



Online Auctions—Buyer Beware!

In an effort to save money and find the things you need at a price you can afford, do you sometimes look to online auctions? You probably know of at least one person who found what he or she was looking for at a great price by bidding on eBay. For some people, online auctions have become a way of life. They spend hours at the computer looking for the latest treasure available for sale.

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Is Your Purchase a Wise One?

One of the pitfalls of online auctions is the assumption many people make that they are getting a “good deal.” Sometimes you may actually be paying a higher price than you would if you were to make your purchase in a retail store. Do your research before making your bid, not after.

Know the value of the product before you bid. If it's new merchandise, check to see what price retail stores are charging for it. If it's used merchandise, you will want to pay considerably less than the store price.

Know what you're getting. If the description or picture of the product the seller has provided isn't detailed enough for you to see it properly, contact the seller to ask for more information before you make a bid. Don't take the chance of wasting your money on something that isn't up to the standard you thought you were getting.

Know the highest price you are willing to bid for the product. Once you've decided how much you are willing to bid, stick with it. Don't let yourself get caught up in the “excitement” of a bidding war. **BUYER BEWARE**—you may end up paying more than the merchandise is worth. Remember to include the cost of shipping in your bid.

Know what the options are. Check out other online auctions before bidding. Chances are the seller has the item posted on more than one auction site. You may be able to purchase the merchandise for a lower price on a smaller site where there are fewer people bidding.

Know when the auction begins and ends. Don't lose out on a good deal because you missed the ending time of the auction.

Know the seller's history. Some online auctions let you see what kind of reputation a seller has with previous buyers. Look for buyer comments and ratings to see if complaints have been made about the seller's products or business practices.

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Alternatives to eBay

Believe it or not, there are other auction sites besides eBay. Smaller sites may provide a place for the less knowledgeable buyer to experiment but they can also provide less protection. Be sure to investigate the site thoroughly before investing in a purchase. A few reputable auction sites are listed below that may provide an alternative to eBay. You may notice that Yahoo's auction site is not on the list. That's because they took their auction site down in October 2007 so they could concentrate solely on their shopping site.

ePier Online Auctions: (<http://epier.com>)

With more than 100,000 members, this is considered one of the best alternatives to eBay. ePier took two years before it began making a profit, but it seems to be doing well now. Competition is always a healthy thing.

Bidville: (<http://www.BidVille.com>)

This site is much smaller than the major auction sites, but this might be a big advantage if you're not experienced at competing with other bidders.

uBid: (<http://www.ubid.com>)

uBid is a good place to look if you want more than 1 of an item. It claims that all its brand-name merchandise begins at a \$1 bid. This means no reserve bids are set.

Bidz: (<http://web-1.bidz.com>)

Bidz is the largest interactive online jewelry auction where auctions start at \$1 every 5 seconds. It is fast and can be lots of fun, which means it's easy to get caught up in the auction fever of the moment and get carried away, so BE CAREFUL about bidding. ■

A Sampling of Auction Terms to Know

Reserve Price: This is the fixed price that is announced as the minimum price at which an item will be sold at auction. Reserve prices are usually set for items of significant value such as jewelry or antiques. If a reserve price isn't met by a bidder, the seller reserves the right to pull the auction item and/or re-list it.

As Is: The buyer agrees to buy the item in its current condition with no claim to repairs or returns from the seller.

Bid History: A list of all the bids made on a particular item during an auction. This list is especially useful if you are intending to bid on an item and want to see how much activity the item has generated.

Bid Siphoning: The unethical practice by some people of contacting bidders and offering to sell them the same item they are currently bidding on, thus drawing the bidders away from the legitimate seller's auction.

Conditions of Sale: Information provided by the seller as to acceptable methods of payment, shipping options, timeliness of payment, and other limiting factors of an auction.

IMO/IMHO: The message board abbreviations for "in my opinion" and "in my honest (or humble) opinion."

LOL: The message board abbreviation for "laugh out loud."

Minimum Bid: The amount of money the seller sets as a starting point for the auction. Often this takes into account the reserve price for the item as well.

S&H Charges: The abbreviation for "shipping and handling" charges.

Second Chance Bid: Generally an offer from the seller to other losing bidders to purchase the bid item either because the original auction fell through, or because the seller has more than one of the same item available.

Smoke free/pet free: The item being sold is coming from a home or business that is free of pet hair and cigarette smoke, known allergens.

Withdrawal: Failure to reach the reserve price or insufficient bidding.

Becoming an Online Seller

The world of online auctions has grown dramatically over the past ten years, turning some people into wealthy entrepreneurs and leaving others with more debt than they had before. As online auctions become more and more sophisticated, it requires doing a lot of homework if you want to successfully participate.

Like many business enterprises in the fast-paced world in which we live, it doesn't take long for some people who jump in early to figure out a way to make money overnight. Unfortunately, this leaves many others believing they can do the same. The truth is, the world of retail is extremely competitive and it is dangerous to think you can make money quickly without possessing the knowledge required to do so. Be prepared to spend time understanding what it takes or you will find yourself losing money instead of making it.

Keep in mind that many of the sellers on online auctions are actually retail merchants with expert selling teams behind them. They make money because they have a lot of merchandise to sell. If you have just a few things in the attic you'd like to sell for a few dollars, you may be able to do so. But remember, some of the auction sites will charge you fees of its own to post your items on the site. Check out such fees carefully to be sure you don't end up out-of-pocket.

