

Falling Prey for Social Media Shopping Frauds: The Victims' Perspective

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Abstract: Proliferation of e-commerce and the advent of social media utilization have contributed to the significant progress of social commerce around the world. Similar to existing internet applications for businesses, such as conventional e-commerce and mobile commerce, interactions and socialization on online medium (with less visibility of sellers and buyers physical presence) over the social media also possess risks of unreliable and fraudulent transactions. Despite the informed risks of online dealings, fraudulent social commerce incidents are growing. While the existing literature on social commerce provided insights on social commerce development in terms of its advantages and adoption, dearth of studies offer understanding of the dark side of social commerce, particularly with regards to the occurrence of social commerce frauds. This proposed qualitative study intends to bridge this gap, with the focus to examine the occurrence and the nature of the social commerce fraud, and consequently to understand how and why shoppers become victims of social commerce fraud. Findings are expected to contribute towards conceptual understanding of social commerce fraud phenomenon and offer inputs to increase awareness among social commerce community.

Keywords: Online Fraud, Social Commerce, Online Shopping, Social Commerce Fraud.

1. INTRODUCTION

Internet users in the world were 3,270 million in the first half of 2015 (Internet World Stats, 2015). However, the revolution of internet and the related technologies has created huge opportunities to perpetrate old and new kind of frauds (Smith, 2010). The Australian Competition and Consumer Commission (ACCC) (2015) found that, 231 online shopping scams were reported in September 2015 alone, with a total financial loss of \$85,733. In Malaysia, CyberSecurity (2014) reported 4,117 cases or 51.6% of online security incidents involved frauds, including online shopping frauds, and this domination is expected to continue in the future. Pusat Aduan Pengguna Nasional (NCCC) reported that losses due to online frauds amounted to RM68 million in 2015 compared to RM61 million in 2014. (Kosmo, 2015). Internet has become the vehicle for scammers to connect with victims.

Online fraud can be defined as the use of internet to deceived other party to give money with a promise of goods or services that do not exist nor intended

to be provided, or were misrepresented, which led to financial and non-financial loss (Button et al., 2014; Cross et al., 2014). In other words, victims give money via the Internet to the fraudsters but never get what they paid for. Diverse range of frauds perpetrated online including romance scam, fake online auctions, malware attacks, and online purchasing or e-commerce fraud (Button et al., 2014). This research focuses specifically on e-commerce or online purchasing fraud where the purchasing activities are performed via social media platforms.

An advanced development of social media has revolutionized the way online shopping or e-commerce is accomplished, known as social commerce (Wang and Zhang, 2012). However, the advent of the social media technology as a shopping platform comes with the risks of people becoming fraud victims. The Australian Competition and Consumer Commission (ACCC) (2015) found that, in September 2015, 10.2% of online shopping scams reported were conducted via social media. More recently, it was reported that RM700,000 was ripe

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off from hundreds of individuals by an online seller via his Instagram shop (Harian Metro, October 1, 2015). The amount of cases and losses are expected to be higher as many online fraud cases go unreported due to many reasons, such as embarrassment, self-blamed, and do not know what to do (Button et al., 2014). That is how it continues to be successful scam for the scammers.

Despite a substantial increase of social commerce fraud, little is known on how online shoppers falling prey for social commerce fraud. Of relevant studies are conducted by Button et al. (2014) in the UK and Wales, and Cross et al. (2015) in Australia. However, these studies focused on all aspects of online fraud, including employment scams, investment scams, romance frauds, malicious attacks and purchasing of goods scams. Button et al. (2014) called for more in depth study to understand the modus operandi of the fraudsters on some of the more common scams. Hence, this study aims to examine the occurrence and the nature of the social commerce fraud, and to understand how and why shoppers become victims of social commerce fraud. This paper draws upon research in victims of social commerce fraud in Malaysia to examine in the victims own words and their conversation with fraudsters how they become victims of social commerce scams. The findings will allow us to understand the modus operandi of the fraudsters, hence provides some insights for prevention.

