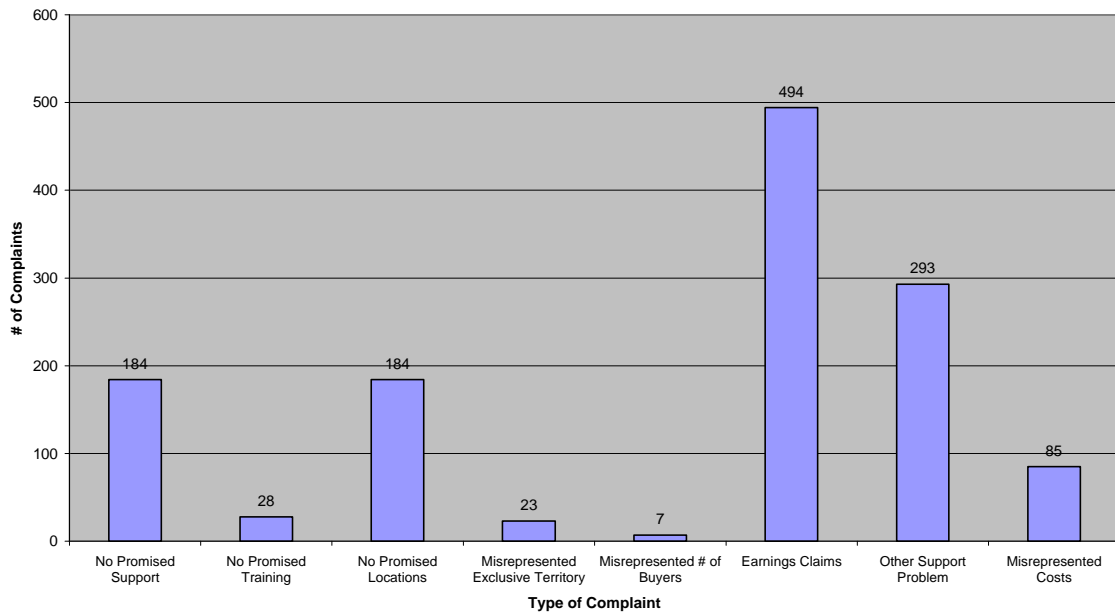
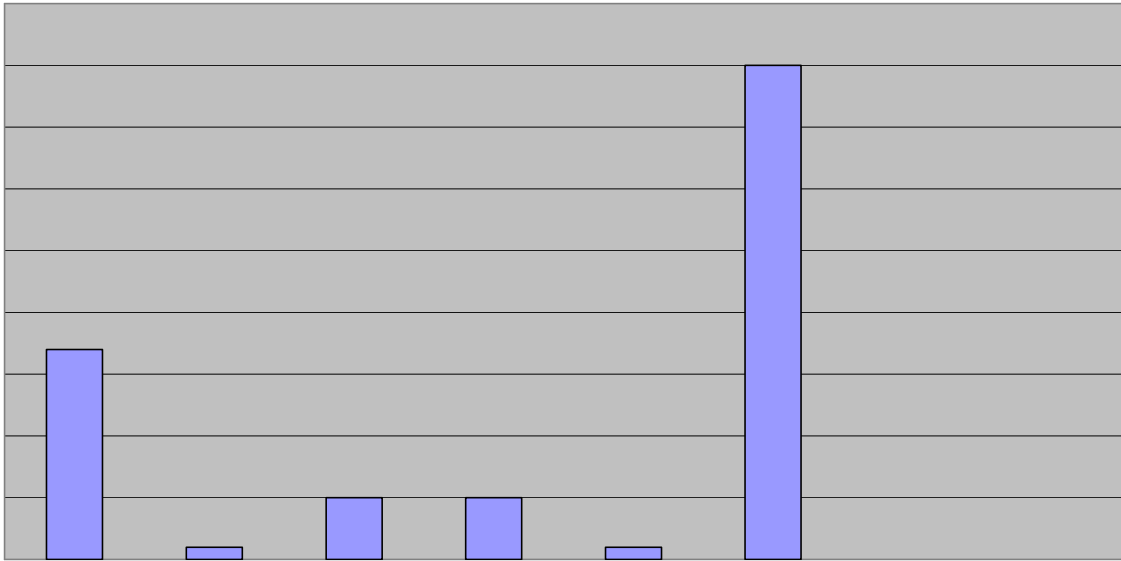
1. More than 10% of records included complaints about earnings claims. Lack of support or of promised locations each appeared in almost 5% of records.
2. Problematic disclosure issues (such as the absence of a disclosure document) were proportionally more frequent for franchises than for business opportunities.
3. Many complainants raised post-sale issues. Nearly 25% of records indicated that the complainant wanted to cancel, and more than 20% of records identified a refund policy issue or the inability to obtain a requested refund.

### Supporting Data and Analysis

Chart E.1  
Expectations Not Met

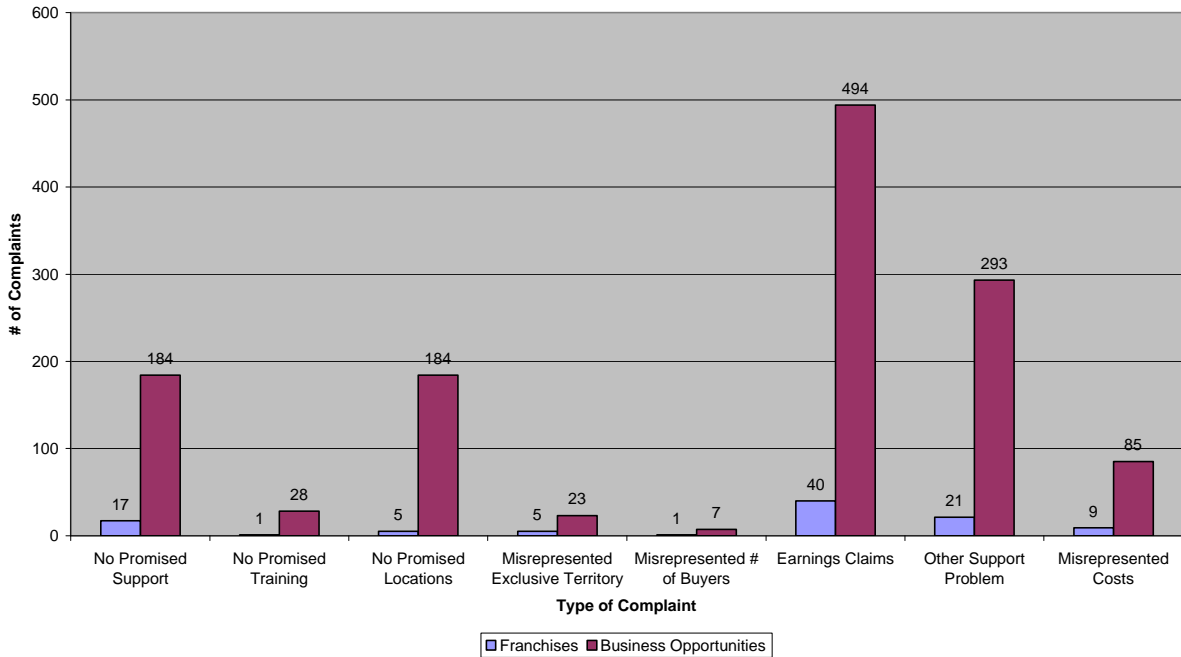
A large number of records reported that the description of the franchise or business opportunity included specific earnings claims. Chart E.1 also indicates that various support problems were among the most common complaints raised by franchise and business opportunity purchasers.





