

## GDPO Situation Analysis

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# The Growing Industry of Darknet Marketing

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### Subject

Tor's hidden services have allowed a new form of low-risk high-profit drug dealing to emerge and grow quickly over the last four years. Vendors of narcotics are utilising innovative marketing techniques that mirror those used by legal, 'real-world' and web-based businesses to promote and sell goods and services. These range from offers of free samples and discounts, to the use of banner adverts and brand management. Drug marketing is becoming increasingly sophisticated as more users and buyers flock to the Tor network and as hidden markets become more diversified and competitive.

### Analysis

- The most common form of marketing are offers made directly to customers based on established marketing techniques such as free samples of products, free 'extras' when buying in bulk (such as free narcotics or paraphernalia), and discounted items for repeat customers or as one-off special deals. Standard sales techniques such as 'Offer ends Monday!' or 'Limited Stock!' are used to motivate customers to participate.
- Free samples are especially important as they attract customers and act as a reputation-booster for vendors by having sample recipients review the products for quality, speed of dispatch etc. These offers are usually available for specific narcotics with cannabis, LSD and MDMA being the most popular.
- Community forums are an important medium where vendors can market their products and make offers. When a post is viewed and replied to it is 'bumped'- or moved-up to the top of the forum. This becomes important advertising space as the higher the place in the forum the easier it is for potential customers to spot. Vendors incentivise such behaviour by offering free samples of their product to forum members who 'bump' (reply to) their post.
- Just like supermarkets in the 'real world', hidden markets on the Tor run special promotions during festive seasons including Christmas, Thanksgiving, Halloween and New

#### 4/20: The Dark Net's 'Black Friday'

On the 20<sup>th</sup> of April marketplaces have been known to engage in a massive sales event similar to America's 'Black Friday.' The date is picked due to its relation to the phrase 'four-twenty' (4/20) which is a slang term for smoking cannabis. The Silk Road was especially known for this event and removed transaction fees on that day to help vendors increase their overall profits.

Year's Eve. Sometimes these are run by a specific vendor and sometimes by the marketplace. The biggest of these events takes place on the 20<sup>th</sup> of April and is known as '4/20'.

- Marketplaces have set up special competitions such as raffles and prize-draws, some coinciding with annual festivities and others as a one-off or continuous event. Prizes tend to be a specified amount of Bitcoins and winners are declared publicly. By doing, this marketplaces help foster a sense of community and belonging, which helps to ensure repeat business.
- Review threads are being used by vendors to assure customers of authenticity. Unlike regular review /feedback mechanisms found on the markets, these threads are placed in the forums and allow closer scrutiny of a vendor by potential customers as well as providing a place to resolve outstanding transaction issues.
- Review threads enhance vendor reputation and generate 'brand identity', in turn promoting brand loyalty. For example, buyers will be aware that while Vendor A deals with mostly hallucinogens and is helpful in supporting new customers who are not tech-savvy, Vendor B is the supply source for large amounts of high-quality cocaine but will not take orders from customers who do not use PGP encryption. Many vendors have specific logos used when posting pictures of their products online so that their 'brand' can be readily identified by a browsing customer. Some items have a brand identity of their own, such as 'Purple Haze' a strain of cannabis or 'Black Tar', a particular type of heroin produced in Mexico.

### Creating Brand Identity for Vendors

Vendors are using several tools to create their own specific brand that customers can trust. They do this via professional and innovative strategies that include:

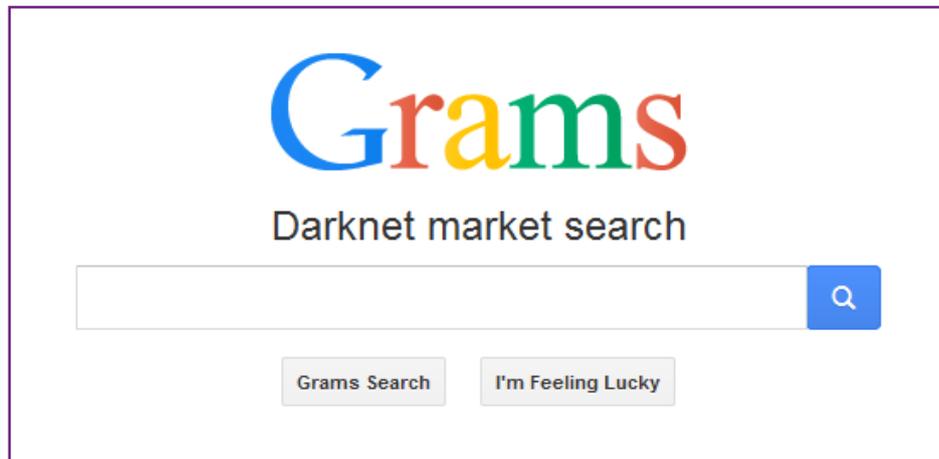
- Review threads - Creating a reputation and engaging with customers regularly
- Logos - Many vendors create logos that they put in the pictures of their products online
- Offers and discounts - including giving 'extras' for bulk orders or discounts to repeat customers
- Refunds - Some vendors offer refunds to customers if their package does not arrive to show they can be trusted
- Speciality items - There are vendors that specialise in particular drugs that can be hard to obtain.

Branding is important and protected by vendors. When popular vendors who sell on multiple sites want to join a new market they might use their PGP key to verify their identity to administrators and demonstrate they are not a copycat vendor trying to steal a brand or market share.

Marketplaces are themselves careful about creating their own brand identity with logos, unique features and even codes of ethics around what can and cannot be sold on their site. This means that a customer wishing to buy drugs but who may have ethical issues with purchasing from a site that sells weapons or hacked or stolen personal information can make an informed choice of their market. Marketplaces are also reaching out to sites on the clearnet<sup>1</sup> such as reddit, and Dark Net news sites such as deepdotweb.com in order to gain positive reviews and build customer awareness. Interviews given by hidden marketplace representatives to journalists demonstrate awareness of the need for good public relations management. Atlantis Marketplace, which closed down shortly before the closure of the first Silk Road, went as far as making a Youtube commercial utilising kinetic typography to encourage new customers to come to their site. The advert was very popular and was featured in several news websites.

Vendors now have the opportunity to utilise banner adverts that are placed on Grams, a Dark Net search engine styled on Google. Grams offers advertising for vendors via its TorAds and GramsWords which are based on Google's 'AdWords' and 'AdSense' advertising models. Gramswords allows vendors to purchase a search term and have their advert go to a 'sponsored' area at the top of the search results. TorAds allows vendors to advertise on Grams, whilst also allowing owners of hidden services to collect revenue based on advertising space that they allow on their site from TorAds. There is also a growing trend of marketing

specialists offering their services to vendors. This includes search engine optimisation for Grams and posting positive reviews and adverts across the Dark Net, as well as offering to 'bump' vendor offers and write reviews in forums to help improve their reputation. Some marketers are also paid to spread the word about the market and are commissioned on successful deals in a revenue share model.



## What Next?

- Hidden markets selling drugs on the Tor recognise the importance of marketing and have begun employing marketing consultants. As this continues, we can expect to see more adverts for markets going out both on the clearnet and the darknet, progressively normalising the sale of illicit drugs.
- Grams is set to become a major player in the world of Dark Net marketing and with the creation of its news TorAds and Gramsword services is set to gain advertising revenue that will help it to consolidate its place as the go-to search engine for darknet markets. In tandem with this, we can expect to see a surge of users utilising Search Engine Optimisation techniques on Grams as it gains in popularity.
- As new alternative cryptocurrencies to Bitcoin emerge with enhanced security features, we can expect to see markets offering to allow payment with new coin facilities in order to broaden their customer base and stand out from other markets.
- As marketing features and strategies become more sophisticated on the darknet, there will be continued growth of the customer base and vendor engagement, fuelling the trend of migration away from 'traditional' street and personalised drugs transactions to Dark Net based, professionally oriented commercial sales.

1 The clearnet refers to the normal worldwide web, whereas the Dark Net refers, in this case, to the Tor network

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