

Design and Testing of Business Opportunity Disclosures

March 10, 2009

Submitted to:
Federal Trade Commission



Submitted by:



Design and Testing of Business Opportunity Disclosures

Submitted to:

Federal Trade Commission
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TABLE OF CONTENTS

Section I: Introduction

Background.....	1
Overview of the Project	2
Structure of this Report.....	2

Section II: Initial Review of Disclosure

Objectives and Methodology	3
Findings and Recommendations.....	3

Section III: First Day of Consumer Testing (June 5, 2008)

Objectives and Methodology	5
Findings and Recommendations.....	5
Subsequent Design Decisions.....	7

Section IV: Second Day of Consumer Testing (June 10, 2008)

Objectives and Methodology	10
Findings and Recommendations.....	10
Subsequent Design Decisions.....	12

Section V: Third Day of Consumer Testing (September 23, 2008)

Objectives and Methodology	14
Findings and Recommendations.....	14
Subsequent Design Decisions.....	15

Section VI: Summary

	16
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Appendices

Appendix A: Disclosure Models	
Appendix B: Recruiting Screener	
Appendix C: Participant Background Characteristics	
Appendix D: List of Legal Actions (Attachment to Disclosure)	
Appendix E: Earnings Claims Statement (Attachment to Disclosure)	
Appendix F: Interview Guide (Days 1 and 2)	
Appendix G: Interview Guide (Day 3)	

SECTION I: INTRODUCTION

Background

Since the 1970's, the Federal Trade Commission's (FTC's) Franchise Rule has required that sellers of franchises and other business opportunities disclose a number of pieces of information to prospective buyers. However, during its review of these requirements in the late 1990s, it became clear to the FTC that buyers of certain types of business opportunities might not be best served by the Franchise Rule as it was written at that time. Because these business opportunity ventures, in contrast to business format franchises, were typically much simpler relationships that did not necessarily involve a continuing relationship between the buyer and seller, some of the disclosures that were being required were not necessary. At the same time, because fraud was more prevalent in the sale of these business opportunity ventures than in traditional franchises, it was vital that buyers had access to certain core pieces of information—and the narrow focus of the Franchise Rule allowed many sellers to avoid these disclosures. With this in mind, the FTC proposed to draft a separate Business Opportunity Rule, and a corresponding disclosure form, that would cover these specific situations.

In April 2006, the FTC released a Notice of Proposed Rulemaking (NPR) that outlined its proposed Business Opportunity Rule. Among other things, the proposed Rule would require that business opportunity sellers disclose in written form six types of information: (1) identifying information such as the seller's name, business address, telephone number, the name of the salesperson offering the opportunity, and the date; (2) whether or not the seller makes claims about future earnings; (3) information on civil or criminal actions against the seller; (4) whether or not the seller offers a cancellation or refund policy; (5) the number of people that have purchased the opportunity in the past two years and the number that have asked to cancel that purchase or have requested a refund; and (6) contact information for 10 previous purchasers of the opportunity. The NPR also included a one-page model form that demonstrated how these disclosures should be structured and worded. Subsequently, the FTC published a Revised Notice of Proposed Rulemaking (RNPR) in March 2008.

In the meantime, in the fall of 2007 the FTC had contracted with Coffey Consulting, LLC (formerly Coffey Communications, LLC) (Coffey) and Macro International (Macro) to conduct consumer testing of the model form as published in the RNPR. The goal of this project was to produce a form that discloses the information described in the RNPR as clearly as possible for consumers to read and understand. This report describes the methodology used in the project, as well as a summary of findings.

Overview of the Project

This review of the FTC’s business opportunity disclosure consisted of two phases:

- In the first phase, Macro conducted a review of the proposed model form that had been released with the FTC’s March 2008 RNPR, and provided recommendations for how the form could be improved in terms of usability for consumers. Macro worked collaboratively with the FTC to develop a revised form based on its recommendations.
- In the second phase, Coffey and Macro tested the disclosure form with consumers to assess its clarity and readability. Three days of testing were conducted from June to September 2008, consisting of a total of 18 interviews. After each day of testing a revised version of the form was developed based on interview findings from that day, and this revised version was used in the next set of interviews.

Structure of this Report

This report provides a summary of the methodology used by Coffey and Macro, as well as the findings from each phase of the project. The first chapter addresses the results of Macro’s initial review of the form. Subsequent chapters each address one day of consumer testing, and describe a) key interview findings, and b) changes that were made to the disclosure form based on those findings.

A total of four different versions of the business opportunity disclosure form were used in this project:

- **Model 1:** The original form released by the FTC as part of its March 2008 RNPR.
- **Model 2:** A revised form that Macro developed after its initial review of the form. This form was used for the first day of consumer testing on June 5, 2008.
- **Model 3:** A revised form that was developed based on findings from the first day of consumer testing. This form was used for the second day of consumer testing on June 10, 2008.
- **Model 4:** A revised form that was developed based on findings from the second day of consumer testing. This form was used for the final day of consumer testing on September 23, 2008.¹

All four of these forms are provided as Appendix A of this report.

¹ In Form 4, the words “or pay any money” were inadvertently omitted from the end of the second-to-last paragraph. However, this omission did not have a significant impact on testing, or on the findings described in this report.

SECTION II: INITIAL REVIEW OF DISCLOSURE

Objectives and Methodology

As the first step in the disclosure testing process, Macro International conducted an internal review of the proposed form that the FTC released as part of its March 2008 RNPR. This proposed form (referred to here as “Model 1”) is provided in Appendix A. Macro’s review of the form was based on its expertise in form design, heuristics, and readability. During the review, Macro considered the following aspects of the form:

- The level of vocabulary used, to make sure that it was understandable to consumers that would be likely to receive this form;
- The wording and language used, to see whether sentences could be made shorter or simpler; and
- The format of the form, to see whether the page could be structured to guide readers’ attention to the most important information.

Findings and Recommendations

Based on its review of Model 1, Macro recommended a number of revisions to the form. Some of these revisions included:

- Changing the title of the form from “*Business Opportunity Disclosures*” to “*Disclosure of Important Information about Business Opportunity,*” which Macro felt would be clearer to consumers.
- Revising the preamble (i.e., the text between the title and the information about earnings claims) to make it more readable. Some of the changes included:
 - Adding an explanation of “FTC” for consumers who may not be familiar with the agency;
 - Clarifying that the information on the form relates specifically to the business opportunity the reader is being offered; and
 - Emphasizing that the reader should consider this information carefully before making a decision.
- Reformatting the section that addresses earnings, legal actions, and cancellation or refund policies. By putting both the text and check boxes in a table, Macro hoped to make the information more prominent on the page. In addition, Macro felt having the words “Yes” and “No” appear next to every check box, rather than once at the top of the columns, would make the form easier to understand.