**Chart E.4**  
**Franchise and Business Opportunity Consumer Expectations Not Met**

Chart E.4 compares the relative frequency of franchise and business opportunity complaints in several expectations-related complaint categories.



**Chart E.5**  
**Disclosure Questions**

A relatively small number of consumers specifically indicated either that they had received no disclosure document or that some other substantive disclosure had not been made prior to the sale of the franchise or business opportunity.

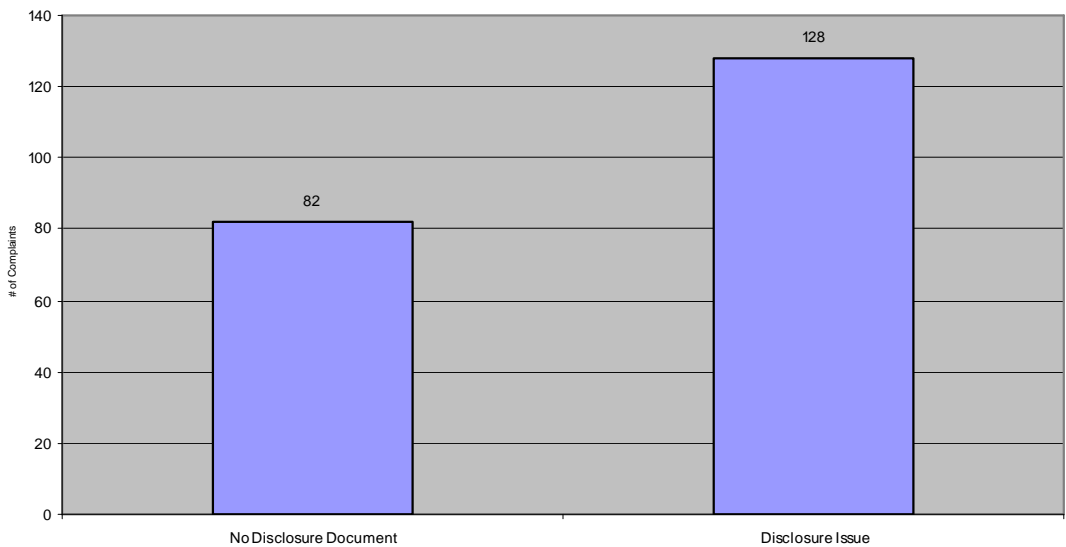


Chart E.6  
Franchise and Business Opportunity Disclosure Questions

As Chart E.6 indicates, disclosure issues were proportionally far more frequent for franchises than for business opportunities. More than 15% of franchise records indicated a disclosure issue, and nearly 10% received no disclosure document. Disclosure complaints were proportionally sparse in the subset of business opportunity complaints, although the raw numbers were comparable to the franchise subset for those issues.



### Chart E.7 Cancellation, Refund, and Billing Issues

Chart E.7 reveals that many records indicated consumer intentions to cancel after the sale; a significant number also cited the company's failure to refund or complained about the company's refund policy.

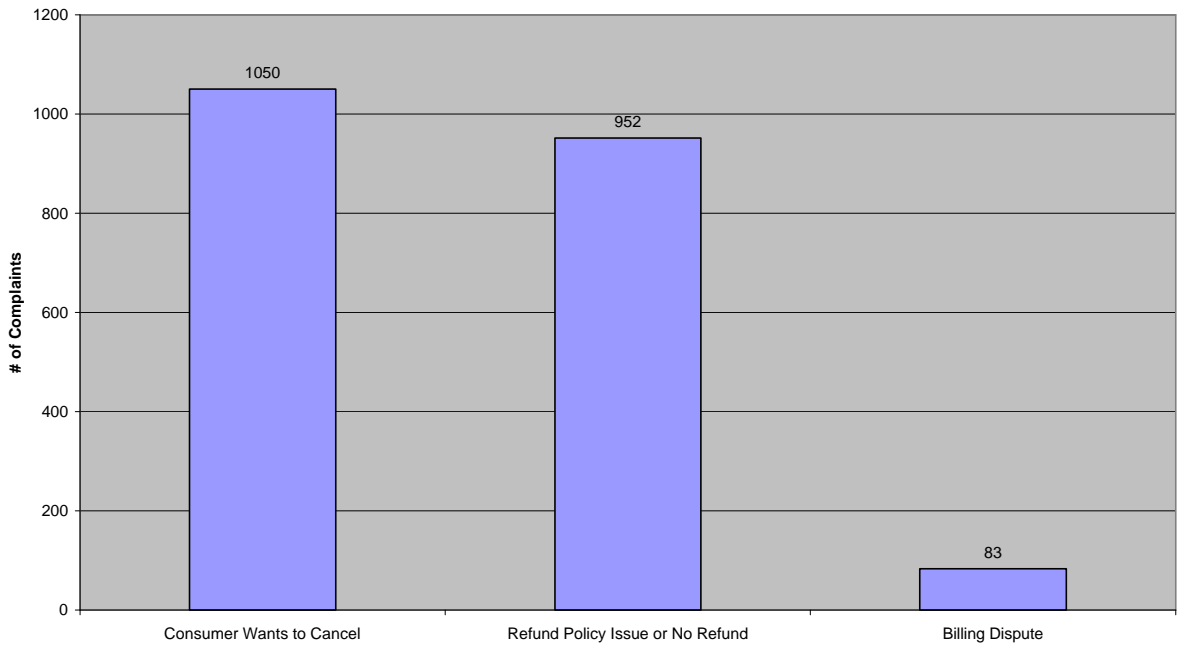
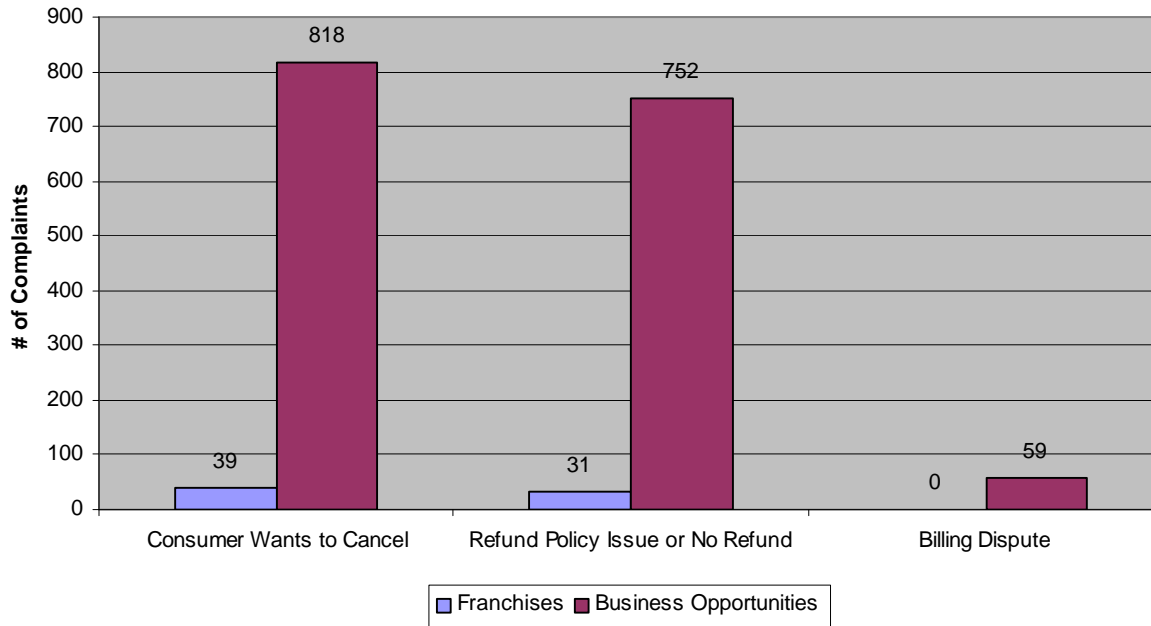