2. LITERATURE REVIEW

The Evolution of Social Commerce

Online shopping or e-commerce is a common trend in society nowadays. Online shopping is describe as purchasing products or services via the Internet. In 2014, one-quarter of 300,000 global respondents were users of e-commerce and more than half (55%) are willing to use it in the future (Nielsen, 2014). Malaysians are ranked among the most passionate online shoppers. By 2015, Malaysia's online shopping market is expected to increase to RM5 billion (US\$1.52 billion) (Nielsen, 2014). Variety of products could be purchased online easily including tickets, clothing items, home accessories, electronic gadgets, foods, and many more. Shopping activities over the internet has been part of the lifestyle due to the advantages offered by online services. For instance, individuals are attracted to shop online due to wider products selection, cost and time saving, as well as convenient shopping experience (Wu and Wang, 2005).

With the evolution of the Internet and its related technology, completely new forms of interactions for acquisition of goods and services have emerged through social networking platforms, such as Facebook, Instagram, Whatsapp, and Telegram. Across the world, there were 21.6 billion users of the social media in 2015, and it is expected to grow (Statista, 2015). Accordingly, social networking was the second most popular activities among Malaysian internet users (Malaysian Communications and Multimedia Commission, 2014). Therefore, one of the major developments in the e-commerce industry recently is social media shopping or social commerce that is expected to evolve as a widely acceptable practice. "Social commerce is no longer a media hype or a business fad. It becomes an established practice, although the specifics of this practice continue to emerge and evolve" (Wang and Zhang, 2012, p. 121).

As a subset of e-commerce, social commerce involves commercial activities, such as marketing, selling and buying products and services, using social media technologies to support online interactions and user contributions (Liang and Turban, 2011). The interactions among the social media users may result in discovering products, aggregating and sharing product information, and collaboratively making shopping decisions (Shen, 2012). In essence, the two important attributes of social commerce are commercial activities and social networks. The capability of social networks that allows for users' content participation, such as reviews and recommendations, for example, represents the major advantages of social commerce (Liang and Turban, 2011).

The social media revolution has raises a variety of new research opportunities. Review of literature indicates that most discussion about social commerce has been on the evolution of social commerce, advantages of social commerce and the drivers for social commerce adoption. Wang and Zhang (2012) systematically examined the evolution of social commerce from 2005 to 2011, along four dimensions: people, management, technology, and information.

Previous social media shopping research examines the way social support and relationship quality affect the intention to adopt commercial activities in social media (Liang et al., 2011). Further, Hajli (2013) identified that trust and perceived usefulness of social media have effect on intention to buy. Hajli (2012) proposed a social commerce adoption model by measuring the recommendations and referrals,

forums and communities, and rating and reviews elements of social media. These previous studies in social media shopping have provided much insight on social commerce development. However, to date, the extant literature offers little concrete knowledge of investigation on fraud issues in social commerce.

The Social Media and Implications for Online Shopping Fraud

Fraud occurs when a person is deceived by other party (individual or business) to give money with a promise of goods or services that do not exist nor intended to be provided, or were misrepresented (Button et al., 2014). Button et al. (2014) reported that online frauds that have been experienced by victims in England and Wales includes purchasing goods or services that did not exist/arrive or purchasing of goods found to be fake or faulty. Victims realized that they had been defrauded when seller was unresponsive to their communications (Button et al., 2014).

In Malaysia, a recent statistics showed that 2252 cases of online fraud were reported in between January 2015 to August 2015 (CyberSecurity, 2015). This is a continuation from the previous year as financially motivated frauds is the most online incidents that has been reported for the year 2014, which is expected to escalate along with advancement of the Internet and its technologies (Xiao & Benbasat, 2011). Virtually, anyone can fall prey to online fraud. The extant literature suggests that active online shoppers and active participants in online forum possess higher risk for online fraud victimisation (Van Wilsem, 2013). Thus, it is believed that there are many more Malaysians who have become victims of online fraud but have not lodged police reports (CyberSecurity, 2015).

There are various reasons contributing to the occurrence of online fraud. When shoppers are dealing over the Internet, they do not know the sellers well enough and it is very difficult to prove that the acts of frauds had occurred. Hence, online shoppers are advised to be extremely careful and be suspicious whenever an advance payment is required. When money is involved, there is always someone trying to take advantage.

The explosive growth of the online shopping via social media may have also increases the risks of fraud. In social commerce, almost anyone can become online sellers because they do not have to invest in a website or pay to online marketplaces. Stephen and Toubia (2010) claimed that sellers in

social commerce are individuals instead of firms. The anonymity afforded by online social media can bring out non-genuine sellers or scammers to rip off innocent shoppers. Hence, anyone is vulnerable to social media shopping scams in which the perpetrators, anonymously or even posing as people one's trust, cheat them in the purchasing activities. The non-transparency and invisibility of sellers in social media create risk of victimization to social media shoppers.