- Reformatting information about forms that may be attached to the disclosure so that it appears in italics at the bottom of each of the three rows of the table (i.e., earnings claims, legal actions, and cancellation or refund policy). This was done both for reasons of consistency and to make this information more prominent.
- Revising the wording of the References section to make it more readable.
- Adding a note below the signature line stating that the FTC requires that the business opportunity seller give potential buyers at least seven calendar days before asking him or her to sign a purchase contract. This was done to make consumers aware of this rule, and to emphasize that the FTC believes it is important that potential purchasers research the opportunity.

The outcome of Macro's recommendations was a new version of the disclosure (Model 2), which is provided in Appendix A. Model 2 was then used for the first day of consumer testing.

SECTION III: FIRST DAY OF CONSUMER TESTING (JUNE 5, 2008)

Objectives and Methodology

On June 5, 2008, Macro conducted four consumer interviews at its headquarters in Calverton, MD. Each interview lasted 45-60 minutes.

Interview participants were recruited by telephone using a structured screening instrument developed by Macro, Coffey and the FTC. Participation was limited to people who were the primary financial decision-maker in their households, and who either a) had purchased or inquired about a business opportunity in the last three years; or b) would be “very interested” in learning about potential business opportunities. Other questions ensured the recruitment of participants with a range of ethnicities, ages, and education levels. The recruiting screener used for the interviews is provided as Appendix B.² Appendix C provides detailed information about the characteristics of participants in all three days of interviews.

In the interviews, participants were told to imagine a scenario in which they were offered a business opportunity by a company called Acme Products. They were told to imagine that they had spoken to an Acme salesperson named Robert Smith, who told them that if they purchased the opportunity they could make \$1,000 per week. They were then shown Model 2 of the disclosure and were asked to read it just as they would if they were given the document by an Acme Products salesperson. The form also included an attached list of legal actions (Appendix D). The participant was asked to “think aloud” while reviewing the disclosure—that is, to verbalize what he or she was thinking while reading, and comment if he or she saw anything surprising or confusing. After the participant finished reading, the interviewer asked several follow-up questions designed to measure comprehension of key concepts. The interview guide for the first day of interviews is provided as Appendix F to this report.

Key Interview Findings

Preamble

- Of the four participants, two understood that the FTC had not reviewed or verified the information on the form. The other two incorrectly thought that it had. This misconception was very persistent; when one of the latter two participants was shown the sentence that explicitly indicated that “no government agency has verified any of this information,” she concluded that the FTC was not a government agency.
- Participants were confused as to what information they would find at the FTC website and phone number shown at the top of the form. One thought she could get more information about the FTC and what it does, while another said that he could get more details about any legal actions taken against Acme Products. The other two participants

² The same screener was used for all three days of testing.

were confused as to how the FTC could provide them any information about this business opportunity, since they had not reviewed the form.

- Some participants indicated that they would be more likely to go to the FTC website than to call the 1-800 number that was provided.

Earnings Claims

- Only one of the four participants understood that a check in the “No” box in the Earnings row meant that Acme Products was saying that it had never made any claims about potential earnings from the business opportunity. The other three participants had a variety of misinterpretations of this row:
 - One disregarded the check in the “No” box, and thought that this row was making an earnings claim—that is, was telling her that she would be making a specific level of income if she bought the opportunity.
 - Another participant also disregarded the “No” box, and said that the form was indicating that other people who had purchased the opportunity were making a specific level of income.
 - The final participant thought that the fact that the “No” box was checked only meant that Acme Products did not have to attach an Earnings Claims Statement to the page. This participant said that the form provided no information about earnings, or whether earnings claims had been made.
- Only one of the four participants noticed the discrepancy between the check in the “No” box in the Earnings Claims statement and the fact that the Acme salesperson had told her she could make \$1,000 per week. The other three did not notice this discrepancy because of their fundamental misunderstanding of what the row was saying.
- The one participant who understood this row was later shown a second version of the form in which the “Yes” box was checked in the Earnings Claims row. This version of the form also included an attached Earnings Claims Statement (Appendix E). She understood the new meaning of the row, and immediately looked at the Earnings Claims Statement.

Legal Actions

- Only two of the four participants understood that if “Yes” was checked in the Legal Actions row, it meant that legal actions had been filed against Acme Products. The other two participants’ confusion seemed to stem from the fact that they didn’t understand the purpose of the form; one thought that he was supposed to fill it out himself, and the other thought the phrase “key personnel” in that row referred to him.
- Of the two participants who understood the Legal Actions row, one looked at the attached list of legal actions. The other did not realize that such a list was provided.
- All participants indicated that the presence of legal actions against Acme Products would be a factor in their decision whether or not to buy the opportunity; one said that it would be a “dealbreaker.”

Cancellation or Refund Policy

- Two participants understood that if the “No” box was checked in the Cancellation or Refund Policy row, it meant that Acme Products did not offer a cancellation or refund policy. The other two thought that a check in the “No” box meant that Acme was not attaching its policy, but that it still might have one.
- All participants seemed to understand the term “refund policy”, but at least one was confused by the term “cancellation policy.”

References

- When looking at the References section of the form, two participants understood that the fact that six references were listed meant that only six people had purchased a business opportunity from that seller. The other two participants did not know why only six were listed. Two of the four participants expressed suspicion that Acme Products had selected these particular references because they knew they would speak most highly of the opportunity.
- Three of the four participants said that they would call the references as part of their research on the opportunity. The fourth indicated that he would not call the references because based on the other information provided on the form (such as the pending legal actions) he already knew he would not be interested in the opportunity.
- Only one of the four participants initially noticed the sentence that indicated that if they purchased an opportunity, their contact information could be shared with other buyers. After this sentence was pointed out to everyone, only one person indicated that having her information shared would make her uncomfortable; the other three indicated that it would not be a problem for them.

Other Key Findings

- At least two of the participants were confused by the use of the word “seller” in the document to mean Acme Products. These participants thought this word might be referring to them, since if they purchased the business opportunity they would then be selling some product.
- All four of the participants indicated that they would not sign the form. At least three were concerned that signing the form might commit them somehow to purchasing the opportunity.
- Three of the participants did not at first notice the sentence beneath the signature line about the seven day requirement. When this sentence was pointed out to them, two participants misunderstood what it meant; they thought that this text meant that Acme Products had to give them seven days to sign this form.

Subsequent Design Decisions

Following the first round of interviews, Macro provided the FTC with a list of recommended revisions to the form that would address the issues with consumer comprehension described

above. Normally, Macro would not advise revising a form based on results from only four interviews. In this case, however, consumer comprehension issues were immediately apparent and were significant enough to warrant changes to the form.

The changes recommended by Macro included the following, all of which are reflected in the revised disclosure form developed after the first day of testing (Model 3 in Appendix A).

General Revisions

- Because some participants did not realize that the word “seller” was referring to the company selling them the business opportunity, in most places on the form the word “seller” was replaced with the name of the actual company.