Chart E.8  
Franchise and Business Opportunity Cancellation, Refund, and  
Billing Issues

Post-sale issues were proportionally less frequent in franchise complaints than in the database as a whole. Nearly a quarter of business opportunity complaints indicated the consumer's desire to cancel, and more than 20% failed to receive a refund or were dissatisfied with company refund policies.



# Law Enforcement

This section presents an analysis of franchise and business opportunity-related law enforcement activities from 1993 through 1999. It includes cases that were filed in 2000, if an investigation was opened in 1999 or earlier.

## Law Enforcement Analysis Structure

The statistical analysis of franchise and business opportunity complaint data is divided into the five sections described below. Each section includes a summary, applicable charts, and analysis.

**Investigations:** This section analyzes the number of investigations opened during the relevant time period. Statistics are provided for both franchises and business opportunities covered by the Franchise Rule and only by Section 5 of the FTC Act.

**Cases:** This section analyzes the number of cases opened during the relevant time period. Statistics are provided for both franchise and business opportunities covered by either the Rule, Section 5 of the FTC Act, or both.

**Victims:** This section analyzes the number of victims in cases, to the extent known.

**Allegations:** This section analyses the Rule and Section 5 allegations charged in law enforcement matters.

**Correlations:** This section analyses the correlation between consumer complaints and investigations.

## General Observations

We can draw several conclusions from our analysis of Commission law enforcement activities. First, during the relevant time period, the Commission pursued significantly more potential Rule and Section 5 business opportunity law enforcement matters (273 investigations, of which 148 resulted in cases) than franchise matters (59 investigations, of which 22 resulted in cases). This law enforcement approach was consistent with the number of business opportunity complaints submitted to the Commission, as analyzed in the previous section.

Second, since 1994, the Commission, in many instances, has leveraged its resources by bringing coordinated law enforcement projects with other federal, state, and local law enforcement authorities.

Third, the number of victims in Commission cases was consistent with the FBOD complaint statistical analysis: in many instances, the Commission brought law enforcement actions against companies with over 100 victims. In some instances, the number of victims was 50,000 or higher.

Fourth, making false or unsubstantiated earnings claims was the most frequent Rule and Section 5 allegation charged in Commission actions (127 Rule allegations and 123 Section 5 allegations).



Fifth, there was a direct correlation between the number of investigations opened by Commission staff and complaint data in the FBOD. In all instances where a business opportunity company remaining in business generated 18 or more complaints, an investigation was opened. Where business opportunities generated five to 17 complaints, Commission staff opened investigations against approximately a half to a third of the companies, provided they were still in business. Staff also opened 68 business opportunity investigations where only a single complaint was filed.

Similarly, staff opened investigations of each franchisor generating five or more complaints, and an additional 11 investigations where franchisors generated 4 or fewer complaints, including 8 investigations based upon only one complaint.

# Investigations

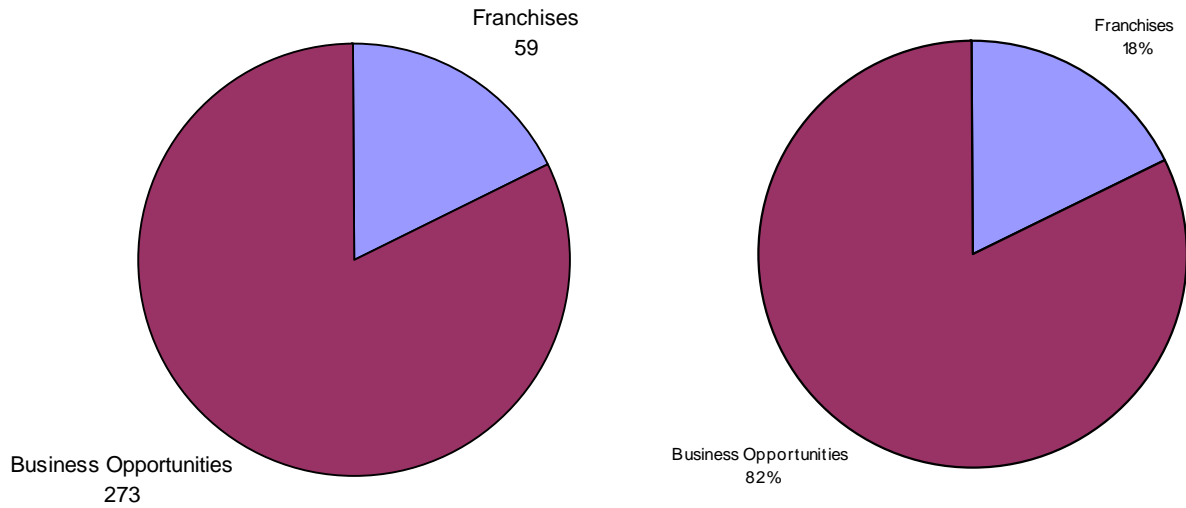
## Findings

1. The Commission staff pursued 332 franchise and business opportunity investigations during the relevant time period. This included 273 business opportunity investigations and 59 franchise investigations.
2. Business opportunity investigations comprised 82% of the total investigations opened in this field.

