

# Is Your Business Opportunity Program Legal?

## Introduction To Business Opportunity Programs

Business Opportunity Programs have always been very popular with many people. They offer the ordinary person the chance to make money from home without the usual costs of setting up in business

There is usually very little if any stock to buy, no overheads much to speak of, no investment in publicity materials etc - all these services are provided free by the program owners. Typically an online opportunity program will provide participants with banners, text ads, email ads, ezine ads etc - even a full website, all completely free

The only cost involved is a small monthly membership fee - although even this can be avoided until you get used to the program, as many programs will allow you to join for free

## Do These Programs Really Work?

The honest answer in brief is - some do: many dont!!

The first question to consider is whether the program is in fact legal

Many people down through the years, that business opportunity programs have been around, have lost money - sometimes all their life savings. For this reason most governments in western countries have passed laws to outlaw most of the worst kind of these schemes, often referred to as "Ponzi" schemes

However the law is often openly ignored by many of the people running these business opportunity programs. Perhaps they did not take appropriate legal advice before starting the program, perhaps they were unaware that what they were doing was illegal - or maybe they just didn't care. For some people as long as they are making money, they dont care that other people are losing money!!

However the critical point to grasp is that "ignorance of the law is not an excuse", and any one that promotes a trading scheme, as an affiliate, is just as guilty as the people that run the scheme. In general you should always do your homework on the business in question as most of these type of businesses will not survive very long

## A Pyramid Matrix

A pyramid matrix simply means an arrangement where the number of people in each level of the pyramid gets bigger the further you go down. Generally the number of members will increase by a set multiplier e.g. you start with 5 people, each of these people refers 5 people, so on the second level or tier there are 25 people, being  $5 \times 5$ . As you go down each level of the matrix you multiply the members by 5 each time. So the next level will be  $25 \times 5$  members which is 125

The problem with this arrangement - and the typical one with business opportunities - is that this rate of growth is unsustainable. You would very quickly need one million people and more to sustain this matrix. In fact by the time you got down to the 9th level of this matrix you would need nearly two million people in the scheme - and each of these two million people would each have to find 5 members, which would then push the membership to 10 million!!

## The General Legal Rule

For these reasons laws have been introduced to protect the public from such unviable schemes

The general rule is that it is illegal to encourage someone to pay money in joining or participating in a trading scheme, if the only or main purpose of the scheme is to encourage other people to pay money by way of joining or participating in a trading scheme e.g. you join a scheme and pay a membership fee of \$9.99 - you earn this money back when you find 5 other people to pay their membership fee of \$9.99

Anything that breaks this rule is almost certainly illegal - you would be well advised - however enticing the scheme sounds - to stay well clear of such arrangements

Many business opportunity programs break this rule because people join as free members and then must "upgrade" their membership in order to participate in the compensation plan. However they receive nothing of substantial or equivalent value to the membership fee being paid. In other words if you pay \$9.99 per month and receive free "training", a "free" website, free "support" via a forum etc - none of these things can be regarded as being of "substantial or equivalent" value

The law regards these schemes as an illegal unregistered lottery, and anyone who promotes such schemes is engaged in an illegal activity - certainly not a legitimate business!

#### Product Based Opportunities That Have A Network Aspect

The way to make such money type schemes legal, is to always ensure that people are receiving something of value for their membership fee e.g. some real product or service which could be bought by the general public

Product based opportunities are fully legal because people join for free as "distributors" and can sell a range of products and earn a commission, based on the sales they generate. There may be an additional "add-on" network aspect, which may require the payment of a monthly fee. This payment is fine, so long as there is something of value provided for the payment, and so long as making the payment is not compulsory

Because product based opportunities are nearly always legal - providing there is a "join for free" option, then you can always have confidence that such businesses, based on selling a product or range of products, is a viable opportunity and will almost certainly last into the future

#### What Qualifies As A Product?

You need to be clear what is meant by a product

In general we are talking about a real physical product such as slimming pills, ski jacket, health drink, bedside clock, perfume etc. If the main purpose of the business is to sell the product - even if there is some additional network aspect, then you are generally on firm ground

#### The Network

We have mentioned the phrase "the network aspect" we need to be clear what is meant by this. We do not mean a standard pyramid matrix. The idea of network marketing is to allow for a system of network distribution - so that each member in the organization sells a small amount of product per month, but altogether this amounts to a much larger total value. However there is no requirement for people to participate in building a network if they do not wish to - they can just sell the products for their standard commission. Such a system will produce far greater group sales than the same number of people just paying a monthly membership fee.

Imagine if I have 100 people in my network all selling just \$50 of product a month. That amounts to total sales for the group of \$5,000 per month. But if those 100 people just paid a membership fee of \$9.99 per month, the total revenue would be only \$999. In addition, as each of those 100 people would be receiving a commission cheque for their \$50 worth of sales, they would be much more likely to continue with the business, as compared to simply "losing" a membership fee of \$9.99 with no commissions for their trouble

#### Conclusion

Be very careful about business opportunity programs. Product based opportunities work very well via a system of network distribution. However if there is no product of any significance, and you only make money by getting other people to pay a membership fee, then this scheme is very unlikely to pay you any money ever. With a product based opportunity you can sell real products and collect a trade commission even as a free member. As a result the business is viable and a network can be built up into a significant monthly income

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