Preamble

- The Federal Trade Commission was specifically identified as “an agency of the U.S. Government,” since at least one participant was unfamiliar with the name.
- The sentence, “Read this document and consider the information carefully before deciding whether to purchase the business opportunity you are being offered” was changed to boldface to make it more prominent.
- Because participants who saw Model 2 mistakenly thought that the FTC could provide information about this specific business opportunity, the form was revised to state that consumers could go to the FTC’s website or 1-800 number to get information about business opportunities “in general.”
- Because some participants indicated that they would be more likely to go to the FTC’s website rather than calling a 1-800 number, the sentence about contacting the FTC was revised so that the website appeared first.

Earnings, Legal Actions, and Cancellation or Refund Policies

- Because of concerns that participants did not understand the meaning of the “Yes” and “No” boxes in relation to the statements about earnings, legal actions, and cancellation or refund policies, Macro reworded each of these three statements into the form of a question.
- The “Yes” and “No” boxes were moved to the right-hand side of the table, so that consumers who were reading left to right would see them after reading the associated questions.
- Because participants had difficulty understanding the text in the Earnings row of the table, this text was simplified to make it easier to read. For example, the phrase “states or implies, or has stated or implied” was shortened to “stated or implied”.

References

- The references section of the form was included as another row of the table. This was done for reasons of consistency; in the revised form everything inside the table was information specific to this business opportunity, while everything outside the table (with

the exception of the identifying information at the top) was general information from the FTC.

Other Revisions

- To emphasize that signing the disclosure does not obligate a potential purchaser in any way, the sentence “By signing above, you are agreeing that you have received this document” was added beneath the signature line.

SECTION IV:

SECOND DAY OF CONSUMER TESTING (JUNE 10, 2008)

Objectives and Methodology

On June 10, 2008, Macro conducted five more consumer interviews. Again, the interviews were 45 to 60 minutes in length and took place at Macro's corporate headquarters in Calverton, MD. Participants were selected by telephone using the same screener that was used in the first day of interviews.

The interview guide that was used on the second day of testing was identical to that used on the first day. The one significant difference is that on the second day, consumers were asked to read and provide feedback on the revised Model 3 disclosure form.

Key Interview Findings

Preamble

- Of the five participants on the second day of testing, four initially said that the FTC had not reviewed the information on the form. However, two of the four later contradicted themselves and said that the FTC might have done so. Overall, only two of the five seemed to clearly understand that the FTC had not reviewed this information.
- Participants continued to misunderstand what information they could find through the FTC website or 1-800 number. Three thought they would find specific information about Acme Products, such as whether or not they were "registered with the FTC" or more detail about any legal actions against them. Another participant thought she would find more information about the FTC itself. The fifth participant did not know what kind of information would be available.

Earnings Claims

- Two of the five participants understood that a check in the "No" box in the Earnings row meant that Acme Products was saying that it had never made any claims about potential earnings from the business opportunity. Two others thought that the "No" box was checked because no Earnings Claims Statement was attached, but that Acme might still have provided information about how much money they could make. The fifth was unsure what this row meant.
- The fact that some participants had difficulty understanding this row seemed to stem at least in part from the complexity of the language used; at least two participants had difficulty reading the text in this row.
- Only two of the five participants noticed the discrepancy between the check in the "No" box and the fact that Acme's salesperson had earlier told them that they could make

\$1,000 per week if they purchased the opportunity. The three participants who misunderstood what the row was saying did not notice this discrepancy.

- When shown a version of the form in which the “Yes” box was checked in the Earnings row, all participants understood the meaning of the row. Three of the five looked at the attached Earnings Claims Statement without being prompted.

Legal Actions

- All five participants understood the meaning of the Legal Actions row, as well as the fact that if the “Yes” box is checked it means that legal actions have been filed against Acme Products. However, only one of the five looked at the attached list of legal actions. Two said that they did not see the reference to this list on the form.
- All participants said that the fact that legal actions had been filed against Acme Products would make them less likely to buy the opportunity; one said that after reading that information on the form they “would stop right there” and refuse the opportunity.

Cancellation or Refund Policy

- All five participants understood the meaning of the Cancellation and Refund Policy row; all correctly said that the fact that the “No” box was checked indicated that Acme Products did not offer a cancellation or refund policy. Most indicated that this information would make them less likely to purchase the opportunity.

References

- Three participants indicated that if they were considering this business opportunity, they would contact the references shown; another said that they “might” contact them. The fifth participant admitted that he probably would not, even though he knew that he should.
- Four of the five participants understood that the fact that only six references were listed meant that only six people had purchased a business opportunity from Acme Products.
- Two participants expressed suspicion that Acme Products might have fraudulently listed relatives or employees as references.
- Only one of the five participants noticed the sentence that indicated that if they purchased an opportunity, their contact information could be shared with other buyers. After this sentence was pointed out, three of the five participants said that they would be uncomfortable with having this information shared. One of the three said that it would not be a problem for her to share her name, state, and telephone number, but sharing the city in which she lived made her uncomfortable.

Other Key Findings

- At least two participants were initially unclear as to who had completed the form. One thought that the FTC had completed the form itself, while another thought that Robert Smith (Acme’s salesperson) had completed the form himself with no input from Acme.
- One participant correctly said that signing the document indicates only that you have received it, while another said that signing means you have “read and understood” the

form. The other three participants were concerned that signing the document could obligate them in some way to Acme Products. This misconception persisted even after they read the sentence stating that “By signing above, you are agreeing that you have received this document.”

- Only one of the five participants said that she would sign the form; the other four indicated that they would not sign the form until they had done more research.
- At least two participants misunderstood the seven day deadline described at the bottom of the form. One thought that he had seven days to sign the form, while another thought that if she signed the form she would have seven days to provide payment for the opportunity.

Subsequent Design Decisions

Following the second day of testing, Macro recommended making the following changes to the business opportunity disclosure notice. These changes, along with several other minor changes in wording, led to the development of Model 4 (Appendix A), which was used on the final day of testing.

Preamble

- The wording of the preamble was revised as follows:
 - Because some participants were unsure who had completed the form, text was added to emphasize that Acme Products completed the form itself;
 - The statement that the FTC has not reviewed the completed form was moved earlier in the paragraph to make it more prominent; and
 - The wording of the bolded sentence was revised to emphasize more clearly that readers should compare the information on the form to what they had been told previously by the business opportunity seller.
- Because some participants continued to mistakenly think that the FTC would provide information about this specific business opportunity through their website or toll-free number, this information was moved out of the preamble to the bottom of the page.

Earnings, Legal Actions, and Cancellation or Refund Policy

- Because participants seemed to understand the Legal Actions and Cancellation or Refund Policy rows more clearly than the row about earnings, the latter row was moved farther down the table. This was done so that participants, while reading the form, could become accustomed to the question and answer format before encountering the information about earnings.
- Several participants did not connect the checkboxes labeled “Yes” with the italicized information about other forms that should be attached. To make this connection clearer, the “Yes” and “No” boxes were moved from columns on the right-hand side of the form to the bottom of each row, under the associated questions. The text about attached forms was then placed immediately after each “Yes” box.