## Supporting Data and Analysis

Chart F.1  
**Franchise and Business Opportunity Investigations Opened, by Number and by Percent**

These charts present the distribution of 332 Commission franchise and business opportunity (Rule and Section 5) investigations opened by staff between 1993 and 1999. Although franchise complaints represented only about 6% of the database, they represented 18% of investigations.



## Cases

### Findings

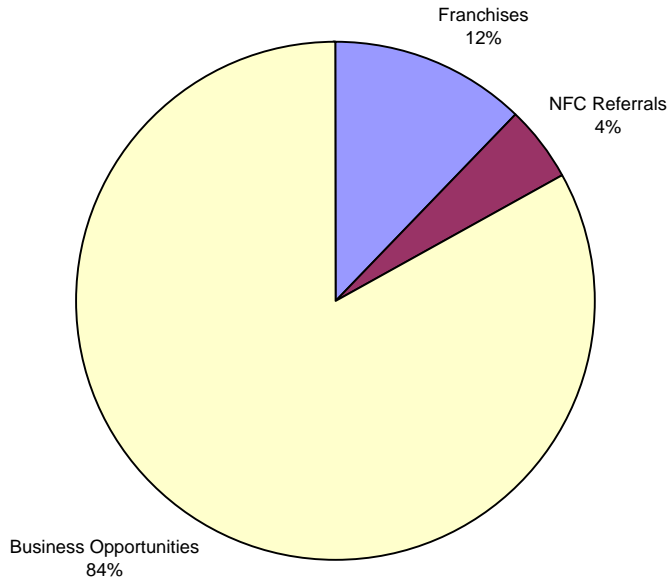
1. Since 1994, the Commission has coordinated its law enforcement activities with the states, bringing actions through law enforcement sweeps.
2. Since 1993, the Commission has brought 170 franchise or business opportunity cases. In the 170 cases, the Commission named as defendants 330 corporations and other entities (e.g. d/b/a's) and 305 individuals.
3. Of the 170 franchise or business opportunity cases, 148 were against business opportunity schemes during the relevant time period. This was consistent with our statistical analysis showing that the overwhelming number of complaints submitted to the Commission pertained to the sale of business opportunity ventures.
4. Of the 170 franchise or business opportunity cases, 22 were against franchisors during the relevant time period.
5. Starting in 1998, the Commission staff has referred franchise matters that raise technical or minor violations of the Rule to an Alternative

#### Table G.1 Joint Law Enforcement Projects

This table lists the joint law enforcement projects with states and other federal agencies from 1994 to 1999.

**Chart G.2**  
**Case Breakdown by Type**

This chart presents a breakdown of 170 cases filed by the Commission during the relevant time period. The chart divides Commission cases into three categories: 1) franchise cases; 2) franchise referrals, since 1998, to the National Franchise Council's Alternative Law Enforcement Program; and 3) non-franchise cases, which includes business opportunity matters pursued under the Franchise Rule, as well as under Section 5 of the FTC Act.



**Table G.3**  
**FTC Franchise Cases**

This table shows the distribution of 22 franchise cases and 8 NFC referrals from 1993 to 1999.

1993:	7 court cases
1994:	7 court cases
1995:	5 court cases
1996:	3 court cases
1997:	0
1998:	1 NFC referral
1999:	6 NFC referrals
2000:	1 NFC referral

Chart G

# Victims

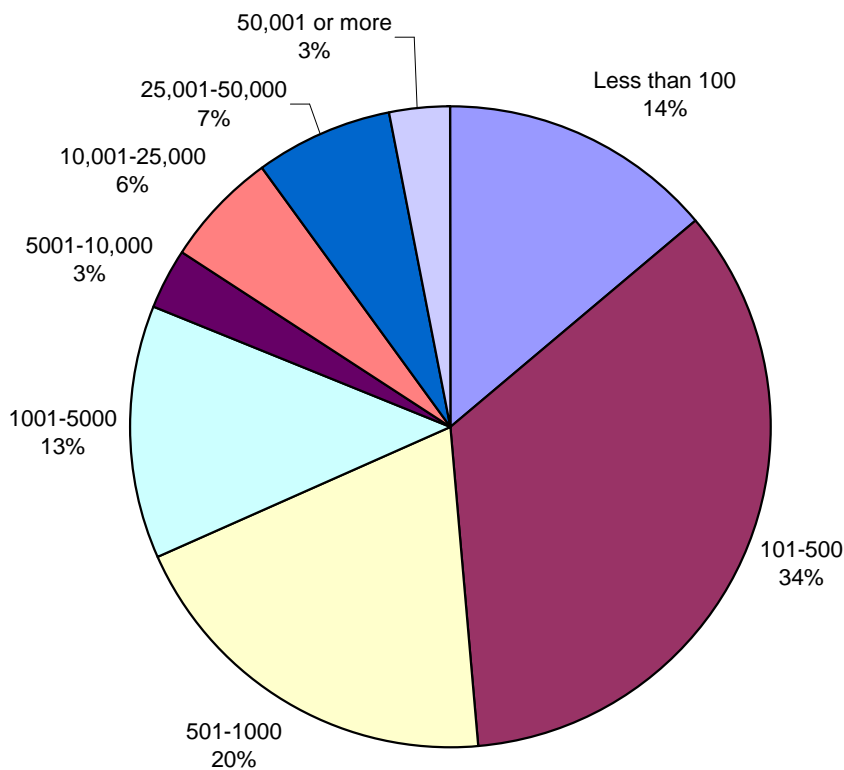
## Findings

1. In many instances the number of victims of the defendants in Commission law enforcement actions is unknown. Based upon the information available, we found the Commission used its resources to bring actions in the public interest to combat widespread law violations that affected a large number of consumers.
2. Most Commission law enforcement actions targeted schemes with over 100 victims; 10% of the Commissions actions targeted schemes with 25,000 or more victims and 14% targeted schemes with fewer than 100 known victims.

