



Building the Trust Layer in Online Marketplaces





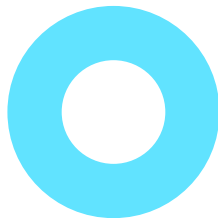
If people like you, they'll listen to you. But if they trust you, they'll do business with you.

Zig Ziglar
American author, salesperson &
motivational speaker



Zig Ziglar, one of the top salesmen of his time, hit the nail on the head. Trust is essential to business. Without it, there can't be successful relationships - between individuals on a personal level or businesses and consumers on a commercial level. The digital age, and the effects of the Coronavirus pandemic accelerating a shift towards online shopping, necessitate building and maintaining more trust-based relationships. Can you imagine booking a holiday to somewhere new without so much as reading a review or asking for a recommendation from a trusted source? Or spending a few thousand on a Tag Heuer watch online hoping it's the real deal without being able to see it in person or trust its authenticity?

Marketplaces are one such place where trust is paramount for interactions between the various stakeholders; marketplace owners, sellers (brands, retailers and individuals) and consumers. Each interaction is underpinned by a critical need for trust.



Trust - a fragile yet powerful commodity

Whether consumers trust your marketplace depends on the integrity of your sellers, the quality of their products and authenticity of their reviews. Whether retailers trust your marketplace depends on your platform's reputation, policies and business practices.

Mercado Libre, a hugely successful Argentine company worth \$63 billion on Nasdaq, operates online marketplaces and auctions. Mercado Libre understands the value of trust.

Juan Cichero, Head of Brand Protection, states:



Buyers' trust in our marketplace is paramount for the workings of the platform. For that reason, Mercado Libre will continue working together with right owners to protect their intellectual property and to guarantee a safe and trustworthy transactional space for everyone. In that sense, we encourage all brand owners who would like to protect their IP assets, to join us by enrolling in our Brand Protection Program and helping us make the marketplace a safer place to their consumers.



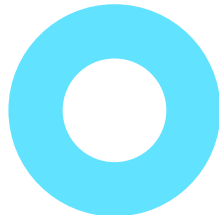
Mercado Libre recognises the perceived risk to both retailers and consumers of trading and buying goods on marketplaces. They are keen to minimise this risk by protecting their platform from common challenges, such as counterfeit goods and fake listings, and accordingly, build trust.

Chichero outlines Mercado Libre's aim:

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Our goal is to ensure a transactional space that is safe and free of counterfeits and piracy. We are the largest shopping destination in Latin America and we expect that more and more buyers and sellers can enjoy the benefits that our platform offers at the regional level with an ever increasing level of originality, trustworthiness and efficiency.

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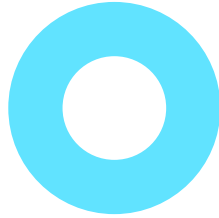


Marketplaces are booming

Online marketplaces currently contribute \$1.7 trillion to the global economy each year, with sales accounting for 57% of global retail sales. The prediction is that B2C marketplace-driven sales are likely to exceed \$7 trillion by 2024.

The rise in their popularity is due to the opportunities they offer retailers and small business owners in terms of logistics, cross border market reach and cost efficiencies due to the ability to quickly broaden product range via authorised third party website sales. In addition, consumers have the advantages of convenience, reduced prices and increased choice. Additionally, according to a global consumer study, the pandemic has accelerated the popularity and stickiness of online marketplaces with 64% of shoppers keen to continue buying everything through a single marketplace in future.

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Counterfeit products - 3.3% of world trade and rising

It is easy to forget that counterfeit products are not only illegal but potentially harmful to your consumers - particularly in relation to drinks, electronics, toys, healthcare and cosmetics.

In the case of cosmetics, £2.2 million worth of fake products were seized in the UK alone in 2019. Seized cosmetics were found to contain everything from paint stripper to rat poison and lead. In addition to the safety concerns of fake cosmetics, counterfeit products damage legitimate businesses' reputations, cause loss of revenue, fund organised crime and discourage innovation.

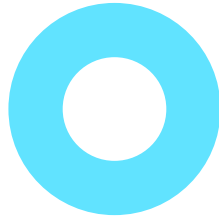
Despite your best efforts striving to keep your platform counterfeit free, selling only legitimate products from trusted sources, unscrupulous sellers relentlessly find ways to peddle their fake products cashing in on your reach and reputation.

