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## Online Dating Sites: A tool for romance scams or a lucrative e-business model?

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### Abstract

*Online dating sites are a new lucrative B2C e-business model, however, these sites are increasingly used by felons and scammers to exploit vulnerable customers. Although the impact of online dating scams on victims is vast, and online dating sites are a growing e-business, research on this topic is almost non-existent. The few studies on online dating sites are generally from Psychology addressing user issues. The aim of this research is to explore online dating sites as an e-business model, types of scams carried out via these sites, and regulations required to protect users of online dating sites. Using document analysis, this research will establish the current business models of online dating sites, the types of online dating scams, the impact of these scams on victims, and will develop a typology of these issues for the protection of users and for reducing this new type of cybercrime. Findings of this research will contribute to knowledge on online dating sites as an e-business model which unfortunately is misused by some users for criminal activities to provide future research directions.*

**Key words:** online dating sites, online dating scams, online dating e-business model

### 1 Introduction

Due to increased use of technology, dating has fundamentally changed and moved to a new landscape of finding romance online. The advantages of online dating (privacy, wider access to potential partners, anonymity, 24 hours, 7 days access) are some of the reasons a very large number of people from all parts of the world are resorting to online dating (Rege, 2009). Online dating sites facilitate dating by allowing individuals, couples and groups to set up a personal profile where they can detail personal interests, likes, dislikes, physical attributes, and demographic details of what they are seeking from a partner (Whitty & Carr, 2006 and Couch et al, 2012). There is broad interest as well as niche online dating websites such as those based on sexuality, specific sexual

interests, religion, ethnicity, disabilities and pet ownership (Couch et al, 2014). Although a new concept, online dating is now recognised by many as an appropriate way to meet prospective partners (Ellison et al, 2006; Gibbs et al, 2006). At the same time, while engineering romantic encounters, online dating services have also become a new e-business model for generating revenue (Hancock et al 2007). However, although online dating business is relatively new, fraud and criminal activities associated with it appear to have grown significantly (Buchanan and Whitty, 2013).

Although online dating is now a billion dollar business with a very large number of users, this successful industry is plagued with cyber crimes such as romance scams and identity fraud. According to the National Consumers League (2008) and BBC (2007) the average victim of online romance scams lost more than \$3,000 in 2007. Similarly in Australia, victims of online dating services lost over 25 million dollars in 2013 (Zielinski 2014). The power of the cyberspace and the lightly regulated online dating industry are allowing fraudsters to take advantage of romance scams. To date, research on online dating fraud is generally on the psychological issues of users (Buchan and Whitty, 2013; Valkenburg and Peter, 2007; Toma et al., 2008). Research on online dating sites as a growing e-business model, with the downside as a growth area for scams, is almost non-existent.

Therefore the aim of this research is to explore online dating sites as a growing e-business model, identify the types of scams carried out via online dating sites, the impact of these scams on victims, and to develop a typology for identifying romance scammers to assist in the development of policies to protect users of online dating sites as well this lucrative novel e-business model.

The rest of this document entails a review of literature on online dating sites as a lucrative e-business model, how these sites encourage scams, extant regulations, and a research methodology to investigate online dating business and associated scams.

## **2 Literature Review**

*Online dating sites* are now a billion dollar business and the industry's growth rate is remarkable (Visualeconomics.com, 2011). According to Jupiter Research (2006) online dating sites in Europe were a 228 million Euro business in 2006. These sites offer services of access, communication and matching (Finkel et al, 2012). Membership of a site provides a wider access to potential romantic partners one would not get in offline dating. Mathematical algorithms are used to establish compatibility between potential partners and provide matches based on a range of criteria (Valkenburg & Peter, 2007). The use of online dating services is so wide that Mitchell (2009) and Frost et al (2008) estimated that users spend up to twelve hours a week on online dating activity. Other reasons for the wide use of online dating sites include access to potential dates in privacy, convenience, and anonymity (Rege, 2009), without fear of stigma or rejection (Fiore & Donath, 2004). Interactive online dating enables technology based interactions via live chats, instant messaging, flirtatious emoticons, nudges and winks (Wang & Lu, 2007), and online dating sites find compatible matches instantly using mathematical algorithms ( Mitchell, 2009). In 2008 the online dating industry generated revenues of \$957 million, and is anticipated to grow at a rate of 10% each year (Rege, 2009).