## Supporting Data and Analysis

Chart H.1  
**Case Distribution by Number of Victims**

This chart presents the approximate distribution of victims in franchise and business opportunity cases. In most instances, even the approximate number of victims is unknown. For those cases where an approximate number of victims could be calculated, the most frequent number of victims ranged from 100 to 500.



## Complaint Allegations

### Findings

1. The most frequent allegation raised in Commission Franchise Rule cases was that the defendants made earnings claims in violation of the Rule (127 allegations). This included earnings claims made without providing an earnings claims document (or the equivalent Uniform Franchise Offering Circular [UFOC] Item 19 information required under state law); unsubstantiated earnings claims; or earnings claims made in the general media without the Rule's required disclosures.
2. The second most frequent allegation was the failure to furnish a disclosure document. This allegation has been particularly frequent with respect to business opportunity ventures. Commission cases alleged the failure to provide disclosure documents in 123 instances.
3. The most frequent allegation regarding the completeness and accuracy of disclosure documents applied to franchisee information (11 allegations). This included instances where the disclosure documents lacked franchisee names and addresses, as well as franchisee statistics (e.g., number of outlets and closures). Failure to disclose all litigation (6 allegations) had the second highest number of allegations.
4. Where the Commission alleged deceptive or unfair conduct under Section 5 of the FTC Act, the largest number of allegations (94) pertained to false earnings claims. This was followed by the use of skills or other false references (28).

## Supporting Data and Analysis

Table I.1

### Rule Complaint Allegations

This table presents a breakdown of the Rule allegations raised in all franchise and business opportunity enforcement matters. The most common allegation was the making of earnings claims without substantiation or without providing the required earnings claims document (127). The most common failure to disclose information in a disclosure document pertained to franchisee statistical information, as well as franchisee names,

11



Table I.2

**Section 5 Complaint Allegations**

This table presents a breakdown of Section 5 allegations raised in all franchise and business opportunity enforcement matters. The most common allegation was false earnings claims (94). Other common false or deceptive representations pertained to testimonials and references (28); profitability and availability of locations for vending machines or other devices (24); and support and assistance (17).

Earnings	94
Testimonials/references	28
Profitable locations/ availability of locations	24
Support/assistance	17
Nature of products/services/opportunity	11
Exclusive territories	10
Prior success of seller or locator	10
Investment/Costs/Expenses	9
Refunds	9
Availability of work	5
Delivery date	5
Location replacement policy	5
Availability of clients	3
Benefits	3
Government affiliation/approval	3

## Correlation Between Law Enforcement and Complaints

### Findings

1. The opening of franchises and business opportunity investigations strongly correlated with the number of complaints received in the FBOD. This does not mean that every investigation was prompted by one or more complaints, although most were. In some instances, investigations were prompted by advertisements, or referrals from third parties, not reflected in the CIS database.
2. In all instances where the FBOD indicated that a business opportunity generated 18 or more complaints, Commission staff opened an investigation, provided that the company involved remained in business.
3. Where business opportunities generated fewer than 18 complaints, but more than seven complaints, Commission staff opened investigations in approximately half of the instances, provided the company involved remained in business.
4. Staff opened investigations in every instance where the FBOD showed that a franchise generated five or more complaints, provided that the complainant named the franchisor involved and stated a specific allegation (154 complaints). Staff also opened eight investigations where only a single complaint was filed.
5. In many instances, franchise complaints raise concerns that do not lend themselves to a law enforcement solution. For example, a complaint may 1) provide insufficient information for staff to take action (e.g., fails to name the franchiser or to state a specific allegation); 2) fall outside the Commission's jurisdiction (e.g., raises state law issues only); or 3) raise purely contractual matters (e.g., requires interpretation of contract provisions).

**Number of  
Complaints**

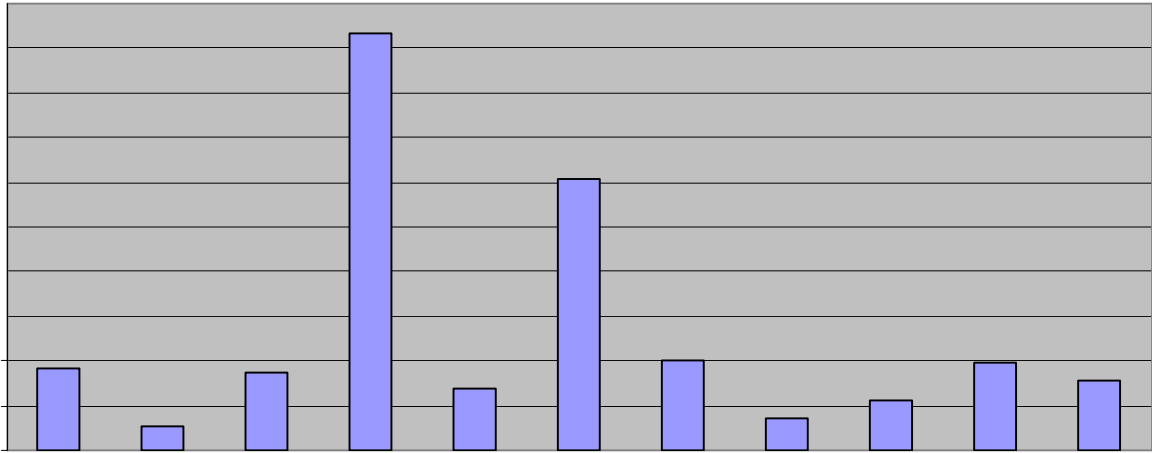
**Investigation Rate 18 T6roc5festig23.56 re f 74.28 377.1p/6Tc 0 Tw laints**

Number of Complaints	Investigation Rate 18 T6roc5festig23.56 re f 74.28 377.1p/6Tc 0 Tw laints
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[Redacted]	[Redacted]
[Redacted]	[Redacted]
[Redacted]	[Redacted]
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Table J.2  
Correlation of Franchise Complaints to Investigations

This table presents the correlation of franchise complaints to the franchise investigations noted above. The Commission staff opened an investigation of each franchise matter generating at least five complaints. No company received more than eight complaints. At the same time, staff opened an additional 11 investigations\* where

[Redacted]	[Redacted]
[Redacted]	[Redacted]
[Redacted]	[Redacted]



