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VERIFICATION TECHNIQUES AND FRAUD PREVENTION: TESTIMONIALS AND EXPERIENCES

Report

Peter Saint

eMarket Services

www.emarketservices.com

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Abstract

In my previous two reports the issues analyzed in the context of an emarketplace (B2B) were: basic verification techniques when contemplating whether or not to enter into negotiations with a prospective business partner; and highlighting the issue of fraud within emarketplaces, how to educate and make yourself more aware of the techniques adopted by fraudsters – therefore, alleviating the possibility of fraud being perpetrated against your company.

In this final report in the series, I am going to look at some of the online testimonials and experiences as reported by global small and medium-sized enterprises (SMEs) in relation to their verification techniques and methods adopted against potential fraudsters. As well as reinforce a case in point from my personal experience to reinforce why, equally, emarketplaces should be pro-active with their customers in relation to these issues.

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The Author

Peter Saint has spent 10 years involved with eMarketplaces creating Eurecycle.com and then working as CEO of Globalrecycle.net.

Currently, he continues to work in an advisory capacity for emarketservices.com as well as operate his own e-consultancy business. If readers wish to comment, question or highlight any issues raised by this report, Peter can be contacted at peter.saint@emarketservices.com

SMEs Testimonials and Experiences

I would strongly suggest that buyers and sellers who are using emarketplaces should adopt various methods for screening potential business partners before engaging in detailed negotiations. In order to highlight this practice, I've selected a couple of testimonials from open, online forums which highlight the case in point. The first testimonial is from a company based in Las Vegas, USA.

“As a buyer, this is the method I use to screen sellers:

- 1. I always ask for contact person's name, full address and phone number, and I tell the seller to expect a phone call from me;*
- 2. I ask the seller to provide me with three customer references (preferably in my country - USA) who purchased from him within the last 12 months, so that I call them to verify his business dealings with them;*
- 3. I also ask them to provide me their business registration number so that I can call their country's Chamber of Commerce to verify if they are a bonafide business; and*

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4. For the sample or initial order, I ask them to open an escrow account at www.escrow.com so that I can send them the money through escrow while they ship their product to me. If there are any problems, I just notify www.escrow.com and they will stop payment.

This process filters out a lot of scammers. I know what you are thinking: why waste so much time in verifying the seller and spending money on phone calls? Well, if your hard-earned money holds any value, then you will do anything to protect it. Furthermore, you are doing your due diligence to establish long-term business relations with your supplier. Good suppliers are worth their weight in gold. Take your time to find them, and once you find a good one, stick with them."

As suggested in my earlier report on online fraud: the key point in this testimonial is to "take your time" when looking for a beneficial partner. Furthermore, always remember that if a deal sounds too good to be true, particularly with exceptionally low pricing, then it probably is.

Another method, adopted by a company based in Australia which they use to verify a prospective partner before doing business is as follows:

"We have been in business for about 14 years. Many times in the past, we have been caught out before. I found the best way was to go over to the country you wish to do business, find someone you can trust, appoint them as YOUR agent, or representative, and he/she then acts on your behalf. Whenever we want to source a product, we ask him to do so, and check out the manufacturer, quality etc.

If he can't find the product, we do our own searching on alibaba etc., and once found, we pass the details on to our representative, who then not only contacts the manufacturer, but also goes to their factory to check them out. Once verified, he buys from them, exports to us, we pay him, he pays them, and arranges shipment to us. For the little extra this costs, it is certainly worth it, especially if there is a problem with the goods, you have someone THERE, who represents YOU and fixes any problems. We have found this extremely successful."

The main point here is, if possible, try and build a trustworthy network in the country you wish to trade with; particularly by sourcing and appointing someone you can trust. Once you appoint that individual, or organization, allow them to represent your company as they are responsible for resolving any issues which may arise in the context of a transaction.

eMarketplace Protection: A personal experience

Any eMarketplace website ceases to function without its members, customers, clients or users; without them there is no marketplace or exchange. From my perspective, and because of that premise, it's highly advisable that a successful emarketplace should continue to be attentive and listen to their users in order to continue in that vein of success.

As CEO of Globalrecycle.net, our members – the term we used for our clients - would often communicate feedback to which we always responded either by taking action or at least acknowledging their concerns. When it came to the topics of verification and fraud prevention we took all of our customer concerns extremely seriously. In relation to this issue we created a "Blacklist". If a company had two formal complaints against them, as raised by other website customers, then they would be permanently excluded from the site. Importantly, a warning was issued to all other member companies not to trade with that

organization on the blacklist. By issuing the warning, not only did companies stop trading with the company on the blacklist, but that company found themselves blacklisted within the member's private networks.

The following personal example is aimed at highlighting two points. Firstly, that fraud in international business is an issue that will always be present even when dealing with respected customers. Therefore, it is important that you keep aware of the issue, and, importantly, on occasion carry out due diligence on established trading partners. The reasoning is that you never know when another company's circumstances, or creditworthiness, may change: particularly in relation to other international small-sized businesses. A company may resort to drastic action, such as fraud, in order to pay off other debts they've accumulated.

The second point, in this example, is aimed at B2B operators and highlights why as an operator of a B2B, it is important, I'd suggest, that you are proactive in protecting those genuine and reputable SMEs who use your services. In the long-run those customers will recognize your efforts and remain loyal paying customers; therefore, assisting in establishing your company's trustworthy reputation for many years to come.

In 2003 a company based in Greece registered to use our services. Over the next 24 months this company traded successfully with many of our other customers, and established a trustworthy relationship amongst other SMEs trading on Globalrecycle.net. In late-2005 we were approached by one of our reputable SMEs in relation to an agreed transaction with the company based in Greece. The Greek company had received an advanced payment for a shipment of plastic scrap – as had happened in earlier consignments - however, not only was the material not forthcoming, but the company refused to return the deposit. We immediately issued a warning to the Greek company about being blacklisted and temporarily de-activated their account. Without response, and within seven days, we were warned by another reputable SME that, once again, the Greek company had taken an advance payment, but were not shipping the material. We immediately blacklisted the client and warned all our customers. This pro-active action certainly assisted us in creating a stronger connection with our customers – many thanked us for the warning and remained loyal customers until Globalrecycle.net's closure in early 2009 which was solely due to the economic downturn in the recycling industry.

In conclusion

After reviewing the two earlier reports, plus reviewing the testimonials above, as well as the personal experience I alluded to, it should give you, and your company, an insight into the issues of verification techniques you can use to ascertain whether or not a prospective business partner will be a valuable partner. These reports should also allow you, and your company, to gain an insight into some of the techniques potential fraudsters may adopt and how you can recognize them. Armed with this information and awareness, you should be more sensitive to the risk of potential attempts at fraud, and, with increased confidence, be able to use eMarketplaces successfully.