Social media connects online shoppers directly with others to form a social community. The immediacy provided by social media allows online shoppers to obtain and share products-related and sellers-related information within their social community. A market survey by Nielsen (2014) reported that 92% of respondents worldwide trust recommendations by friends and families, and 70% of them ranked online consumer reviews as the second most trusted source of information. Researchers discovered that social media characteristics such as social support that facilitate the social interaction of consumers, lead to increased trust and intention to buy (Liang et al., 2011; Hajli, 2013).

While, the interactions and exchanges of information help online shoppers to make informed and smart buying decisions, online scammers may misuse it to lure their victims. Prior studies found that victims responded to scams because of appeals to trust (Buchanan and Whitty, 2014; Button et al., 2014). Further, social media platforms provide a 'liking' function. For example, Facebook 'like' button and Instagram 'follower' button indicates numbers of people following the business or sellers' online page. The higher the number of 'like' or 'follower' of the sellers, the higher the trust of shoppers on that particular sellers. Hence, social media shoppers may tend to believe that these sellers are real and make online purchasing activities with them.

Visceral appeals was another key strategies of scammers to lure victims (Langenderfer & Shimp, 2001; Button et al., 2014). It relates to appeal to basic needs such as money and love (Button et al., 2014). Some social media platforms such as Whatapps, WeChat, and Facebook Messenger applications allow shoppers to communicate directly and personally with online sellers. Scammers may use these platforms to offer and convince buyers' hopes of financial savings or gain for engaging in the purchasing fraud. Shoppers may fell prey for the fraud as they felt that they are getting a good deal.

When making a buying decision, many people need proof (authority) that a seller and its product are legitimate. In social commerce, the proof can be obtained from reviews by others. Nowadays, it's a trend for sellers in Instagram to promote their Instagram Shop (InstaShop) through reviews by famous celebrities, bloggers, or other sellers. Famous celebrities' reviews were used to dupe online shoppers to purchase their product (The Star, October 2, 2015). One of the victims reported that she was attracted to buy a branded handbag from an InstaShop seller not only because the price is cheap but also influenced by reviews by celebrities. The victims may believe that if celebrities buy from the seller, it means that the seller is trusted and has good reputation. Social commerce fraudsters may use this technique to decoy potential victims.

3. METHOD

The methodology of this qualitative research comprises of two phases. Phase one involves face-to-face semi structured interviews with key authorities responsible in regulating and handling online commerce fraud incidents such as CyberSecurity Malaysia, Tribunal Tuntutan Pengguna Malaysia (TTPM), and Khidmat Aduan Pengguna Nasional (NCCC). The interview focuses on evidence review, such as statistic of cases, how the online fraud offenses are being committed, the seriousness of the offenses, the impact of the fraud to victims, and the procedures to report. Phase two involves interviews with actual victims of social commerce fraud. In-depth interview will be conducted with 40 victims who had experienced particularly in social media shopping fraud. The interview will enable understanding of social commerce phenomenon based on individual victims' experience, with the focus on recognizing how the fraud had been

committed (the modus operandi of the scammers), what actions have been taken once the victims realized they have been scammed, and the impacts they had experienced. Interviews will be audio recorded (with permission) and transcribed. Characteristics of the victims and their purchases will be assessed to achieve diversity in term of their age, gender, employment, social media platform usage, and type of product purchased.

4. CONCLUSION

Social commerce has become a new way on how people perform their commercial activities online. However, social commerce has unique characteristics that are likely to create opportunities for fraudsters to trap innocent shoppers. We believe that while social media increases users' trust and intention to buy, it increases risks and vulnerabilities for frauds. There is, therefore a gap in literature relating to social commerce frauds and the victims. Findings from the proposed study could contribute to the development of conceptual understanding of nature and characteristics of social commerce fraud and the modus operandi of fraudsters. This conceptual model can offer a basis for further empirical studies and theoretical development to better understand the phenomenon. Practically, findings and conceptual understanding offered by this proposed study could create awareness among potential and existing online customers of risky online dealings, hence minimizing the risk of fraud occurrence through social media shopping. Findings could also provide input to policy makers and regulatory bodies in designing an effective policy to curb online fraud cases, and promote good social commerce practices among online shopping community.

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