# Consumer Education

## Overview

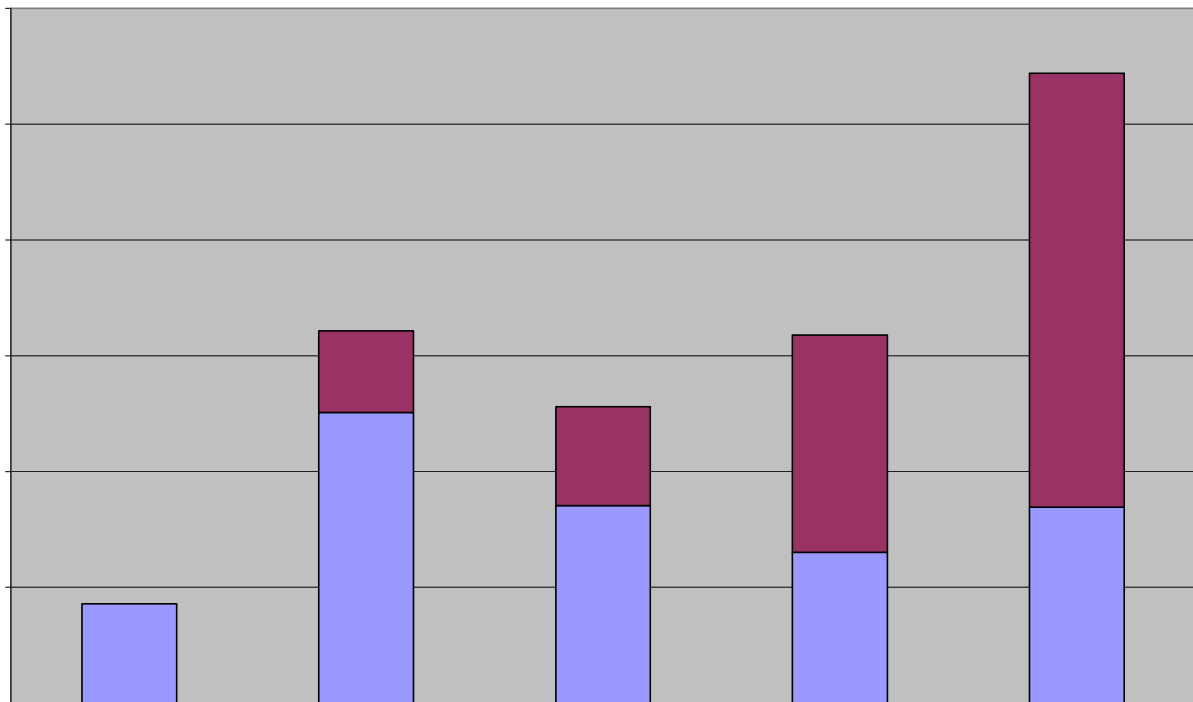
The FTC Office of Consumer and Business Education (OCBE) produces print, broadcast and online materials that offer practical, plain English advice for consumers about buying a wide variety of products and services and explain how various federal regulations help protect consumers' rights. It also produces print materials for business explaining how to comply with various rules and regulations.

OCBE has taken an ambitious approach to educating consumers about their rights in the franchise and business opportunities marketplace. In the last several years, the Office has produced more than a dozen relevant publications and launched several major education initiatives.

## Print Products

OCBE's inventory includes 14 different publications for consumers who are interested in pursuing franchises and business opportunities. These publications seem to address a need: Since October 1995, over 806,000 of these publications have been distributed; an additional 718,000 publications have been accessed via the FTC's website since October 1996.

Chart K.1  
Distribution of Franchise/Business Opportunity Consumer Education Information by Fiscal Year, 1996 to 2000



## Websites ([www.ftc.gov](http://www.ftc.gov), [www.consumer.gov](http://www.consumer.gov))

In 1997, OCBE put all its consumer publications online, enhancing outreach considerably. Consumers can access the publications not only at the FTC's website, but also at [www.consumer.gov](http://www.consumer.gov), the federal government's "one-stop" outlet for federal consumer information (hosted and managed by the FTC). We cannot keep track of all the sites that link to the information on [www.ftc.gov](http://www.ftc.gov) or [www.consumer.gov](http://www.consumer.gov), but a look at the numbers indicates that consumers are accessing the publications from a wide variety of sites.

## Teaser Sites

Too often, consumers don't find consumer protection information until it's too late. Using "teaser" websites, OCBE tries to reach consumers before they make a purchase or invest their money. These web pages are accessible from major search engines and indexing services and mimic fraudulent sites. Internet shoppers looking for a business opportunity, for example, may find a site that offers a fantastic, money-making opportunity in display racks. (See [www.wemarket4u.net/eztoys](http://www.wemarket4u.net/eztoys)). Clicking through the "come on," the FTC seal appears, alerting consumers that they could have been scammed. The site offers tips on how to distinguish fraudulent pitches from legitimate ones and links to the FTC's website for additional information. Uniformly, visitors to these sites have praised the FTC for the novel and attention-getting way it is imparting information. (See also [www.wemarket4u.net/netops](http://www.wemarket4u.net/netops)).

In addition, OCBE also has devised Internet tutorials in the form of interactive puzzles and games to reinforce what consumers have read on the FTC's website or in their local newspapers. For example, the education component of enforcement actions dealing with investment fraud features an online quiz called "Test Your Investment IQ." A series of typical telemarketing misrepresentations asks consumers to define the investment offering as "solid" or "risky."

## Audio Public Service Announcements

In 1995, OCBE distributed four audio public service announcements (PSAs) and corresponding announcer scripts about buying a franchise to 2,000 English language radio stations and three Spanish language PSAs to 200 Spanish language radio stations. Nearly 700 radio stations broadcast at least one of the PSAs, resulting in a total of more than 35,354 broadcasts of at least one PSA. The total audience reached through these broadcasts was approximately 96 million. The equivalent value of the air time received if purchased would be approximately \$884,000.

In 1996, OCBE distributed an additional four Spanish language audio "franchise" PSAs and two announcer scripts to 228 Spanish language radio stations. A total of 124 radio stations broadcast at least one of the PSAs, resulting in a total of 9,453 broadcasts of at least one PSA. The total audience reached through these broadcasts was more than 30 million. The equivalent value of the air time received if purchased would be approximately \$236,325.

In 1997, OCBE distributed four additional "franchise" public service announcements and announcer scripts to 1,000 radio stations. A total of 242 radio stations broadcast at least one of the PSAs, resulting in a total of 13,364 broadcasts of at least one PSA. The total audience reached through these broadcasts was more than 18 million. The equivalent value of the air time received if purchased would be approximately \$334,100.

