

# Chapter 86

## E-Marketing as an Antecedent to Online Fraud

**Michelle Sofu**

*University of Canberra, Australia*

**Francesco Sofu**

*University of Canberra, Australia*

### ABSTRACT

*We live in a new world of constant technological upgrades and their pervasive intrusions especially in trade and commerce. The new e-commerce world order continues to transform the way business interactions occur in dynamic, complex, and adaptive ways. This has opened up ways for new and sometimes less scrupulous dealings in the online marketplace. Key questions answered in the chapter include: what are the new guidelines and best practices that mitigate the risks for consumers and advertisers? What constitutes online deceptive behavior and internet fraud? What explanatory frameworks and concepts from the academic literature can we use to best inform us about safeguarding the erosion of consumer trust that occurs through fraudulent e-marketing? The chapter explores four Australian case studies (each featuring a nexus between e-marketing and fraudulent online transactions) in order to apply a new theoretical framework based on constructionism to the emerging problem of online scams. The main contribution is the application of the Theory of Reality Construction to e-marketing. This innovative perspective includes social, psychological and intellectual dimensions which may be useful to entrepreneurs, policy makers, students, practitioners, researchers, and educators who seek to gain a deeper appreciation of the darker side that exists in the new era of e-marketing.*

### INTRODUCTION

The adoption of e-marketing, and the associated move towards e-commerce, is slowly changing the shape and nature of business transactions all over the world. A shift away from traditional face-to-face interactions between consumers and

retailers is occurring, and it is timely to highlight some of the less scrupulous dealings that can occur in the online marketplace. This chapter therefore presents four Australian cases where e-marketing techniques and practices have helped facilitate the occurrence of *Internet* fraud. By doing so, it is possible to showcase *Internet* fraud as an

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emerging issue in the fields of e-marketing and online advertising.

The chapter commences with a review of literature pertaining to online advertising and advertising's new role as an integral aspect of online social networking. Issues such as ethical standards and best practice for online advertisers are explored, as well as the corrosive effect that fraudulent advertising can have on consumers' levels of trust. There are innumerable advantages and disadvantages that can arise for both consumers and retailers through e-marketing, and some Australian statistics and four case studies are presented to demonstrate how e-marketing has been used to lure online consumers into purchasing goods and services under false pretenses. After the presentation of the case studies, a theoretical framework based on constructionism is established to enable a better appreciation of the emerging tactics and techniques used by less scrupulous e-marketers. By presenting this framework, a greater understanding of the approaches and practises used in e-marketing in developed and developing nations can be gained.

A constructivist perspective assists in appreciating the nuances in people's constructions of the world. Berger and Luckmann's (1966) seminal work on the social construction of reality sets the theoretical context used in this chapter. Some of the important principles of reality construction begin with the premise that reality is not necessarily the objective external reality which most people believe they are observing, and this can be particularly relevant in the online advertising environment where consumers rely on available information to form judgments about the legitimacy of a retailer and the authenticity of an advertised product. A basic premise of constructionism is that the world is fundamentally meaningless, but each person (through their observation) creates meaning because they make their own sense of reality. The social context is therefore important in attributing meaning, and this context involves many complexities such as the influence of signifi-

cant others, history, tradition, culture and language. Constructing reality is therefore socially subjective and influenced by complex factors. Research by Goleman (2006) on the relationship between the structure of the brain, the way the brain works and all kinds of mental processes such as perception and levels of consciousness supports this theory as one having reasonable explanatory power for new realities such as e-marketing fraud. Karp's (2006) insights into entrepreneurship (and based on a constructionist perspective) further helps us appreciate the importance of applying constructionist theory because importance is placed on feelings, intuitions, and identity – all of which are integral aspects of consumers' experiences of online shopping and online advertising.

The paper begins with setting the scene regarding the impact of technology and globalization on consumer behavior and a review of the current literature on e-commerce focusing on three key areas: ethics, categorization of fraudulent online behavior and the importance of trust. Four Australian case studies are then presented followed by a relevant theoretical framework derived from the academic literature that further illuminates the case studies. Finally, some solutions and suggestions for further research are suggested.

## **REVIEW OF THE LITERATURE**

First of all, in this section we illustrate the pervasive use of the *Internet* in business and the emergence of new forms of marketing including online advertising and the impact of globalization. This section is further divided into three sections that report literature on ethics and the development of consumer rights aligned with best practice; second, the categorization of online fraudulent advertising and third, the importance of consumer trust in relation to online shopping problems.

The arrival of the *Internet*, and specifically social networking sites, has transformed our lives to the point where there is a role for technology

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