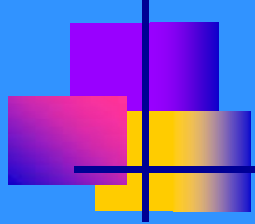


GOOD BUSINESS PRACTICES FOR ENTREPRENEURS



Ronna Brown

THE BETTER BUSINESS BUREAU

New York Public Library

Science, Industry and Business Library
Branch

October 19, 2004





Small Business Facts

- Over half of all employees in NY work for small businesses
- 99% of all businesses in state are small



Today's Agenda

- BBB: Finding Capital and Keeping Customers
- FTC: Good Advertising and Avoiding Scams
- Questions and Answers



Entrepreneurs

Hurdles and Rewards

- Initial Hurdles
 - Create plan
 - Get Financing
 - Comply with regulations
- Staying in Business Hurdles
 - Offer quality product/service
 - Price competitively
 - Market
- Rewards
 - Lifestyle, Financial, Achievement of Dreams



At the Beginning

Get Expert Advice

- Free Sources
 - Business Associations
 - Government
 - Nonprofits
 - Community Business Counselors
- Get Help With The Basics
 - Business Plans and Loan Proposal
 - Marketing and Selling Techniques
 - Financing
 - Local Laws and Licensing



Where's the Money?

- **Informal** - Friends/Relatives/Business Owner
- **Loans** - Banks/Credit Unions
- **Debt Financing Alternatives** - Commercial Finance Co. Non-Profit MicroLenders/Govt Backed Programs - Empowerment Zones
- **Selling Equity**

Where's the Money?

Informal Network

- Create written document
- Don't overextend
- Understand risk



Where's the Money?

Traditional Loans

- Banks
 - Interest Rate
 - Longterm/Shortterm
 - Risk Factor
- Relationship/Partnership



Where's the Money?

Alternatives to Traditional Loans

- Vendor Credit
- Leasing Companies
- Factor Companies
- Customer Financing



Where's the Money?

Selling Equity

- Control
- Need business advisor
- Understand exactly what all the terms mean



General Issues for Financing

Risk as it relates to the owner

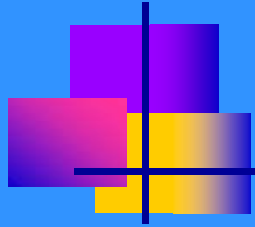
- Know your actual & perceived risk level
 - personal credit score
 - credit and borrowing history
- Prepare to make a Personal Investment (25% is typical)
- Your experience and track record in business
- Create relationships – know loan officers



General Issues for Financing

Risk as it relates to your business

- Collateral
- Business cash flow
- Equity in business
- Accurate records
- Your business plan and loan proposal



Scams Targeting

Small Businesses & Organizations



Just the Facts

- Common scams
 - Office supply fraud
 - Yellow Pages invoice scams
 - Public safety fundraising fraud
 - Web site cramming fraud
- How they work
- Pointers to prevent losses



Office Supply Fraud

- Chronic problem
- Affects all types of businesses and organizations
- Companies lose \$200 million annually

Trademarks of Office Supply Fraud

- A bill, statement or invoice that looks legitimate for:
 - Toner
 - Light bulbs
 - Cleaning supplies
 - Air canisters
 - Tape
 - First-aid kits





How the Scam Works

- Telemarketers state or imply that:
 - They are calling from the regular, previous or “authorized” supplier
 - It is time to reorder before prices go up
 - They are calling to complete an existing order
 - They are asking for confirmation to send previously ordered merchandise





How the Scam Works

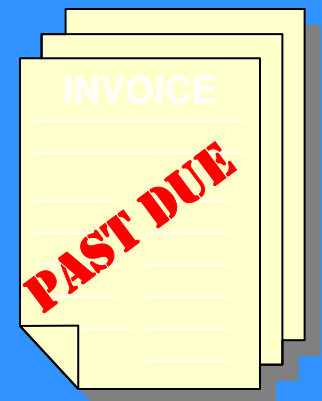
- Telemarketers ask for:
 - Name of the person that orders supplies
 - Serial number and brand of equipment
 - Confirmation of business address
 - Does the business want a free gift?





Subsequent Events

- Supplies arrive at the office
(not the kind usually ordered)
- Invoice follows several days later
- “Past due” invoices and collection efforts



Fighting Back

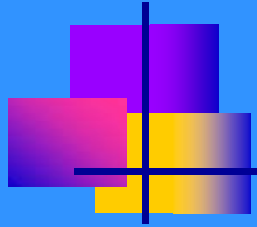
- When a business fights back, the scam artists . . .
 - Bully the caller with litigation threats
 - Try to negotiate a lower price
 - Appeal to sympathy
 - Charge a “restocking” fee
 - Make the organization return supplies at its own expense





Why This Fraud Thrives

- Invoices appear legitimate
- Employees may not be familiar with regular vendors and the cost of supplies
- Employees may feel they have consented to the transaction
- The scam succeeds even when a business returns the supplies, pays a “restocking” fee, or negotiates a lower price



How to Protect Your Business or Organization



1. Know Your Rights

- Don't pay for unordered merchandise.
- Don't return unordered merchandise.
- The Telemarketing Sales Rule offers protections
 - It requires disclosures
 - It prohibits telemarketers from misrepresenting material information



2. Use Purchase Controls

- Consider assigning a designated buyer
- Use purchase orders
- Send a copy of every purchase order and bill of lading to accounts payable or designated staff

Refuse merchandise that does not match your purchase order or bill of lading.



