



MICHIGAN ATTORNEY GENERAL

CONSUMER ALERT

DROP-SHIPPING: WHAT YOU NEED TO KNOW BEFORE YOU BUY OR SELL ONLINE

Would you pay someone \$30, \$40, \$50, or even more just to sit down at a computer and place an online order for you? If you do not know what drop-shipping is, you might just be doing this.

WHAT IS DROP-SHIPPING?

Drop-shipping is where a seller sets up a website and sells products that the seller does not keep in stock. When an order is placed, the seller sends it to a third party – the manufacturer, another retailer, or a wholesaler – who ships the goods directly to the buyer.

It's a fast-growing trend of online middlemen who keep the difference between the wholesale and retail price and cost you extra money. And while drop-shipping is not illegal, there is a lot of room for problems and abuse for buyers and sellers.

BUYERS BEWARE

Many drop shippers are trained to trick customers about where a product is coming from. The country of origin may not be disclosed, or the seller may post stolen photos of brick-and-mortar storefronts to make buyers think the company has a physical location or that the product is coming from a particular place. For example, a stolen photo of a posh ping pong social club was used by one online store to make buyers think the company's headquarters were housed in an expensive San Francisco building.

Another risk is that the product you see online may not be the product that is ultimately shipped to you – or you don't receive the product at all. Drop shippers must rely on their suppliers for product quality and authenticity, fulfillment speed, and returns. If there are issues, you may not know about them until you receive a drop-shipped package and realize where it came from, its quality, and how much you overpaid.

"BUT I SAW IT ON FACEBOOK"

Drop shippers often set up shops on social media sites. And the [Better Business Bureau reports](#) the most common place to find sites selling counterfeit goods is social media, particularly Facebook and Instagram, which share the same ad network. A study by two Italian cybersecurity experts found that one in four Facebook ads for fashion and luxury goods are linked to websites selling counterfeits.

The International Trademark Association has warned consumers about shopping on social media and encourages anyone shopping online to check a brand's list of authorized retailers and look for suspicious errors in spelling of the brand name or trademark. Researchers report difficulty distinguishing real from fake items based on Instagram images and even trademark holders of a brand have difficulty spotting a fake unless they actually buy the item.



BEFORE YOU BUY

Research the product and the seller before you buy.

Do an online image search of the product and any other images the seller has posted to see where the product is coming from, how much it really costs, and who else is selling it. [Watch this video to learn how to do that \(youtu.be/VBHtZ3W7fmo\)](#).

Compare prices for the same or similar products from other sellers.

SELLERS BEWARE

Drop-shipping business is the new get-rich quick scheme. Scam artists promote drop-shipping as a lucrative “work from home” opportunity. Prospective sellers may be enticed to pay for expensive seminars or webinars designed to teach them how to become a successful drop shipper. These courses may encourage prospective sellers to trick buyers about where a product is coming from or charge four to five times the wholesale price.

The businesses offering these courses may be scammers selling the new drop shipper a list of businesses from which drop shipment orders may be placed. Those businesses may not be wholesalers but may instead be other businesses acting as middlemen between retailers and wholesalers who have no product of their own to sell. Instead, they charge prices with little profit margin for the new drop shipper (now scam victim)— and they may also charge a fee to use their services.

Few drop shippers actually make any profits and once a buyer realizes they overpaid for an item and they know where it came from, the buyer will return the item, then order it themselves directly from the manufacturer.

In addition to not having an exclusive deal with suppliers and little control over the supply chain, drop shippers must also be wary of suppliers who illegally use a trademarked logo, another company’s intellectual property, or send counterfeit goods. A drop shipper could be responsible for helping another party further an illegal scheme. As one company put it: “Whatever illegal activities your suppliers are up to, as their vendor you’re automatically complicit.”



BEFORE YOU SELL

Do not go into drop-shipping thinking you will get rich quick. There is a lot of competition and smaller businesses have to cut their profits to stay competitive.

You have no control over the supply chain, and you must depend on your supplier for product quality, authenticity, and delivery. Yet you will be the one dealing with the buyer when there is a problem.

Most companies offering to teach you how to become a successful drop shipper are making their money selling you and others their training programs.

If you have a general consumer complaint, you may [file a complaint with the Attorney General’s Consumer Protection Team](#).

Consumer Protection
P.O. Box 30213
Lansing, MI 48909
517-335-7599
Fax: 517-241-3771
Toll free: 877-765-8388
[Online complaint form](#)

The Attorney General provides Consumer Alerts to inform the public of unfair, misleading, or deceptive business practices, and to provide information and guidance on other issues of concern. Consumer Alerts are not legal advice, legal authority, or a binding legal opinion from the Department of Attorney General.



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