- The wording of the text in the Earnings row was revised to make it clearer. Specifically, a second question written in plainer, more colloquial language was added.

Other Revisions

- Because some participants continued to mistakenly think that this form was a purchase contract, or that signing the form obligated them in some way, the sentence “This is not a purchase contract” was added below the signature line.

SECTION V: THIRD DAY OF CONSUMER TESTING (SEPT. 23, 2008)

Objectives and Methodology

On September 23, 2008, Macro conducted its final day of consumer testing for this project. Nine interviews were conducted at Macro's headquarters in Calverton, MD; each interview lasted 30-40 minutes. Again, interview participants were recruited by telephone through the same process and screener as was used on the first two days of testing; participant characteristics are provided in Appendix C.

The interview guide for the third day of testing was significantly shorter and more focused than that used on the first two days. Participants were again asked to imagine that they were offered a business opportunity by a company called Acme Products. Again, they were told to imagine that they had spoken with an Acme salesperson who indicated that they would be able to earn \$1,000 a week through the business. They were then shown Model 4 and were asked to read it just as they would if they were actually considering this opportunity. After the participant finished reading, the interviewer again asked a series of follow-up questions designed to measure comprehension of key concepts. However, the questions were significantly more targeted than in previous rounds of testing, and focused on participants' understanding of three topics: 1) the context in which they would receive this form; 2) what it would mean to sign the form; and 3) the significance of a check mark in the "No" box in the Earnings row. The interview guide for the third day of interviews is provided as Appendix G to this report.

Key Interview Findings

Context of the Form

- Eight of the nine participants understood that Acme Products would be required by law to provide the form to all potential purchasers. The remaining participant did not realize that the disclosure was required, and thought that Acme Products was providing the form "to tell you things about the company."
- Eight of the nine participants understood that Acme Products would have filled in the form based on information about the company. One thought that the FTC would have filled in the form based on information that they had about Acme Products.
- Seven of the nine participants understood that the FTC had not checked that the information on the form was true. The remaining two participants did not know whether the FTC had reviewed the information.

Signing the Disclosure

- When asked what it meant to sign the form, all participants said that by signing they would be indicating that they had received the form. Three also indicated that signing the form would indicate that they understood that what was written was true. None thought that signing the form would commit them in any way to purchase the business opportunity.

Comprehension of Information about Acme Products

- All nine participants understood that based on the form, Acme Products did not offer a cancellation or refund policy.
- Of the nine participants, eight understood that if the “No” box was checked in the Earnings row, it meant that Acme Products was saying that neither Acme nor Acme’s salespeople had ever made any claims that buyers of the Acme opportunity could make a certain amount of money. Five immediately realized that this contradicted what they had been told by the salesperson previously, while three others noticed the contradiction later in the interview. The ninth participant did not understand what the Earnings row was saying. This appeared to be at least in part because she did not understand what was being described as a “business opportunity”.
- Participants who realized the contradiction between the Earnings row and what they had previously been told indicated that this would make them much more suspicious of Acme Products and its salespeople. Two said that because of this contradiction, they would not consider purchasing a business opportunity from Acme Products.
- When they were shown a form that had the “Yes” box checked in the Earnings row, eight of nine participants understood that this meant that Acme Products was saying that Acme had made a claim regarding earnings.
- When shown the version of the form that indicated that there had been an earnings claim, seven of the nine participants immediately looked for the Earnings Claims Statement that was attached. One participant looked at the Earnings Claims Statement after being asked to re-read the text in the Earnings row, while the ninth never looked at the Statement.

Subsequent Design Decisions

Results from this round of testing were extremely positive. Nearly all participants understood why they would be receiving the form, and what significance signing the form would have. Unlike in previous rounds, almost all also understood the meaning of the “Earnings” row, and realized that a check in the “No” box would contradict any previous earnings claims that a salesperson had made. Because the final day of testing showed that comprehension of the disclosure was so high, Macro did not make any further recommendations for revisions to the form.

SECTION VI: SUMMARY

Over the course of this project, Coffey and Macro worked closely with the FTC to make a number of changes to the wording and format of the FTC’s disclosure for potential purchasers of business opportunities. Based on the results of consumer testing, the final form is significantly clearer to consumers and easier to read. The revised form also communicates the desired information much more effectively than the original document—particularly information about whether or not the seller of the opportunity has made claims to the buyer about potential earnings.

The most important differences between the final form (Model 4) and the original proposed form (Model 1) include the following:

- The preamble of the form was revised to provide consumers with more context for who is providing the form and how consumers should use the information.
- The language used in the form—particularly text related to earnings claims—was simplified to make it easier for consumers to understand.
- Information specific to the business opportunity being described (including information about legal actions, cancellation or refund policy, earnings, and references) was placed in a table to distinguish it from more general disclosures on the form.
- Text about earnings, legal actions, and the existence of a cancellation or refund policy was changed from declarative statements to questions. This made it easier for consumers to understand the meaning of the information, as well as the significance of the “Yes” and “No” boxes.
- The format of the “Yes” and “No” boxes was changed, so that rather than appearing in a left-hand column the boxes were placed at the bottom of each row. This change improved the flow of the form; participants reading left-to-right and top-to-bottom found the information easier to understand when they read the question first and then saw the answer.
- Because of confusion about what information would be available at the FTC’s toll-free number and website, this information was moved to the bottom of the form to better separate it from information about the specific business opportunity.
- Text was added beneath the signature line to indicate that by signing the disclosure a potential purchaser is only acknowledging that they have received it, and is not obligating themselves in any way to the seller.

Appendix A: Disclosure Models

Model 1

BUSINESS OPPORTUNITY DISCLOSURES
Required by Federal Trade Commission, 16 C.F.R. Part 437

Seller: [Name] _____ [Address] _____
[Phone] _____ Salesperson: _____ Date: _____

The following information can help you in deciding whether to buy a business opportunity. Note, however, that no governmental agency has verified the information. To learn more about business opportunities, call the FTC at 1-877-FTC-HELP (877-382-4357) or visit the FTC's website at ftc.gov/bizopps/. Also, check with your state's Attorney General.

Yes No (Either the "YES" or "NO" box must be checked for the following three disclosures)

 EARNINGS: The seller or its representatives states or implies, or has stated or implied, a specific level of sales, income, or profit you can make or that current or former purchasers have earned. If so, the information must be set forth in an "Earnings Claims Statement" attached to this page. Read this statement carefully. You may wish to show this information to an advisor or accountant.

 LEGAL ACTIONS: The seller or its key personnel involved in the sale of business opportunities have been the subject of a civil or criminal action involving misrepresentation, fraud, securities law violation, or unfair or deceptive practices within the past 10 years. **If so, the seller must attach a list of all such legal actions.**

 CANCELLATION OR REFUND POLICY: The seller offers a cancellation or refund policy. **If so, the seller must attach a statement describing its policy.**

REFERENCES: The seller must provide you with contact information for at least 10 of its purchasers located nearest to you (or, if there are fewer than 10, all purchasers). You may wish to contact them to verify the seller's claims. If you buy a business opportunity from the seller, your contact information can be disclosed in the future to other buyers.

