

The Most Insidious Scams

“So-called business ventures may lure your money away.”

by Pete Choppin

There is an amazing amount of scams out on the Internet. Much of them prey on ordinary people just looking for an opportunity or a cause. Once such area particularly susceptible to Internet scams involves entrepreneurs looking for business opportunities, or to take on an already established so-called "turn-key" business and just run with it.

Let's examine a few of the more insidious scams. We will describe them, then provide some clues on how to recognize and avoid them.

Some of these tips may seem a little basic. It is easy to catch yourself saying, "That could never happen to me." But don't be fooled. These con artists are clever, and even otherwise intelligent people will fall for them if they are not careful.

There is usually a common thread of deceit that runs through every one of these "programs." You need to recognize it in whatever form it takes, and the best way to do that is to become familiar with as many as possible.

The "I Want to Believe" Syndrome

Several years ago, I was invited by a trusted relative to attend a seminar where certain so-called "business opportunities" were presented. The seminar started out with dreams and aspirations. It was all about creating a vision of what your dreams were, and there was very little discussion about how this program was supposed to work, who made the money, and what exactly you did to get this money. Their main objective was to get you thinking, "I really want a better life for my family, and I want to believe this is going to work, so I'm going to ignore all the bad signs and keep hunting for the good news until I find it! And if I never find it...I want it anyway!!"

Even though this was not specifically an Internet scam, the same types of scams exist on the Internet. The same precautions are necessary to avoid them.

One piece of advice is, don't invest in any opportunity until you hunt down, independently, half a dozen people who have actually succeeded in the business who have absolutely nothing to gain by lying to you. Turn off your emotions as much as possible, and follow your instinct. If it doesn't feel exactly right, don't do it!

The Myth of MLM

The basic concept behind MLM (multilevel marketing or network marketing) is that you must build a network of contacts who will in turn build their network of contacts, and so on. The line of contacts from the lowest up to the highest is referred to as the "upline." This is the whole point to MLM businesses: to build a large upline of contacts.

The problem with multilevel marketing businesses is that they are simply not sustainable—and some may even be illegal. Eventually, those that are lower down the line become discouraged because their sales drop off.

Even with legitimate companies, your chances of succeeding big-time are slim at best. And also consider that there are a lot of people to pay. That means the prices must be inflated, which means the products are never easy to sell. And consider the fact that because it is hard to succeed, and it's generally very long before you see any real money, the vast majority of your downline will drop out or become inactive almost as fast as you can recruit them.

The myth of multilevel marketing is that anyone can make money at it, and this is simply not possible.

Work-at-Home Scams

These are the clerical, typing, filling out forms, transcription and data-entry types of services. The target of these scams is, unfortunately, the work-at-home mom who wants to earn a little money and stay home with her kids.

Many of these scams will typically claim that they have an overload of work and are looking for people who want a work-at-home opportunity to take some of their load from them.

Their logic is that they want to "follow the current trend of working with home-based individuals, just like you, to perform the data entry work," which is actually plausible because there are, in fact, legitimate businesses that do solicit work-at-home services. The difference is that a legitimate business will always look for local workers, not on the Internet. It's very simple: Employing people in your local area allows a legitimate business to have constant contact with their work-at-home employee.

Also consider, a real company expands nationally by increasing their customer base nationally—not by increasing their workforce nationally.

And beware of any company that wants to charge you for either the training or tools necessary to do the job. A legitimate company that hires work-at-home employees will supply the software and train you for free.

The Internet Mall

This is another so-called opportunity that some of my friends have tried to turn me onto. The main concept of the Internet mall is basically a Web site where you can sell merchandise that is ordered from a (hopefully) real distributor of the merchandise. The claim is two-fold. First, that the mall has a high-traffic Internet presence, and is therefore quite lucrative. They tend to describe the Internet traffic received in a cumulative sense. For example, they might total up the hits to all the stores in their mall. Separately, each store may be getting 100 hits a month, but if it's a big enough mall, that might add up to 100,000 hits a month, and that's probably the number they're bragging about.

The second problem with Internet malls has to do with the misconception of the way they use the term "mall," and this also plays into, and is closely related, to the first claim about traffic.

There is a big difference between an Internet mall and the local mall. At the local mall, you might be heading for Sears to buy a weed whacker, and on the way you stop at the shoe

store to check out their two-for-one sale, and you have to dash into the bookstore to see what new paperbacks they've got, and everyone knows it's impossible to pass the cinnamon rolls without stopping.

An Internet mall is nothing like this. The truth is it makes absolutely no difference how much traffic the mall gets. People don't go to a mall on the Internet to browse like they go to their local mall. They will go there for a specific purpose to find specific items. If someone is looking for collectible angels, they'll type "angels" into a search engine. You might believe you're in luck! The stores on both sides of you sell angels like the local mall. They can't miss you! Well, actually they can and will miss you. Search engines do not operate based on amount number of traffic a mall receives. There is just as much chance for you to get a hit as any other store on the Internet.

Be cautious when you see claims about high traffic and Internet "malls" that will draw thousands of people to your store. Where they are really making money is on the fees you pay to sign up for the mall—these can run upwards of \$500 and might give you a fancy title such as "Internet Consultant." And if you start seeing training seminars for selling on the Internet, this is a definite red flag. These so-called trainings can cost you thousands.

Assemble and Sell Crafts at Home

Once, a long time ago, my wife answered an ad that claimed they were looking for talented individuals to assemble specially designed hair clips (I am sure she'll forgive me for mentioning her in this article). All you had to do was send \$24.99 for a kit that you put together and send in. They would evaluate your work and then let you know if it met their standards of quality. We were told we would be notified by mail about their decision.

We sent in the money and we did, indeed, receive a kit. However, it was missing parts and the instructions were incomplete. She did her best to put together the hair clips (I think there was enough parts to assemble three clips) and she sent it in. We did get a letter that notified her that it did not meet their standards of quality. They did list the areas where she made mistakes, such as leaving glue showing, and they claimed the three clips were not uniformly made.

Here is the real flaw in these types of scams: The idea is that the company will sell the products for which they provide the materials, and they will reap the rewards after having paid the assemblers for their time and labor.

The money should flow in one direction only, and that is from the customer who buys the product to the company that makes the product using materials purchased by this company who will be keeping the profit, and from that company to the assembler who asks no reward other than to be paid for their labor.

Here are two examples of when this does not happen, and hence, the scam begins:

You may find the occasional "opportunity" that promises to give you the supplies free. But if you read the fine print, you'll find that's generally only after they accept a certain number of "units" (which they probably won't).

The other common scam is the occasional company that actually accepts your first shipment and sends you a paycheck. Great! Except that rarely happens more than once. See, when you take that first little paycheck to the bank, you'll be so excited you'll race right home and order more supplies, hoping to make more money—lots more! Then they have you and your money.

There are other problems. One is intentionally inferior material. Actually, the quality of the materials makes no difference whatsoever. Why? Because they are not in the business of making and selling products. They are in the business of selling unassembled material to you.

A typical tactic that they'll use as well is abuse and guilt. Often they will make you feel as though the poor workmanship is due to your inability to make a quality product, when, in fact, it is really because the product material is inferior. This is by design. They may even claim that they have several other assemblers that are able to meet their standards. All you need to do is keep working at it (and keep paying for the inferior materials).

There are many kinds of scams on the Internet and the seminar circuit. These are just a few of them. A good rule of thumb is if something feels wrong, it probably is. This is similar to the axiom, if it is too good to be true, it probably is.

Do a little research, go with your instincts and keep your emotions out of it. This will likely keep you out of most of the scams out there.