### **2.1 Online Dating Site Business Model**

Online dating services are amongst the latest and perhaps a controversial Internet (online) business operated by entrepreneurs from different jurisdictions. As with most online businesses, initial start-up costs for online dating services are minimal (Smith,

2004), with low barriers to entry, fierce competition and many users due to the convenience of being able to access potential partners without commitment or face to face meetings (Rosenfield & Thomas, 2012). Revenues for online dating business are derived from membership fees and advertising, a subscription fee paid by users, and through advertising. By generating enough traffic on the site from free public access, they sell advertising space and valuable marketing information gathered by the site to advertisers and researchers [http://wiki.media-culture.org.au/index.php/Online\\_Dating\\_Business\\_Models](http://wiki.media-culture.org.au/index.php/Online_Dating_Business_Models). To remain competitive, online dating sites are becoming more specialised and catering for specific markets (sexual orientation, race, cultural background, relationship status and desired interaction) <http://thebusinessofdating.wikidot.com/business-model>. For customer relationship management Smith (2004) explained that organisations are applying one stop shop, customer tracking analytics and marketing as well as focussing on each customer's desires and budget. While there are examples of online dating sites such as RSVP.com.au and Match.com, there are also models that are only matchmaking sites such as eHarmony.com and PerfectMatch.com (Schmitz, 2014). Online dating site entrepreneurs do not require a revolutionary business model, they require a sound business plan with operational budget, advertising, target market, legal issues, investment capital, the design and development of the site (Walters, 2014). The above characteristics of online dating sites describe their model to be a B2C online business, where due to wide-spread use of technology, privacy, access to a broad range of potential relationships, the customer base for this online business is the main focus. However, although online dating sites are a lucrative online business and a growth industry, this business model is relatively new and associated with scams and criminal activities.

## **2.2 Online Dating Scams**

Types of scams according to Couch et al, (2012) and Buchanan and Whitty (2013) include criminals contacting their victims with fake profiles created with stolen photographs of attractive people to develop relationships with their victims to defraud them of large sums of money. Hancock et al (2007) reported that 86% of online dating participants felt others misrepresented their physical appearance. Couch et al (2012) explain that scammers ask for money to pay for their parents' funeral payments, costs of passports and visas and other similar expenses. Other characteristics of scammers explained by Buchanan and Whitty (2013) are that fraudsters claim to be in love from an early stage, then move the relationship away from the online dating site to email or Instant Messenger, over periods of weeks, months or years. This communication between the fraudster and the victim is intense and frequent, with the former asking for small gifts at first, and, once the victim complies, larger sums of money are asked for. To make the scam more plausible, and to increase the amounts of money demanded, third parties such as a doctor sometimes gets involved asking for hospital expenses for the criminals. In some cases, victims have been persuaded to travel to countries from where the scam originated, where they either get kidnapped or fall under the influence of the scammers for a second round of scams (Buchanan and Whitty, 2013). The advance fee scam to transfer large sums of money to the victim's account continues to be popular (Buchanan and Whitty). Besides user created scams on online dating sites, breach of data by the providers of online dating sites also takes place with members'

details made available to other online parties (Pilgrim, 2014). Online dating scams vary, however, financial loss for victims of online dating scams is huge and the impact is severe (BBC, 2007). In 2010, 592 victims of online dating crime were identified in the UK, of which 203 individuals lost over 5,000 pounds, although it is estimated that this figure is under reported (National Consumers League, 2008).

In Australia, a Sydney woman swindled millions from men via an online dating site (<http://www.abc.net.au/new - 31/7/14>), while a Western Australia woman paid \$102,800 to a Nigerian man she met online and travelled to South Africa where she was murdered (<http://www.smh.com.au/world/nigerian-police arrest - 31/7/14>). In 2013, Australians lost a total of \$25 million to dating and romance scams (ABC News Net and Zelinski, 2014).