Here are a few tips to consider if you're thinking about becoming a seller:

Know the Rules

Auction sites have rules and are pretty strict about enforcing them. It is important that you understand your responsibilities as a seller. These responsibilities will include things like honoring bids, collecting payment, and shipping promptly. It is just as important to know what happens if you don't abide by the rules.

Provide Good Information

You wouldn't want to buy something from a store if the sales associate couldn't give you good information about the product, tell you what the return policy is, or refused to take the product out of the box so you could have a good look at it. Auction shoppers expect the same service. Make your product descriptions short but informative and be sure to include at least one photo, more if you can. Auction shoppers don't want to read overblown sales pitches. They want the facts.

Communicate Well

Auction shoppers like to have their questions answered so be sure to give an e-mail address where you can be reached, answer questions promptly, and provide the

information they are asking for. If shoppers trust the seller, they are more likely to buy. If you try to stay anonymous, buyers will be uncomfortable.

Follow Through

Your sale isn't complete until the buyer has received your merchandise and is happy with the purchase. Be sure you pack the merchandise well and ship it promptly. Don't charge the buyer more than is needed to cover the shipping costs. If the buyer has questions when your merchandise arrives, be sure to answer politely.

These are just the beginning. Do your research and make sure you know all the terms and what they mean. Success can't be rushed. It takes patience and effort.

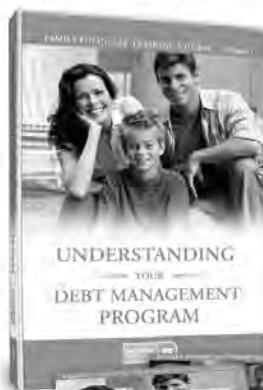
Is your purchase a wise one?, *Continued from page 1*

Know when to bid. If you have done your homework and are serious about bidding on the merchandise, place a bid early in the auction to show other bidders that you are interested. If you are outbid, don't be afraid to place a higher bid as long as you don't go over the maximum you set for yourself. Don't make your first bid your maximum amount.

Know why you are bidding. Is this an impulse bid or purchase? Online auctions may be enticing, but are you really getting the best price? Do you know everything you need to know to make sure you're getting a good deal? ■

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It's true that there are bargains to be found, but another truth is that the longer online auctions exist, the more difficult it becomes to be a smart shopper. Lots of tricks of the trade have developed and the naïve buyer can fall prey to practices that are not always "above board." While many safety nets have been put in place, online auctions still provide a place for some unscrupulous sellers to take advantage of the unsuspecting buyer.

Unfortunately, online auctions are hot sites for Internet scams. To learn how to use online auctions more safely, familiarize yourself with all the facts and talk to friends and coworkers about the experiences they've had with different auction sites. Yahoo recommends these basics guidelines:

- Know whom you're dealing with: Deals should only go forward if the both the buyer and the seller are comfortable with each other and the terms of the sale.
- Use the Question & Answer form if anything seems unclear. It is very important that you know what you are bidding on and the terms of sale before you bid.
- Keep records of all correspondence.
- Carefully evaluate your payment options.
- Use common sense: If the item description or terms of sale seem too good to be true, they probably are.

In any auction, the person who bids the highest is the person who gets the merchandise. There are, however, significant differences between traditional and online auctions. Traditional auction houses have the merchandise onsite and therefore collect payments and distribute the purchased merchandise. Online auctions do not do this. Because online auction sites do not actually house the merchandise, the buyer must deal directly with the seller to make his or her payment and receive his or her merchandise. If you make the winning bid for an item, the person who put the merchandise on the site will contact you, usually by e-mail, to arrange payment and delivery.

BUYER BEWARE if a seller asks you to pay by check or money order. Never pay in cash. If you pay by check

or money order and become a victim of fraud, it will be extremely difficult for you to get your money back. Sadly, some sellers will take your money and never deliver the merchandise you paid for.

Questions you should know the answer to before you bid:

Can I pay by credit card? If you pay by credit card and don't receive what you paid for, you may be able to challenge the charges with your credit card company.

Can I use PayPal or something similar? PayPal will collect your payment and pay the seller without revealing your financial information. This helps protect you from having to give out credit card and bank information to unknown third parties.

Can I verify the seller's identity? Make sure you have the seller's name, address, and phone number before completing a purchase. **BUYER BEWARE** if the seller refuses to provide this information or if you are unable to verify the information the seller provides. Do not complete the purchase.

Is the merchandise returnable? Returning merchandise to an online seller may be difficult.

What are the shipping fees? The seller can specify exactly how and when your merchandise will be shipped and the charges, including insurance, tracking, packaging costs, etc. Keep in mind that you can ship up to two pounds via USPS Priority Mail for only \$4.60. Remember how much you pay the seller for shipping and compare it to the postage label when it arrives. If you paid \$8 for shipping and it only cost the seller \$4.60 for shipping, you definitely have the right to ask for some money back from the seller.

Remember that some sellers will buy packaging materials (boxes, tissue paper, styrofoam peanuts, etc.) and include those in the shipping price. A tip to remember—the Post Office provides Priority Mail packaging for free. ■

Family Financial Education Foundation

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