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Scammers exploit your platform with fake listings

The use of fake listings is another practice you need to monitor. Fraudsters take advantage of gaps in supply and demand and create fake listings for coveted products. For example, in the lead up to Christmas 2020, the demand for Playstation 5s far outstripped supply. With buyers keen to secure the latest console, there were reports of people being scammed by fake listings. One buyer in Utah received a concrete block inside a PS5 box having paid \$878 on eBay for the privilege. PS5 listings were removed by the marketplace as a result.

Amazon encountered similar problems with a listing of a PS5 at £100 creating a flurry of interest. The tech giant is understood to have removed the listing and taken action against the person involved. In other cases, photographs of Playstation 5s in lieu of the console were being sold to unsuspecting buyers. Such behaviours are particularly problematic for marketplaces' reputations, fundamentally affecting your platform's popularity, demand, revenue and growth.



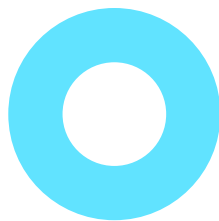
Do you know where your retailers' products come from?

Grey goods' create brand confusion, damage distributors' sales efforts and decrease overall sales revenue

Damaged returns, overstock, expired or defective merchandise can find their way undetected into the supply chain via your marketplace. Unauthorised sellers distribute products for sale without authorisation by the original manufacturer. These 'grey goods' create brand confusion, damage distributors' sales efforts and decrease overall sales revenue.

Regardless of your marketplace's size, you'll be a prime target for such goods. Understanding the scale of the problem, identifying offenders, and taking effective action on a manual basis is an impossible and never ending task.

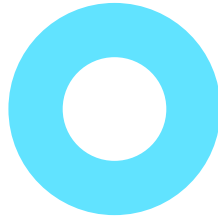
Grey goods have been particularly prolific on Chinese marketplaces, such as Taobao, where Chinese consumers covet foreign brands partly due to product quality concerns in China. Brands that do not sell directly to Chinese consumers are often brought to China by grey market sellers (daigou), selling them at a marked-up price. In this way, brand owners lose control of the distribution, pricing and marketing of their products.



Risk of losing of control and future transactions - harmful for you and your consumers

An increasingly common activity on marketplaces and other platforms is where consumers are diverted off online platforms to conduct transactions through other channels - e.g. WhatsApp, Instagram etc. This practice of bypassing, also referred to as 'leakage', encourages the buyer to transact directly with the seller offsite. This behaviour diverts traffic away from your marketplace and affords no protection to the buyer. If your marketplace is more expensive for the buyer than going directly to the seller, especially for repeat purchases such as taxi journeys or cleaning services, they may take subsequent transactions offline, resulting in loss of revenue and control for you and reduced protection for the buyer.

This opens up avenues for your customers to be scammed after leaving your platform - whether it's scamming customers out of money or not fulfilling orders with genuine products or services. Once off-site these actions are beyond your marketplace's control but will, regrettably in the customer's mind, be linked back to your platform.



What role do reviews play?

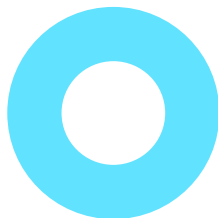
According to research carried out in 2020 by Canvas8 in conjunction with Trustpilot, consumers consider online reviews as being more trusted than advertising campaigns with 84% of consumers trusting reviews as much as personal recommendations from people they know. This underscores the need to value trusted online reviews and take action against fabricated feedback.

84% of consumers trust reviews as much as personal recommendations

However, fake reviews are also a growing problem on marketplaces. A study carried out by BrightLocal in 2019, revealed that 92% of 18-34 year olds had read a fake review in the past year. Having 'bad actors' post fake one-star reviews, to harm competitors, or paid for positive reviews, to boost sales, threatens trust for all parties - you, your sellers and buyers.

The issue is so prevalent that in 2020 the Dutch government presented a bill, based on a European guideline, to ban fake reviews of products to better protect consumers. This new Europe-wide law is to be applied across Europe by May 2022 and will make it compulsory to ensure reviews are checked for authenticity before being published; while paid for, 'fakereviews' will be prohibited by law and subject to fines. Fines for non-compliance could amount to at least 4% of a company's turnover in the country concerned.

