

## China Sourcing Scams, how to protect your self?

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**Let's outline number of most common China Sourcing Scams going on at the moment:**

**Email hacking.** This is when a person or a group of people hack emails server of a company and watch it for some time. They select usually largest customer and redirect all the communication, presenting them self's as original company. Aim of the game is to present invoice for prepayment of goods with new bank account details in order to steal the funds.

**Fake Factory.** Usually a single person show, when a copy of some Chinese company website is created and unsuspected customers are lured in to transferring money for goods and/or services. When large amount is transferred or some money been accumulated from smaller transactions website is liquidated.

**Employee resignation.** When a sales person leaves the company he carries his email address with him supporting the ongoing correspondence. He locates a factory which can supply similar product and takes the order presenting 'updated' invoice with bank details for payment. Occasionally this works out OK and sales person starts his own 'export' company. But in majority of cases this is a disaster due to quality, specifications and logistics issues.

**Sourcing Company.** A person registers himself on the number of major supplier's searching websites such as Alibaba. Present himself as a supplier of particular service or product. Upon contact he will try to deliver the service he is not an expert at nor have access to supporting businesses such as freight, licensing for export, banking and technical knowledge of the subject at hand. This is one single most common and dangerous type of fraud. It will consume a lot of time, money and give China overall bad reputation.

### **So, you will ask, what can we do about China Sourcing Scams?**

First and most effective: Deal with the company that have local representative, known in professional circles such as engineering association, LinkedIn (you can check profile and ask feedback from connections) and provides professional service from the start. If you are to spend thousands of dollars on the project and serious about ongoing future business, why not travel to meet the company? In one day, you will get fairly good idea who you are dealing with. Capability, personality, assets and credibility all can be assessed the same way you do it at home during your day to day bossiness. It's not different in China.

Second, find someone to inspect factory or company: Pay a well known company few hundred dollars to go out there and do the inspection on your behalf. Provide them checklist or rely on the summary they will generate. The local guys can also check company registrations with Chinese Government Authority, bank's manager feedback and supplier's feedback.

What to pay attention to:

Do they have representative that can come and see you? If so, this is a good start.

Do they suddenly change bank account? If so, do whatever necessary to confirm you still deal with original supplier.

Do you know owner in person? If so, stay in touch. It will be useful to get quick and direct answer when needed.

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