



Vendors urged to clamp down on partner fraud

Grey market body AGMA tells vendors to monitor partners more closely for service and warranty fraud

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Vendors have been urged to keep a closer eye on their resellers to help stamp out warranty fraud and service abuse.

The Alliance for Grey Market and Counterfeit Abatement (AGMA) - a non-profit organisation aiming to stamp out grey market activity - claims that the two issues "continue to run rampant" in the technology industry, diminishing vendor revenues by as much as five per cent.

The body claims that service abuse can lead to an increase in grey market activity, as well as a decline in customer confidence and company reputation.

AGMA defines services abuse as the use of services and support without proper entitlement or authorisation, while warranty abuse involves a partner providing service on a product that is no longer covered by warranty.

In an effort to clamp down on the issues, AGMA has called on vendors to take a tougher stance on their resellers by implementing watertight contracts and carrying out audits on partners.

"Channel partners play an integral role in the business of tech manufacturing; they are relied upon to help market and deliver products and services to end users," AGMA said. "The delegation of these essential activities to a third party necessitates the use of a contract.

"[Vendors] have a right to audit channel partners as they see fit, and they should be exercising it.

"After all, their brand is at stake. Are channel partners acting in compliance with brand standards? Are they complying with regulatory requirements? These and many other questions can be answered during an audit. Audit clauses can help avoid warranty fraud and service abuse by serving as a discovery device."

AGMA's membership comprises industry heavyweights including Microsoft, HPE, HP Inc, Cisco, IBM and Dell EMC - as well as auditing firms including Deloitte, KPMG and PwC.

The body recommends that partners are audited every two years, either at random or by targeting those suspected of malpractice.

AGMA president Sally Nguyen said: "While no contract is ironclad, by covering all your bases in a clear manner, your channel partner contracts will be an instrumental tool in efficiently managing your network of partners.

"AGMA's mission is to educate technology companies on the many different activities that threaten their intellectual property. Sharing insights and best practices is an effective way to foster collaboration as we join together to tackle these challenging brand-protection issues."

Deterrent

Kasia Maciola, AGMA communications committee chair, added that regular and scheduled audits will act as a deterrent to partners that may be considering committing a form of warranty fraud.

"When you drive on a road where it is clearly indicated that there are radars that will measure your speed you tend to respect the speed limit," she said. "As the rule is clear you can expect to be caught [if] you don't respect the speed limit and it is clear you will have to pay for your mistake.

"Clarity on the rules [and] expectations that an audit may happen in general both should have a deterring effect on wrongdoing and abuses.

"In our rapidly moving high-tech industry, lack of clarity can occur for a vendor for multiple reasons, for example when putting on the market a new product which requires special procedures that have not been well documented.

"The degree of clarity varies from one vendor to another and in general clarity improves when the audit programme becomes more mature.