In the UK in July 2021, the government unveiled new proposals to make it illegal to pay someone to write or host fake reviews. Fines of up to 10% of global turnover would be imposed on non-compliant businesses.



Regulatory changes mean it's time to act

The Dutch government's bill and the UK government's current proposals to address fake reviews are examples of the challenges that legislative changes can create. There is a general shift towards regulators protecting consumer rights from both the European Commission (DSA), and the UK government (Online Safety Bill) to compel online platforms to deal with illegal and misleading content. This has huge implications for your marketplace with the potential to be hit with significant fines and penalties. However, in circumstances where you carry out your own voluntary investigations or activities aimed at detecting, identifying and removing illegal content, your marketplace will not be liable. Being proactive will pay dividends.

Despite being a US initiative, the Shop Safe Act 2020, affects sellers in every country, whether directly or indirectly. It incentivises platforms to set best practices and penalises repeat offenders to protect consumers. The SHOP SAFE Act is working on a better route for brand owners to take action against marketplaces to help protect often- counterfeited brands.

In the UK, the Competition and Markets Authority (CMA) can investigate and take action against businesses and individuals taking part in cartels or anti-competitive behaviour in England, Wales and Northern Ireland. The government is also looking to give the CMA increased power to tackle consumer rip-offs and bad business practices.

On January 1, 2019, China's new e-Commerce Law took effect. Under the new law, operators can be fined up to RMB 2 million (\$292,000) in serious cases of intellectual property infringement. Platform operators are also prohibited from imposing unreasonable restrictions, conditions or fees on merchants.

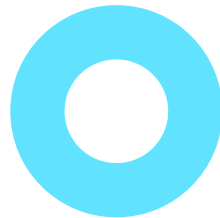
Monitoring your marketplace has never been more important

Considering the challenges previously outlined, the need for persistent monitoring is clear. Policing your marketplace and keeping abreast of legal developments requires time, knowledge, technology and resources - all of which can be hard to come by.

How Pasabi can help

At Pasabi, we recognise the importance of building and maintaining trust. We understand the scale and scope of the challenges you face. To tackle these issues, we have developed our solution working in collaboration with some of the world’s biggest brands and platforms that have faced such challenges relating to counterfeit goods, fake reviews and listings.

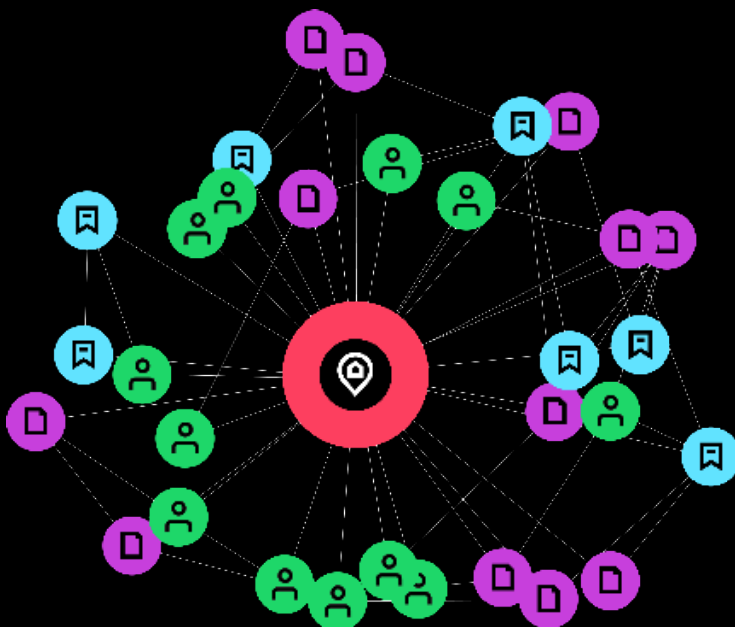
Our platform uses bespoke AI technology to process your data and look for patterns of negative behaviour and correlations that would either go unnoticed to human analysts, or would take a very long time to spot. The system identifies individuals, groups of individuals acting together or misbehaving third-parties hidden within your data. Each behaviour is categorised to identify intent and level of threat, allowing your teams to take the appropriate action. This could include banning repeat offenders from your platform or sending cease and desist letters to misbehaving companies.