	Name	City	State	Zip	Telephone Number
1.					
2.					
3.					
4.					
5.					
6.					
7.					
8.					
9.					
10.					

Received by:

Date:

Model 2

DISCLOSURE OF IMPORTANT INFORMATION ABOUT BUSINESS OPPORTUNITY

Required by the Federal Trade Commission, Rule 16 C.F.R. Part 437

Name of Seller: Acme Products, Inc. Address: 1135 17th Street, Suite 400, Baltimore, MD, 21201

Phone: (214) 555-8176 Salesperson: Robert Smith Date: June 2, 2008

The Federal Trade Commission (FTC) requires the seller offering you this business opportunity to give you the following information. Read this document and consider the information carefully before deciding whether to purchase the business opportunity you are being offered. Note that no governmental agency has verified any of this information.

If you have any questions about business opportunities call the FTC at 1-877-FTC-HELP (877-382-4357) or visit the FTC's website at www.ftc.gov/bizopps. You can also contact your state's Attorney General for more information.

YES <input type="checkbox"/>	NO <input checked="" type="checkbox"/>	<p>EARNINGS CLAIMS: The seller or its representative states or implies, or has stated or implied a specific level of sales, income, or profit you can make or that current or former purchasers have earned.</p> <p><i>If "YES", the seller <u>must</u> attach an "Earnings Claims Statement" to this page. Read this statement carefully. You may wish to show this information to an advisor or accountant.</i></p>
YES <input checked="" type="checkbox"/>	NO <input type="checkbox"/>	<p>LEGAL ACTIONS: The seller or its key personnel involved in the sale of business opportunities have been the subject of a civil or criminal action involving misrepresentation, fraud, securities law violation, or unfair or deceptive practices within the past 10 years.</p> <p><i>If "YES", the seller <u>must</u> attach a list of all such legal actions.</i></p>
YES <input type="checkbox"/>	NO <input checked="" type="checkbox"/>	<p>CANCELLATION OR REFUND POLICY: The seller offers a cancellation or refund policy.</p> <p><i>If "YES", the seller <u>must</u> attach a statement describing its policy.</i></p>

REFERENCES: In the section below, the seller must provide you with contact information for at least 10 people who have purchased a business opportunity from this seller. If fewer than 10 are listed, this is the total list of all purchasers. **You may wish to contact the people below to verify the seller's claims.** If you purchase a business opportunity from this seller, your contact information may be disclosed in the future to other buyers.

	<u>Name</u>	<u>City</u>	<u>State</u>	<u>Zip Code</u>	<u>Telephone Number</u>
1.	Jonathan Smith	Bethesda	Maryland	20813	(301) 555-3472
2.	Alyssa Robinson	Washington	D.C.	20003	(202) 555-2749
3.	James Johnson	Richmond	Virginia	23219	(804) 555-8722
4.	Elizabeth Williams	Beltsville	Maryland	20705	(301) 555-9734
5.	Maria Lopez	Baltimore	Maryland	21205	(410) 555-1785
6.	Robert Davis	Alexandria	Virginia	22301	(703) 555-1921

Signature: _____ Date: _____

To ensure that you have enough time to research and evaluate this business opportunity, the FTC requires that the seller must give you at least seven calendar days from this date before asking you to sign a purchase contract or make any payments to this seller.

Model 3

DISCLOSURE OF IMPORTANT INFORMATION ABOUT BUSINESS OPPORTUNITY

Required by the Federal Trade Commission, Rule 16 C.F.R. Part 437

Name of Seller: Acme Products, Inc. Address: 1135 17th Street, Suite 400, Baltimore, MD, 21201

Phone: (214) 555-8176 Salesperson: Robert Smith Date: June 2, 2008

The Federal Trade Commission (FTC), an agency of the U.S. Government, requires the seller offering you this business opportunity to give you the following information. **Read this document and consider the information carefully before deciding whether to purchase the business opportunity you are being offered.** Keep in mind that the FTC has not reviewed or checked this information.

For more information about business opportunities in general visit the FTC's website at www.ftc.gov/bizopps or call 1-877-FTC-HELP (877-382-4357). You can also contact your state's Attorney General for more information.

<p>EARNINGS: Has Acme Products or its salesperson stated or implied a specific level of sales, income, or profit you can make or that other purchasers have earned? → YES NO</p> <p><input type="checkbox"/> <input checked="" type="checkbox"/></p> <p><i>If the answer is yes, an "Earnings Claims Statement" must be attached to this form. Read this statement carefully. You may wish to show this information to an advisor or accountant.</i></p>																																										
<p>LEGAL ACTIONS: Has Acme Products or its key personnel been the subject of a civil or criminal action involving misrepresentation, fraud, securities law violation, or unfair or deceptive practices within the past 10 years? → YES NO</p> <p><input checked="" type="checkbox"/> <input type="checkbox"/></p> <p><i>If the answer is yes, a list of all such legal actions must be attached to this form.</i></p>																																										
<p>CANCELLATION OR REFUND POLICY: Does Acme Products offer a cancellation or refund policy? → YES NO</p> <p><input type="checkbox"/> <input checked="" type="checkbox"/></p> <p><i>If the answer is yes, a statement describing this policy must be attached to this form.</i></p>																																										
<p>REFERENCES: In the section below, Acme Products must provide you with contact information for at least 10 people who have purchased a business opportunity from them. If fewer than 10 are listed, this is the total list of all purchasers. You may wish to contact the people below to make sure that what Acme Products has told you is true. Note: If you purchase a business opportunity from Acme Products, your contact information can be disclosed in the future to other buyers.</p> <table><thead><tr><th></th><th><u>Name</u></th><th><u>City</u></th><th><u>State</u></th><th><u>Zip Code</u></th><th><u>Telephone Number</u></th></tr></thead><tbody><tr><td>1.</td><td>Jonathan Smith</td><td>Bethesda</td><td>Maryland</td><td>20813</td><td>(301) 555-3472</td></tr><tr><td>2.</td><td>Alyssa Robinson</td><td>Washington</td><td>D.C.</td><td>20003</td><td>(202) 555-2749</td></tr><tr><td>3.</td><td>James Johnson</td><td>Richmond</td><td>Virginia</td><td>23219</td><td>(804) 555-8722</td></tr><tr><td>4.</td><td>Elizabeth Williams</td><td>Beltsville</td><td>Maryland</td><td>20705</td><td>(301) 555-9734</td></tr><tr><td>5.</td><td>Maria Lopez</td><td>Baltimore</td><td>Maryland</td><td>21205</td><td>(410) 555-1785</td></tr><tr><td>6.</td><td>Robert Davis</td><td>Alexandria</td><td>Virginia</td><td>22301</td><td>(703) 555-1921</td></tr></tbody></table>		<u>Name</u>	<u>City</u>	<u>State</u>	<u>Zip Code</u>	<u>Telephone Number</u>	1.	Jonathan Smith	Bethesda	Maryland	20813	(301) 555-3472	2.	Alyssa Robinson	Washington	D.C.	20003	(202) 555-2749	3.	James Johnson	Richmond	Virginia	23219	(804) 555-8722	4.	Elizabeth Williams	Beltsville	Maryland	20705	(301) 555-9734	5.	Maria Lopez	Baltimore	Maryland	21205	(410) 555-1785	6.	Robert Davis	Alexandria	Virginia	22301	(703) 555-1921
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Signature: _____ Date: _____

By signing above, you are agreeing that you have received this document. To make sure that you have enough time to research this business opportunity, by law Acme Products cannot ask you to sign a purchase agreement or make any payments until at least seven days after you receive this document.

