**Practice Case 7**

**Business Acumen**

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Assume you are a product manager/data scientist (or anyone who has capability to make a change) in a Startup. The startup name is BukaToko and they are one of largest marketplace. Their main vision is to help small businesses to get wider market and buyers can buy product safely. This company also creates trusted payment ecosystem for both seller and buyer. Even though they have a complex security to protect transaction of sellers and buyers, several frauds have inflicted loss to all parties, especially BukaToko themselves. Cashback fraud, fake “cheap” product, transaction outside platform, fake shipping receipt, and so forth are the problems that harmful and need to be solved soon. You, as the one who dedicated to stop these problems, need to make your own team to cooperate and solve these.

**Questions**

1. Which problem you prioritize the most? And why? (Choose one and focus on that topic)

2. Which business components that will be your team to solve the problem? Why?

3. How you define and identify the problem?

4. What is your synthesized solution?

**Answers**

There are several problems regarding frauds in BukaToko being put forth by the case. They are cashback fraud, fake ‘cheap’ product, transaction outside platform, and fake shipping receipt, although there are many more fraud types which may occur to BukaToko. In this practice, we will identify and define the most pressing problem which needs to be solved, and then we will identify the business components which are impacted by the problem and the one which will face and solve the problem head-on. Below is my understanding of each of the problems faced by BukaToko:

1. **Cashback fraud**: this fraud involves more cashback being given to sellers/buyers than they deserve from their transactions. There may be collusion with insider employees which enable the sellers/buyers to abuse the cashback system.
2. **Fake ‘cheap’ product**: this fraud involves the seller listing a fake product which is usually cheaper than the average price for such product. If a buyer decides to pay for such a product, the seller will not send the actual product to the buyer and instead will exit the platform to take the money away.
3. **Transaction outside the platform**: this fraud involves the seller telling the buyer to pay for the product outside the platform, so they can charge lower to the buyer and they do not have to pay any commissions/fees to BukaToko.
4. **Fake shipping receipt**: this fraud involves the seller sending fake shipping receipt to buyers who already pay for their products, so that the seller can take the money away without the buyer realizing that they will not receive any actual product after paying for it.

In my opinion, the most pressing fraud problem for BukaToko is transaction outside the platform. The main revenue generator in BukaToko’s business model is the fees generated from each transaction done on their platform. Such fraud may potentially reduce BukaToko’s revenue substantially because transactions could easily take place outside the platform, with the seller only using the platform to market their products. It may also undermine BukaToko’s reputation and branding as an e-commerce platform because the platform will be viewed by potential buyers only for window-shopping and not for real shopping.

The other problems are also important, but not as important to the transaction outside the platform problem. I think the second most pressing problem is the fake ‘cheap’ product because it could easily be done by any seller if there is no proper antifraud detection tool in place which could prevent such seller from posting fake products on the platform. The potential losses may be big for BukaToko. Fortunately, it is quite easy to put such antifraud detection tool/prevention measure in place. The seller may be required to give their location and personal information so they can be tracked if something suspicious occurs on their platform.

To solve the problem of transaction outside the platform, or more commonly called platform leakage, BukaToko needs to make sure that the buyer will receive more value by performing the transaction inside the platform rather than outside the platform. There are different types of value BukaToko needs to give to its customers to prevent platform leakage, such as security, reducing friction, and promotional offers. The right business component to provide these values for the customers are the R&D, product, and marketing teams.

Platform security can be provided by the product and R&D teams. The buyer wants the security of payments and getting the actual product and the seller also wants the security of payments. The product team can come up with insurance product/policy which insures the item for the buyer so they may feel safe. The R&D team may also come up with an online payment platform which is secure and fast enough to process payments between the buyer and the seller. Then, friction when using the platform can be reduced by also employing online payment system instead of cash payment system. Ease of use of the website is also important in reducing friction. This will be done by the R&D team, which will create a website with reduced lag and make browsing more enjoyable. Lastly promotional offers will be provided by the marketing team. These offers are important in attracting users to the website and instead of splurging money on marketing campaigns, we can create offers so that more potential buyers will browse the website and increase their trust on the website. These measure will help build customer trust and prevent platform leakage.

Therefore, the problem can be defined as such: there are transactions which happen outside the platform and this results in a couple of problems for the company. First, revenue is reduced because transaction fees which should have been received by the company are now gone. Second, the brand of the company is tarnished because buyers avoid using the platform for transactions, meaning that there will be less trust of the company’s platform. The second problem will eventually drive buyers out of the platform and therefore reduce the revenue and profit of the company.

These facts lead to a synthesized version of the problem: that the problem arises because the buyers do not see that much value in completing the transaction inside the platform and this is capitalized by the seller to remove the middleman and not pay the fees to BukaToko. My proposed solution to this problem, in essence, is to create more values for the platform, so that the buyers are more incentivized to complete their transactions in the platform, and therefore increase the revenue of the company. The values which I propose are increased security, reduced friction, and more promotional offers. The increased security will build more trust with the sellers and the buyers, while the reduced friction will incentivize the buyers to interact more on the platform. The promotional offers will create artificial incentives for customers to come to the platform and try out the increased level of security and reduced level of friction in the platform.