With Pasabi’s help, you can tackle key challenges in an effective and proactive way.

Identify fraudsters:

By observing an individual’s behaviour on your platform and looking at their behavioural data external to your platform, we can identify misbehaving individuals and groups in your data.



Example showing a bot-driven reviews pattern

-  Profiles
-  Reviews
-  IP address
-  Device fingerprints

Uncover counterfeit:

With regulators increasingly shifting the responsibility on to marketplaces, counterfeit detection and protection is no longer just the responsibility of the brand or seller. Detecting and removing counterfeit products can be a huge and often overwhelming undertaking. Pasabi detects the tell-tale signs of counterfeit sellers based on their patterns of behaviour, connecting individuals together to identify groups working in collusion to capitalise on your marketplace. In this way, we help you to target the most prolific offenders.

Detect grey goods:

Whether intentionally or unintentionally, third-party sellers on your platform could be selling goods which they are not licensed to do. Pasabi works with brands to identify unauthorised sellers and can form a bridge between your marketplace and key brands helping to ensure sellers remain on the right track.

Avoid bypass:

It is important for the reputation of your platform and safety of your consumers to identify and remove scammers looking to redirect customers offsite. Whether they're wishing to avoid fees or to take advantage of consumers, our solution can detect the behaviours of these individuals for removal, ensuring consumers stay safely within your platform.

Spot fake reviews:

Fraudsters employing fake reviews can be traced through patterns of behaviour and digital fingerprints on your platform. Our system has been trained to detect such behaviours indicating fake reviews and helps you remove them and the offenders at scale. The result is a more trusted online experience.

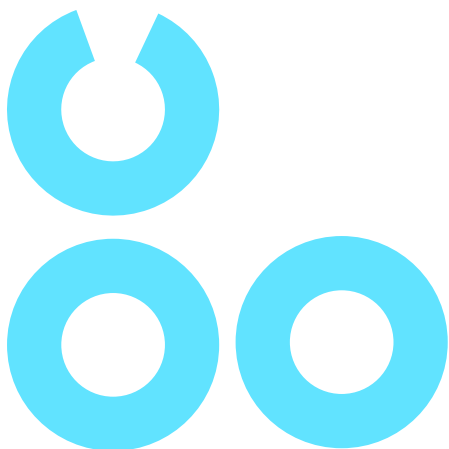
Pasabi's technology uncovers the tell-tale signals of misbehaving profiles and builds the evidence you need to remove 'bad actors' from your marketplace and restore trust

Building the trust layer for a safer and more authentic experience

From identifying counterfeit products, to uncovering fake reviews and listings, to keeping up to date with legal changes, your marketplace needs to be proactive in providing sellers and consumers with authentic, trusted experiences. Pasabi's technology uncovers the tell-tale signals of misbehaving profiles and builds the evidence you need to remove 'bad actors' from your marketplace and restore trust. We empower you and your teams to implement proactive measures and take action at scale. Our system augments and supplements your efforts, giving you the insights you need and ability to direct resources where your time is best spent.

The outcome is a more trusted, safer marketplace environment with authentic consumer experiences. The risk to consumers of reading fabricated reviews or buying substandard or dangerous counterfeits is reduced, resulting in satisfied sellers knowing your marketplace is proactively helping in the fight against fakes.

If you'd like to speak to one of our consultants about how we can help your marketplace rebuild trust and tackle these issues, why not get in touch - we'd love to hear from you.



About the author:



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Jen is Pasabi's Digital Content Editor. Her background is in technology and marketing, working for agencies on digital projects and marketing campaigns. Passionate about fraud prevention and a life-long language enthusiast, she enjoys writing about and researching all things fraud.

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Pasabi's Trust & Safety platform enables marketplaces, platforms and online communities to detect multiple threat risks.

We use behavioral analytics, AI and clustering technology to identify fake accounts, fake reviews, fake listings, spam & scams and the bad actors behind them.

We focus on analyzing behavior over content to keep up with the evolving tactics of bad actors who use AI tools and other sophisticated techniques to scam and defraud users.

Pasabi, enabling trust and authenticity online.

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