Model 4

NOTE: In Form 4, the words "or pay any money" were inadvertently omitted from the end of the second-to-last paragraph. However, this omission did not have a significant impact on testing, or on the findings described in this report.

DISCLOSURE OF IMPORTANT INFORMATION ABOUT BUSINESS OPPORTUNITY

Required by the Federal Trade Commission, Rule 16 C.F.R. Part 437

Name of Seller: Acme Products, Inc. Address: 1135 17th Street, Suite 400, Baltimore, MD, 21201

Phone: (214) 555-8176 Salesperson: Robert Smith Date: September 15, 2008

Acme Products, Inc. has completed this form, which provides important information about the business opportunity it is offering you. The Federal Trade Commission, an agency of the federal government, requires that Acme Products complete this form and give it to you. However, the Federal Trade Commission has not seen this completed form or checked that the information is true. **Make sure that this information is the same as what the salesperson told you about this opportunity.**

LEGAL ACTIONS: Has Acme Products or any of its key personnel been the subject of a civil or criminal action involving misrepresentation, fraud, securities law violation, or unfair or deceptive practices within the past 10 years?

YES → *If the answer is yes, Acme Products must attach a list of all such legal actions to this form.*

NO

CANCELLATION OR REFUND POLICY: Does Acme Products offer a cancellation or refund policy?

YES → *If the answer is yes, Acme Products must attach a statement describing this policy to this form.*

NO

EARNINGS: Has Acme Products or its salesperson discussed how much money purchasers of this business opportunity can earn or have earned? In other words, have they stated or implied that purchasers can earn a specific level of sales, income, or profit?

YES → *If the answer is yes, Acme Products must attach an Earnings Claims Statement to this form. Read this statement carefully. You may wish to show this information to an advisor or accountant.*

NO

REFERENCES: In the section below, Acme Products must provide you with contact information for at least 10 people who have purchased a business opportunity from them. If fewer than 10 are listed, this is the total list of all purchasers. **You may wish to contact the people below to compare their experiences with what Acme Products told you about the business opportunity.**

Note: If you purchase a business opportunity from Acme Products, your contact information can be disclosed in the future to other potential buyers.

	<u>Name</u>	<u>City</u>	<u>State</u>	<u>Zip Code</u>	<u>Telephone Number</u>
1.	Jonathan Smith	Bethesda	Maryland	20813	(301) 555-3472
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5.	Maria Lopez	Baltimore	Maryland	21205	(410) 555-1785
6.	Robert Davis	Alexandria	Virginia	22301	(703) 555-1921

Signature: _____

Date: _____

By signing above, you are acknowledging that you have received this form. This is not a purchase contract. To give you enough time to research this opportunity, the Federal Trade Commission requires that after you receive this form Acme Products must wait at least seven business days before asking you to sign a purchase contract.

For more information about business opportunities in general: Visit the FTC's website at www.ftc.gov/bizopps or call 1-877-FTC-HELP (877-382-4357). You can also contact your state's Attorney General.

Appendix B: Recruiting Screener

Participant Screener for Federal Trade Commission Cognitive Interviews
Calverton, MD
June 5 and June 10, 2008

General Information and Recruiting Specifications

- Recruit and schedule 5 participants for each day of interviews
 - Interviews will be held at 9:30 a.m., 11:00 p.m., 12:30 p.m., 2:00, and 3:30 p.m. on June 5th and June 10th, at Macro International's offices at 11785 Beltsville Drive, Calverton, MD 20705
 - Interviews will be 60 minutes long
 - Participant stipend is \$75
 - INTERVIEWERS: Ask all participants to bring their reading glasses if necessary, because they will be asked to read several documents as part of the interview or focus group.
-

Recruiting Script

Hello. I am calling on behalf of the Federal Trade Commission, an agency of the Federal government that is responsible for protecting Americans against unfair business practices. The Federal Trade Commission periodically conducts interviews with consumers to make sure that its policies fit the needs of the public. We are currently recruiting for a series of interviews in your area, and were wondering whether you would be interested in participating. The interviews will take approximately one hour, and participants will receive \$75 in exchange for their time. Would you be interested in participating?

- Yes → Continue to screening questions
- No → *Record reason (not interested, not available on that date, etc); thank them politely and end call.*

That's great. I just need to ask you a few more questions to see if you qualify for these interviews.

Q1: Are you the person in your household who is primarily responsible for making financial decisions?

- Yes → Continue
- Yes, in cooperation with my [spouse, partner, etc.] → Continue
- No → *Thank respondent politely and end call.*

Say: The topic of these interviews will be the purchase of "business opportunities". For the purposes of the new few questions, "purchasing a business opportunity" will be defined as paying some amount of money in exchange for the right to enter into a business. Some examples of purchasing a business opportunity would be:

- Paying a fee to a company that will give you the opportunity to earn money while working from home.
- Paying money for a product and a place to sell that product, like paying for a vending machine route.
- Paying money to own a dealership (or distributorship).

Q2: In the past three years, have you purchased a business opportunity?

- Yes → Participant qualifies; skip to Q5
- No → Continue

Q3: In the past three years, have you inquired with anyone about purchasing a business opportunity?

- Yes → Participant qualifies; skip to Q5
- No → Continue

Q4: If someone offered you the chance to purchase a business opportunity similar to those described above, what would be your reaction?