3. Train Your Staff

- Instruct employees on how to respond to telemarketers
- Employees should refer callers to the designated buyer
- Require telemarketers to get a purchase order



Yellow Pages Invoice Scams

- The solicitation has the appearance of an invoice
- It may bear the logo and feature the name "Yellow Pages"
- It may falsely suggest the publisher is your local telephone company
- It may lead you to believe your business has already been listed in the directory and you are now being billed





Avoiding These Scams

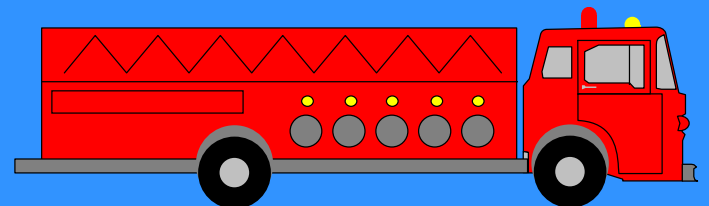
- Check out the company and publication
- Call local Yellow Pages publisher
- Ask for a copy of a prior edition
- Ask for online address and call advertisers
- Ask for written information regarding publication, distribution and circulation
- Check with consumer protection agencies
- Contact local postmaster or postal inspector





Public Safety Fundraising Fraud

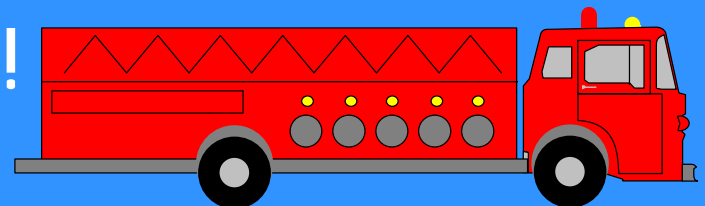
- Raising money for local police or fire personnel
- Selling advertising that will appear in local law enforcement journals
- Raising money to help fight drug abuse in the schools or community





Blowing the Whistle

- Ask for identification
- Ask how your contribution will be used
- Call to verify legitimacy
- If you cannot verify legitimacy, report telemarketer
- Be wary of “special treatment” offers
- Don't be intimidated!





Website Cramming Scams

- The "Offer"
 - Free website
 - Nominal fee
 - Cancel anytime
- The "Catch"
 - Sites contain limited information
 - Sites are not listed with major search engines



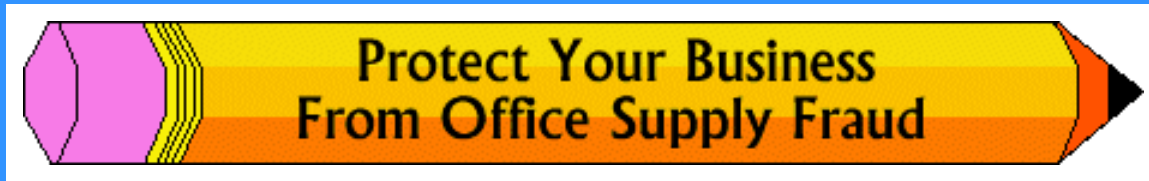
Don't Get "Crammed"

- Treat unordered services as a gift
- Review phone bills promptly
- Assign purchasing to designated staff
- Document purchases
- Train your staff on how to deal with telemarketers
- Buy from those you know and trust



Where to Complain and Get More Information

- Federal Trade Commission
 - 1-877-FTC-HELP (382-4357)
 - www.ftc.gov
 - FTC, Washington, DC 20580
- State Attorney General
 - www.naag.gov
- Local Consumer Protection Office
- Better Business Bureau
 - www.bbb.org



**Federal Trade Commission
600 Pennsylvania Ave, NW
Washington, DC 20580**

1-877-FTC-HELP (382-4357)

www.ftc.gov



Customers

- Easier to keep a current customer than find a new one
- What do customers want
 - Quality product
 - Respect/Appreciation



Customer Retention

Typical BBB Complains

- Mistreatment
- Inadequate Complaint Handling
- Lack of Contact Information
- Product or Service Defect
- Failure to Deliver Product/Service

Customer Retention

Typical BBB Complains

- Misrepresentation /Expectations
- Refund Refusal
- Deceptive Advertising
- Misusing Private Customer Information



Customers

Common Mistakes

- Frontline Staff cannot Resolve
- Rigid in Solutions
- Doing Nothing
- Lack of Sympathy



Customer Retention

Good Practices

- Listen
- Reason
- Keep Calm
- Find a Specific Resolution
- Goodwill Counts
- Your Customer's Complaint Matters

Customer Complaints

Mediation

- Fast, Fair, Flexible
- Confidential
- Requires Good Faith



Legal Compliance

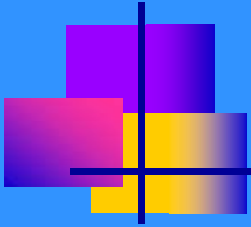
“Ignorance is not Bliss”

- Federal, State, Country, and City Laws
- Seek Professional Help
- Legal Forms of Business Ownership
- Tax Laws
- Required Licenses or Permits
- Employment and Labor Law
- Consumer Laws



CONTACT THE BBB

- THE BETTER BUSINESS BUREAU
Servicing Metro New York, Long Island, and the
Mid-Hudson Region
- www.newyork.BBB.org
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THANK YOU