## Campaigns

In December 2000, OCBE launched “Top 10 Internet Scams,” a campaign designed to educate consumers about the most prevalent scams on the Internet and how to recognize and avoid them. Business opportunity scams advertised online ranked eighth in the Top 10. This OCBE effort supported the Bureau of Consumer Protection’s large law enforcement sweep. OCBE produced two new



# Appendix 1

**Total Complaints** 4512

<b>Breakdown of Franchises, Business Opportunities, and Miscellaneous Schemes</b>		
	<b>Count</b>	<b>% of Total</b>
Franchise	288	6.38%
Business Opportunity	3392	75.18%
Miscellaneous	832	18.44%

**# and % of Vending-Machine-Related Complaints** 560 12.41%

<b>Breakdown of Complaints by Year</b>			<b>Franchise by Year</b>	<b>% of FC</b>	<b>BizOp by Year</b>	<b>% of BOC</b>
Unknown	5	0.11%	0	0.00%	1	0.03%
1993	58	1.29%	5	1.73%	30	0.88%
1994	101	2.24%	2	0.69%	79	2.33%
1995	677	15.00%	9	3.11%	570	16.80%
1996	336	7.45%	9	3.11%	277	8.17%
1997	1013	22.45%	53	18.34%	759	22.38%
1998	1480	32.79%	108	37.37%	1088	32.08%
1999 (through June)	842	18.66%	102	35.29%	588	17.33%

<b>Complaints Over Time by Source of Information</b>			<b>1993</b>	<b>1994</b>	<b>1995</b>	<b>1996</b>	<b>1997</b>	<b>1998</b>	<b>1999 (through June)</b>	<b>No Date</b>
All FTC	1443	31.98%			517	38	328	335	225	
Better Business Bureaus	505	11.19%				7	182	199	116	1
National Consumers League	1090	24.16%	53	94	148	280	300	178	37	
Other	2	0.04%			1			1		
Public Users	418	9.26%						210	208	
Regional Offices	929	20.59%		1	4	3	199	552	170	
San Diego Boiler Room Task Force	5	0.11%		1	2	2				
State Law Enforcement	26	0.58%	5	5	5	6		2	3	
Toll-free Number	81	1.80%							81	
Unknown	13	0.29%					4	3	Toll-free Nu Tj 0.3487	&r9Ar

# Appendix 2

<b>Total Complaints</b>		4512	
<b>General Company Stats</b>	<b>Count</b>		<b>% of Total</b>
# of Companies Identified in Complaints	1940		43.00%
# and % Companies Out of Business	244		5.41%
<b>Dist</b>			

### Companies Summary Sheet (continued)

Other Foreign	5	42
WI	5	43
NE	4	44
HI	3	45
ND	2	46
VT	2	47
WV	2	48
MT	1	49
PR	1	50
RI	1	51
WY	1	52
<b>Top 10 Company Complaint Locations</b>	<b>Count</b>	
FL	887	
CA	609	
TX	541	
NY	244	
UT	191	
OR	110	
MA	106	
CO	104	
NV	94	
AZ	86	
Note: this excludes the 764 'Unknown'		
<b>Complaints per Company</b>	<b>Number of Companies</b>	
1 complaint	1424	
2-5 complaints	404	
6-10 complaints	64	
10-50 complaints	41	
50+ complaints	7	
162 complaints unknown		

**Total Complaints** 4512

<b>General Consumer Stats</b>	<b>Count</b>	<b>% of Total</b>
# and % of Consumers Actually Injured	3319	73.56%
# Consumers that Suspected Fraud	3	0.07%

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WV	11	48
AK	10	49
DE	10	50
WY	9	51
ND	8	52
ME	6	53
PR	5	54
VT	2	55

<b>Top 10 Consumer Complaint Locations</b>	<b>Count</b>
CA	596
TX	287
FL	272
NY	228
PA	186
OH	180
IL	136
NJ	133
CO	131
WA	129

Note: this excludes the 222 'Unknown'

<b>Breakdown of Injury Amounts</b>	<b>Count</b>	<b>% of Total 'Known'</b>
\$1-\$100	249	7.68%
\$101 - \$200	100	3.08%
\$201 - \$500	303	9.34%
\$501 - \$1,000	319	9.83%
\$1,001-\$2,500	306	9.43%
\$2,501 - \$5,000	449	13.84%
\$5,001 - \$10,000	732	22.56%
\$10,001-\$20,000	531	16.37%
\$20,001-\$30,000	136	4.19%
\$30,001-\$40,000	44	1.36%
\$40,001-\$50,000	25	0.77%
\$50,001-\$75,000	26	0.80%
\$75,001-\$100,000	12	0.37%
Other (>\$100,000)	12	0.37%
Unknown or Blank	65	12.1%

# Appendix 4

**Total Complaints** 4512

<b>Breakdown of How Advertised</b>	<b>Count</b>	<b>% of Total 'Known'</b>
Print Media	796	35.47%
Mail Solicitation	390	17.38%
Telephone Call	299	13.32%
In Person Meeting	249	11.10%
Television/Radio	187	8.33%
Seminar	138	6.15%
Internet	138	6.15%
Spam	25	1.11%
Expo/Trade Show	16	0.71%
Fax	6	0.27%
Unknown	2268	

<b>Products, Services and Internet Opportunities</b>	<b>Count</b>	<b>% of Total</b>	<b>Categories</b>
Product Type	658	14.58%	124
Service Type	628	13.92%	83
Internet Offer Type	179	3.97%	22

<b>Top 15 Products</b>	<b>Related Complaints</b>
Pay Telephones	86
Telephone Cards	65
Candy	48
Snack Food/Drinks	43
Computer/Software	37
Personal Hygiene/Health	31
Coupons	25
Coffee	24
Unspecified vending machines	21
Greeting Cards	14
Licensed Products - Toys & Novelty Items	14
Trading Cards	13
Popcorn	12
Household/Personal Use Items	12
Mailers/Envelopes/Postage	10

<b>Top 15 Services</b>	<b>Related Complaints</b>
Medical Billing	167
Telecommunications: 800#/s/900#s	93
Travel	70
Real Estate	47
ATM Machines	25
Telecommunications: Other	24
Financial Services	20
Telecommunications: Long-Distance	18
Janitorial	17
Envelope Stuffing	14
Advertising	12
Hud TraAdT	20

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Delivery and Goods Summary Sheet (continued)

<b>Top Internet Opportunities</b>	<b>Related Complaints</b>			
Shopping Malls	43			
Online Services	32			
Yellow Pages	18			
Advertising	17			
Internet Access (Kiosks)	14			
Consulting	12			
Web Building	7			
<b>Complaints about Goods</b>	<b># of Complaints</b>	<b>% of Total Complaints</b>		
Non-Delivery	581	12.88%		
Partial Delivery	96	2.13%		
Quality of Goods	166	3.68%		
Defective Goods	99	2.19%		
Other Problems with Goods	200	4.43%		
<b>Franchise and Business Opportunity Complaints about Goods</b>	<b>Franchises</b>	<b>% of Franchise</b>	<b>Business Opportunities</b>	<b>% of BizOps</b>
Non-Delivery	14	4.86%	489	14.42%
Partial Delivery	1	0.35%	86	2.54%
Quality of Goods	6	2.08%	144	4.25%
Defective Goods	0	0.00%	96	2.83%
Other Problems with Goods	7	2.43%	173	5.10%