Other *online dating risks* are deceitful online profiles, unwanted contact, non-consensual behaviour, violence, rape, drinks being spiked, people turning up at residences after a cursory online communication, and being stalked (Couch et al, 2012). Possibilities of becoming emotionally upset, loss of face and rejection (Fiore and Donath, 2004) are other risks associated with online dating.

Although online dating services place high priority on privacy and confidentiality issues to earn the trust of their customers, what these sites do not take responsibility for is the personal protection of users (Smith, 2005). Online dating sites have become such a lucrative business that they have little incentive to conduct background checks on their members although in some US states, dating sites are required to provide common sense safety tips by law (New York Times, 2014). There are organisations specialising in backup checks for a fee which is a deterrent for users (New York Times, 2014).

### 2.3 Online Dating Regulations

Generally, *regulation of online dating sites* for services to consumers is governed by consumer protection legislation. In Australia, “Best Practice Guidelines for Dating Websites” (ACCC, 2012) provides a guide to users and monitors suspicious cross-border money movements to establish if somebody is being scammed (AAP 2014). In the USA, there is no Federal law dealing with the regulation of online dating sites, and in UK, online dating scams have led to the creation of an online dating association to self-regulate the industry (Gross and Acquisti, 2005; Mitchell, 2009).

This lucrative online business is large and growing, however, the loose regulation of the industry has left it open to scams which have serious ramifications for users.

**Research Question:** Are online dating sites a lucrative e-business or a tool for romance scams?

## 3 Research Methodology

Since this topic is still under researched, and is of a nature that direct interviews, surveys or observations will not be feasible, this exploratory study will be accomplished using the document analysis method. Danker and Hunter (2006) explain that document analysis helps address ‘why or how an event occurred and whether such an event could happen again’ (p.74). Since cybercrimes and scams which belong to an underground culture (Rege, 2009) those who operate underground and will not agree to participate in a research project. Also, interviewing law enforcement personnel and dating industry

representatives is not easy due to the privacy issues and market credibility of dating sites.

Document analysis will be undertaken in the following three phases:

*Phase One:* An extensive review of literature (both academic and web publications) will establish keywords for online dating sites as a business model, the size and makeup of the online dating business in Australia, types of online dating scams (social and technical), impact of online dating scams on victims, and current and proposed international consumer protection laws and policies to identify and prosecute online scammers and identity thieves.

*Phase Two:* With the key words established in phase one, search engines will be used to collect data on reported scams, type of scams, frequency of scams, nature of changes in these scams, impact of these scams on victims (financial loss, death, loss of face, other) and consumer protection laws and policies for online romance and scams.

*Phase Three:* From an analysis of the documents in phase two, a typology will be developed with issues on:

- online dating business model, operation and policies for accountability;
- online dating scams experienced by Australians;
- impact of online dating scams on victims; and
- an analysis of the above issues for:
  - a set of guides for identifying online felons posing as potential sweethearts; and
  - implications for policy and protection requirements for online dating victims.

## **4 Data Analysis**

Data collected in phase two will be analysed using the following three steps:

All data collected during phase two of the research will be grouped and coded according to Miles & Huberman's (1991) qualitative data analysis techniques. All words, phrases and descriptions will be coded (labelled) to reflect the issues of online dating sites, scams and crimes via online dating sites, accountabilities and impact on victims. In order to determine frequencies of occurrences, commonalities of themes and extent of scams, content analysis method according to Mostyn (1985) will be used. Mostyn explains that content analysis helps quantify large volumes of open ended material. This will enable a systematic method of converting qualitative data to numerical data wherever appropriate.

To establish the issues for the typology, a cognitive analysis of all of the data analysed in step two will be undertaken using the software Cope. Cognitive analysis according to Collis and Hussey (2013) helps promote reflection and analysis of the problem leading to potential solutions. This cognitive analysis should clearly highlight online dating sites as a business model; perils of online dating and types of scams carried out via these sites; characteristics of personalities described on online sites and reported as frauds; number of deceitful identities established from the data; the extent of scam

impact on victims; protection for victims and other related information. This research is in progress, outcomes of which will be available in the near future.

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