

Shill Bidding: How Scumbag Bidders Rob Honest Sellers Like You

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Shill bidding deal is a 21st century version of a confidence game. The purpose of shill bidding is to buy merchandise at an artificially low price which can then be resold for a healthy profit. It involves either two different buyers or one buyer who possesses two different eBay IDs.

Shill bidding is often easy to detect and therefore is usually more successful with an inexperienced seller who doesn't know what to look for. We can't know for certain, but most likely shill bidders look for sellers with low feedback because they know a more experienced seller might realize what is going on.

Shill bidding is only worthwhile with an expensive item. If you are selling many low priced, high-volume items, shill bidding will not be a concern of yours.

Let's use an extreme example so that sellers can easily identify the shill building pattern and be aware of what it looks like. Forewarned is forearmed, and all that.

Let's pretend that a seller has an antique doll for sale. She has seen a few other dolls similar to hers and she knows she can expect approximately \$300 for this doll. Our unscrupulous bidders also know that \$300 is a reasonable and legitimate price and they want to get it for much less. The seller decides to open the bidding at only \$9.95 to encourage collectors to flock to her doll auction.

Basically the way the scam works is like this:

Buyer A will open the bidding at \$9.95.

His confederate, Buyer B, will offer an inflated bid, above and beyond the true value of the doll. Let's say he builds \$350.

The purpose of such a high bid is to discourage all legitimate prospective buyers from even getting in the game. Obviously, genuine collectors and buyers will not be interested in paying in excess of \$300 if that is what the doll is really worth.

There may or may not be a few intervening builders between the placement of the opening bid and the absurd one. If there are any bids, they will be nearer the opening bid of \$9.95 and therefore will not raise the price very much. In fact, our dishonest pair might be happy if someone else bids, because more bids make the auction look more legitimate.

The auction will hang there in eBay limbo until only hours before the closing deadline. Shortly before the conclusion of the auction, Bidder B will retract his \$350 bid. Since he and Bidder A are in communication with each other, Bidder A will know the exact moment that the high bid is canceled. He will then raise his bid just above the highest one, if any, so that he is now the highest bidder.

Our dishonest pair hopes that no other sellers notice this last minute retraction and place bids. If an honest bid is placed, they can afford to top them because they still have lots of financial room to play with. After all, even if the bidding rises to \$150, they can still double their money on a \$300 doll.

The result: the dishonest bidders won the doll at a fraction of its value. The shell-shocked seller is left in a daze, wondering what happened to her glittering auction profits.

In a variation on this practice, Bidder B may allow the auction to expire with his bid of \$350. When the seller contacts him for payment, he will ignore her requests until she gives up and realizes she is never going to get her money.

eBay has a "Second Chance" program. In the event that a buyer doesn't live up to his obligations, the seller can offer the item to the second highest bid - which belongs to Bidder A and is artificially low.

If an honest seller sees this kind of pattern in one of her auctions, she can recognize the possibility of some dishonesty going on and take steps to verify the extraordinarily large bid. Sometimes such a high bid is totally legitimate because it is from a collector who is determined to own the item for sale.

Fortunately, shill bidding deal is relatively easy to detect and it isn't common anymore. At one time it was much easier to pull off this kind of fraud than it is now. Any seller who has a question, however, should feel totally justified in contacting the high bidder and asking some tough questions. Without satisfactory answers, it is certainly wise and prudent to contact the Bay and discuss the situation. In this way, no seller will ever be ripped off by dishonest shill bidders.

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