## Breakdown of Product and Service Types

Unknown or N/A

3854

Unknown or N/A



## Breakdown of Product and Service Types (continued)

Product	Count	Services	Count
Agricultural	1	Electronic Billing	1
Air Purifiers	1	Employment Monitoring	1
Automobile/Auto Products	1	Equipment Leasing	1
Automobiles	1	Factoring	1
Bagels	1	Faxing Info to Businesses	1
Brochures	1	Fundraising	1
Cameras	1	Grave Stone Polishing	1
Catalogs	1	Hospital Bill Auditing	1
CDs	1	Import/Export	1
Child Protection Kit	1	Insurance Refund Distribution	1
Children's Videos	1	Investments	1
Cigarettes	1	Job Recruiting	1
Clothing	1	KidsTV Programming	1
Collectibles	1	Leasing	1
Commercial Program for Travel	1	Marketing	1
Commercials for Tickets	1	Merchandise Brokering	1
Commodities	1	Mobile Diagnostic Lab	1
Commodity Trading Course	1	Mortgage Foreclosure Business	1
Coupons- Gum Vending	1	Phone Sales	1
Coupons/Computer Products	1	Product Advancement Services	1
Credit Card Terminal	1	Real Estate Support	1
Diet Program	1	Recruiting Franchisees	1
Direct Mail Business	1	Referral Service	1
Discount Property	1	Representation of In	1

Money-Making Course	1	Web Site	2
Mortgage Leads	1	Web TV	2
Natural Health Products	1	Access Via Television	1
Oil	1	Adult Web Site	1
Outsourcing	1	Cybercash Processor	1
Peppermint Patty Ve			



## Appendix 6

<b>Law Enforcement Section Summary</b>	
<b>Investigations 1993-1999</b>	
Total	332
Franchises	59
Business Opportunities	273
Type	Number
Franchise	22
NFC Referrals	8
Business Opportunity	148
# of Victims	Cases
Less than 100	14
101-500	35
501-1000	20
1001-5000	13
5001-10,000	3
10,001-25,000	6
25,001-50,000	7
50,001 or more	3

## Appendix 7

### FBOD Franchise Complaint

<b>Complaints without any specific allegations</b>	37	
<b>Complaints that raise state issues only</b>	11	
<b>Pre-Sale Issues</b>		
Application issues	7	
Franchisor changed terms or conditions	3	
Franchisor wanted advanced fee	2	
Franchisor misrepresented legal requirements	2	
Franchisor misrepresented nature of opportunity	7	
Franchisor misrepresented product capabilities	3	
Unspecified misrepresentations	5	
Other misrepresentations	3	
False advertising	2	
Bait and switch	1	
<b>Disclosure Issues</b>		
Earnings claims	40	
No disclosure document	25	
Disclosure Issue	46	
	Disclosure avoidance	2
	Timing provisions	9
	Franchisor's background	5
	State licensing requirements	1
	Litigation	2
	Costs	9
	Franchisee information	5
	Territories	5
	Financing availability/terms	5
	Patent/trademark	3
	Financial information	5
	No contract attached	1
	Unspecified disclosure issue	21
	Other disclosure issue	3
<b>Post-Sale: Goods-Delivery</b>		
Non-delivery	14	
Partial delivery	1	
Quality of goods	6	
Defective goods	0	
Other goods problems	7	
<b>Post-Sale: Performance</b>		
Breach of contract	76	
No promised support	17	
No promised training	1	
No promised locations	5	
Other support problem	21	
<b>Post-Sale: Relationship Issues</b>		
Lack of continued franchisor cooperation	1	
Franchisor changed terms or conditions	3	
Encroachment/territory dispute	6	
Clustering of territories	1	
Franchisor unresponsive	4	
Franchisor will not permit termination	1	
Franchisee pressured to buy/perform	2	
Use of franchisee fees/funds	3	

FBOD Franchise Complaint Allegations (continued)

Illegal seizure of franchisee property	1
Renewal dispute	1
Franchisor auditing confidential information	1
Franchisee threatened with termination	1
Termination/cancellation terms or conditions	4
Unspecified post-sale relationship issue	3
Other post-sale relationship issue	8
<b>Contractual Issues</b>	
Level or calculation of fees/royalties	3
Contract interpretation	3
Required supplier	1
Price fixing	2
Other contractual issue	5
<b>Miscellaneous</b>	
Franchisee dissatisfied	13
Disclosures are to protect franchisor	1
Franchisee wants inclusion in redress program	4
Franchisee can't sell route	1
Franchisee forced to drop law suit/no recourse	1
Franchisee forced to shut down	1
Franchisor may go bankrupt	1
<b>Cancellation</b>	39
<b>Refund</b>	31
<b>Billing dispute</b>	0

### Consumer Education Materials Distributed - Paper and Web

Publication Title or Internet Campaign	FY 96						FY99						FY00		
	Total	Paper	Web	Total	Paper	Web	Total	Paper	Web	Total	Paper	Web	Total		
Answering the Knock of a Business 'Opp'	20294	49070	10396	59466	20773	8299	29072	13050	10723	23773	14900	5085	19985		
The Bottom Line About Multilevel Marketing Plans								4925	18147	23072	11750	33174	44924		
Consumer Guide to Buying a Franchise	14618	12535	3450	15985	9533	7229	16762	4717	11574	16291	3015	20234	23249		
Costly Coupon Scams		8375	368	8743	5201	2840	8041	4400	6805	11205	6450	7251	13701		
Could Biz Opp Offers Be Out for Your Coffers?											18600	16575	35175		
Don't Get Burned...By a Pyramid Scheme Campaign						7285	7285		16703	16703		38800	38800		
Franchise and Business Opportunities	21745	34181	9870	44051	13863	9341	23204	16325	11458	27783	8700	12746	21446		
Get-Rich-Quick and Self-Employment Schemes Campaign			2863	2863		4303	4303		5990	5990		7229	7229		
The Gifting Club "Gotcha"											16600	512127	28727		
Going to Display Rack and Ruin		10375	381	10756	3847	2511	6358	3950	2517	6467	1900	4052	5952		
Lotions and Potions: The Bottom Line About MLM Plans											16000	9290	25290		
Medical Biotions and Potions: The Bott3 -0.0034 Tc -0.0145	8 Tce3q87.0j -54 -0.0072 12 23.7B 9.935w T(13052) T3.8.9.0T.9.40.06387087.03.28 0.50120045.130.93862)g														