- I would be very interested in learning more about the opportunity. → Participant qualifies
- I might listen to the offer, but it's unlikely I would be interested. → *Participant does not qualify; thank respondent politely and end call.*
- I would not be interested. → *Participant does not qualify; thank respondent politely and end call.*

Screening Criteria	Interviews
Q5: What is your age? a) 18 to 30 b) 31 to 45 c) 46 to 60 d) 61 or above	<ul style="list-style-type: none"> • At least 2 recruits in each age category

Screening Criteria	Interviews
<p>Q6: Which of the following categories best reflects your race or ethnicity? You can choose more than one category. [<i>Respondents who wish to choose more than one category should be counted as minorities, even if one race mentioned is White.</i>]</p> <p>a) White b) Black or African-American c) Hispanic or Latino d) Asian e) Native American or Pacific Islander</p>	<ul style="list-style-type: none"> • At least 3 recruits should respond “b”, “c”, “d”, or “e”
<p>Q7: What is the highest level that you reached in school?</p> <p>a) High school degree or less b) Some college c) College graduate or higher</p>	<ul style="list-style-type: none"> • At least 3 recruits should respond “a” • No more than 4 recruits should respond “c”
<p>Q8: <i>Gender</i></p>	<ul style="list-style-type: none"> • At least 3 recruits of each gender

If participant qualifies, inform them that they qualify and that the FTC would like to interview them, if they are willing. Inform them of available interview times. If they do agree to participate:

- *Ask for contact information, such as an e-mail address and/or cell or work phone number*
- *Send them a confirmation e-mail or letter, along with directions to the facility*
- *Inform them that they should bring reading glasses if they use them, because they will be asked to read some documents*
- *Inform them that because this is an individual interview as opposed to a focus group, it is particularly important that they let us know if they are not planning to attend so that someone else can be recruited in their place.*

Appendix C: Participant Background Characteristics

	Day 1: June 5, 2008 (n=4)	Day 2: June 10, 2008 (n=5)	Day 3: Sept. 23, 2008 (n=9)	Total¹ (n=18)
Gender				
Male	4	1	3	8 (44%)
Female	0	4	6	10 (56%)
Age				
18-30	1	2	1	4 (22%)
31-45	2	0	2	4 (22%)
46-60	0	0	4	4 (22%)
61+	1	3	2	6 (33%)
Race/Ethnicity²				
Caucasian	2	3	7	12 (67%)
African-American	1	2	2	5 (28%)
Hispanic	1	1	0	2 (11%)
Education Level				
High School Degree or Less	4	3	4	11 (61%)
Some College	0	2	4	6 (33%)
College Graduate	0	0	1	1 (6%)

¹ Percentages may not add to 100 because of rounding.

² One participant on the second day identified with two ethnic categories: African-American and Hispanic. That participant is listed under both categories in this table.

**Appendix D:
List of Legal Actions
(Attachment to Disclosure)**

Legal Actions for Acme Products, Inc.

Siloh v. Acme Products, Inc., No. 4510 (Allen Cty. Dist. Ct. of Kan. filed Dec. 10, 2000).

United States of America v. Acme Products, Inc., John Johnson & Timothy Smith, No. CV-05-0987-JCS (N.D. Ill. filed Feb. 20, 2005).

**Appendix E:
Earnings Claims Statement
(Attachment to Disclosure)**

EARNINGS CLAIM STATEMENT REQUIRED BY LAW

Acme Products, Inc.

Date of earnings claim statement: May 15, 2008

Below earnings achieved between May 1, 2000 and May 15, 2008

Sales per day	50
Inventory cost	\$10 per day
Price charged	\$5.00
Profit per day	\$200
Profit per 5-day week	\$1,000

42 purchasers achieved these earnings, representing 25% of all purchasers.

Written substantiation for earnings claims will be made available to the prospective purchaser upon request.

**Appendix F:
Interview Guide (Days 1 and 2)**



Interviewer's Guide for Cognitive Usability Interviews June 5 and 10, 2008

Introduction (5 minutes)

At the beginning of the interview, the interviewer will give a short introduction to the background and purpose of the interviews. The interviewer will tell the participant that the interview is being audio and videotaped, and that there are people observing. She will also tell the participant that Macro will not use his/her name, voice, or face in any of its reporting.

Opening Discussion (10 minutes)

- 1) As you may know, the topic that we are going to discuss today is “business opportunities.” What does that phrase mean to you—what is a “business opportunity”?

For the purposes of today’s discussion, I’m going to define a “business opportunity” as a situation when someone is given the chance to pay some amount of money in exchange for the right to enter into a business. Some examples of purchasing a business opportunity would be:

- Paying a fee to a company that will give you the opportunity to earn money while working from home.
- Paying money for a product and a place to sell that product—for example, paying for a vending machine route.
- Paying money to own a dealership or distributorship.

- 2) Is that definition clear to you?
- 3) Have you ever purchased a business opportunity—that is, have you ever paid some amount of money in return for the right to enter into a business? *[If participant’s response shows that he/she does not understand what is meant by “business opportunity,” correct them.]*
- 4) *[If answer to Q3 is Yes]* Please describe the business opportunity that you purchased.
 - When did you purchase this opportunity?
 - How much did you pay to become involved? What did you receive in exchange for that payment?
 - Are you still actively involved in this opportunity? If not, why not?
 - *[Were you]/[Have you been]* satisfied with how this opportunity worked out for you?
 - Did you receive all the information that you needed in advance, or was there something that you wish you had been told before you purchased the opportunity?
 - If there was something you wish you had been told, would that knowledge have impacted your decision to make this purchase?
- 5) *[If answer to Q3 is No]* Have you ever been offered the chance to become involved in a business opportunity?
 - If so, what was the opportunity you were offered?
 - How seriously did you consider this offer?

- Why did you decide not to get involved in this business opportunity?
- 6) Imagine that someone offered you a business opportunity like the ones I have described. What information would you want to know before you agreed to purchase this opportunity?
- *[If participant has difficulty answering]* What information might help you decide whether the opportunity was a good way to make money?

Review of Business Opportunity Disclosure (35 minutes)

I would now like you to imagine that someone has offered you the chance to purchase a business opportunity like the ones I described earlier. After they describe the opportunity to you, they hand you a form and ask you to sign it. They say that this form isn't a purchase agreement or a contract, but it is something they are required by law to show you.

I'm now going to give you the form that they show you. I would like you to read over it just as you would if you were really considering this opportunity. Try to be as realistic as possible; if there are things you normally would read carefully, read them carefully, and if there are things you probably wouldn't read, skip them.

The one thing I would like you to do differently as you read is that I would like you to do something called "thinking aloud." I don't need you to read aloud, but as you review the form I want you to tell me what you are thinking as you read. For example, I want you to tell me if:

- You read something that confuses you
- You read something about which you would ask a question
- You read something that surprises you
- You see something that you think is particularly important or unimportant

In other words, again, just tell me what you are thinking as you go through the form.

Do you have any questions about what I am asking you to do?

O.K. Here is the form. Imagine that the person you are talking to is named Robert Smith, and he works for a company called Acme Products (*point out these names on the top of the form*). Imagine that he has offered you the chance to purchase a business opportunity, and has told you that other people who have bought the same business opportunity currently earn about \$1,000 per week.

Give the participant the form and ask them to start reading. Periodically confirm with him or her which section of the form he or she is reading. If he or she is quiet for a period of time, prompt them: "What are you reading now?" "What do you think about what you are reading?" The goal is to make them talk as much as possible about what they are reading.

When the participant indicates that they are finished reading, continue:

- 7) Would you sign this form? Why or why not?
- 8) Is there anything that you read that would make you more likely to purchase this opportunity?
- If so, what is it?

- Why would this make you more likely to purchase this opportunity?
- 9) Is there anything that you read that would make you less likely to purchase this opportunity?
- If so, what is it?
 - Why would this make you less likely to purchase this opportunity?
- 10) Imagine that immediately after showing you this form, Mr. Smith then showed you a copy of a purchase contract for this business opportunity and asked you to sign it. Would you do sign the contract? Why or why not?
- Imagine that Mr. Smith indicated that he had to have an answer that day, and that if you waited the offer might no longer be available. Would this impact your decision to sign the contract?
- 11) Is there anything that you would want to do before signing a purchase contract for this opportunity? If so, what?
- 12) If you made a payment to this seller and then later decided that you didn't want to participate in this business, would you be able to get your money back?
- *[If response is Yes or No]* How do you know?
 - *[If response is Don't Know]* Does it give any information about this on the form?
- 13) *Point out the people listed in the "References" section.* As you can see, this section of the form lists six people. Who are these people, and why are they listed?
- Why are there six people listed? Why not more or less?
 - How likely do you think you would be to contact these people before purchasing this business opportunity?
 - Are there any reasons that you would not do so?
- 14) *If participant has not yet mentioned it, point out the row in the table labeled "Legal Actions".* In your own words, describe what this section of the form is saying.
- Would this information make you any more or less likely to purchase this opportunity?
 - Why or why not?
- 15) *[If "No" is checked on notice for "Earnings Claims" AND if participant has not yet commented on this discrepancy]* Remember that Mr. Smith, the salesperson, indicated that other people who bought the opportunity earned about \$1,000 per week. Does that have any impact on how you feel about the information on this form, or on how likely you would be to purchase the opportunity?
- 16) *[If "Yes" is checked on notice for "Earnings Claims"]* In your own words, describe what this section of the form is saying.
- Would this make you any more or less likely to purchase this opportunity?
 - Why or why not?
- 17) *Point out the FTC website in the second paragraph.* What kind of information do you think you would find at this website?

- How likely would you be to go to this website, if you were considering this opportunity?
- How useful would you find this information?

18) *If participant has not yet mentioned it, point out the text below the signature line. Please read this text, and tell me what it means in your own words.*

- Why do you think the FTC requires this?

19) As you can see, this form is required by the Federal Trade Commission, an agency of the federal government. Does that make you any more or less likely to believe the information provided on this form? If so, why?

- Do you think the Federal Trade Commission has checked this information to make sure that it is true? Why or why not?

False Close (10 minutes)

At this point, the interviewer will excuse herself briefly. The observers can then suggest additional questions that they would like asked, or responses upon which they would like more elaboration from the participant.

Appendix G: Interview Guide (Day 3)



Interviewer's Guide for Cognitive Usability Interviews September 23, 2008

Introduction

At the beginning of the interview, the interviewer will give a short introduction to the background and purpose of the interviews. The interviewer will tell the participant that the interview is being audio and videotaped, and that there are people observing. She will also tell the participant that Macro will not use his/her name, voice, or face in any of its reporting.

Opening Discussion (5 minutes)

1) As you may know, the topic that we are going to discuss today is “business opportunities.”

For the purposes of today’s discussion, I’m going to define a “business opportunity” as a situation when someone is given the chance to pay some amount of money in exchange for the right to enter into a business. Some examples of purchasing a business opportunity would be:

- Paying a fee to a company that will give you the opportunity to earn money while working from home.
- Paying money for a product and a place to sell that product—for example, paying for a vending machine route.
- Paying money to own a dealership or distributorship.

2) Do you have any questions about the definition of “business opportunity”?

Review of Business Opportunity Disclosure (30 minutes)

I would now like you to imagine that you have seen an advertisement for a business opportunity sold by Acme Products and you have called for more information. The salesperson, named Robert Smith, tells you several times that the business opportunity is very profitable. He says that you can earn more than \$1,000 per week with this business opportunity. After Robert Smith describes the opportunity to you, he tells you he will send you a packet of information.

A few days later, you receive a packet of information from Acme Products. Included in the packet is a form. The next time you speak with Robert Smith, he says that this form isn’t a purchase agreement or a contract, but it is something Acme Products is required by law to show you. In your conversation, he again tells you that Acme’s business opportunity will cost you money up front but that the investment is worthwhile because you are likely to earn more than \$1,000 per week by operating this new business.

Here is the form he has asked you to sign (*give participant the disclosure*). Again: the salesperson you talked to is named Robert Smith, and he works for a company called Acme Products (*point out these names on the top of the form*).

Ask the participant to start reading. Give him or her a few minutes to read the whole form.

When the participant indicates that they are finished reading, continue:

Source of the Information

- 3) Why is Acme Products giving you this form?
 - Does the government require them to give it to you?
- 4) Who do you think filled in the check boxes on this form?
- 5) Do you think anyone has checked the information on this form to make sure it is true?
 - What makes you think that someone has/has not checked the information on this form?

What Signature Means

- 6) What does it mean if you sign this form?
 - Does signing this form mean that you agree this information is true?
 - Does signing this form mean that you agree to purchase this business opportunity?
 - Does signing this form mean that you have received this document?
- 7) [*If participant has not yet read the text below the signature line, and does not understand what it means to sign this form, point the text out and ask him/her to read it.*] Does this text change what you think it means to sign this form?
 - Does signing this form mean that you agree this information is true?
 - Does signing this form mean that you agree to purchase this business opportunity?
 - Does signing this form mean that you have received this document?

Earnings Claims

- 8) Let's look at the row labeled "Cancellation or Refund Policy". What information is this row giving you?
- 9) Now, let's look at the row labeled "Earnings". What information is this row giving you?
 - What does it mean that the "No" box is checked in this row?
 - What do you think about that?
- 10) [*If participant has not yet commented on the discrepancy between the oral presentation and the information on the form*] When I first showed you this form, I described some conversations that you had with the salesperson, Robert Smith. In those conversations, did he say anything about how much money you could earn through this business opportunity?
 - *If participant says "Yes"*: Does that make you feel any differently about what this row is telling you?
 - o Did Acme tell the truth when it checked "no" on this part of the form? Does that make you feel any differently about what this row is telling you?

- *If participant says "No":* Imagine that Robert Smith had told you before giving you this form that you could earn over \$1,000 a week through this business opportunity. Would that change how you felt about the information provided in this row?

11) If Robert Smith gave you this form after having those initial conversations with you, what would you do?

- Would you sign the form?
- Are there any questions that you would ask the salesperson? If so, what questions would you ask?

Let me show you another form. [*Show participant the form that has the box checked "Yes" next to earnings, with the earnings claim statement.*] This form is identical to the other one, except that here in the Earnings row the box marked "Yes" is checked.

12) In this form, what is the row labeled "Earnings" telling you?

13) Is there any other information that you would want, given the fact that the "Yes" box is checked?

14) Would you do anything after receiving this form? Would you have any follow up questions for Robert Smith?

False Close (10 minutes)

At this point, the interviewer will excuse herself briefly. The observers can then suggest additional questions that they would like asked, or responses upon which they would like more elaboration from the participant.