Implementation Issues: From Globalization to Justification, Privacy, and Regulation

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Contents

Learning Objectives

Upon completion of this chapter, you will be able to:

1. Describe the need for justifying EC investments.
2. Evaluate the issues involved in global EC.
3. Describe the reasons for success and failure of EC.
4. Describe how small and medium-sized businesses can use EC.
5. Understand the foundations for ethical issues in EC.
6. Describe intellectual property law and understand its adjudication.
7. Explain privacy and free speech issues and their challenges.
8. Describe the future of e-commerce.

OPENING CASE: TELSTRA CORPORATION HELPS ITS CORPORATE CUSTOMERS JUSTIFY EC INITIATIVES

Telstra Corp. is Australia's major telecommunication and information services company, which provides fixed line and mobile communications as well as digital TV and Internet access services. The company operates in a competitive market (e.g., against Vodafone and Optus Corp.). Telstra has expanded its services to several countries in Asia and Europe.

The Problem

The company is very active in the e-commerce and social media markets, mainly through Telstra Digital and its wireless units. For example, it provided its corporate customers with Facebook apps so they can manage their Telstra accounts. One area where the company saw an opportunity but had some marketing difficulties was m-commerce. In particular, the company offered its corporate customers applications that had many intangible benefits. The customers had difficulty getting approval from their own top

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management for paying for Telstra's services without detailed *justification*.

Telstra was interested in promoting the following four lines of applications:

1. **Fleet and field service management.** This topic, involving enterprise mobility applications, was described in Chapter 6.
2. **Video conferencing.** This application uses video conferencing in order to save on travel expenses to meeting places, and helps expedite decision-making. Both fixed line and mobile services can support this initiative.
3. **Web contact centers.** This application is designed to improve CRM as described in Chapter 8 and in Online Tutorial T1.
4. **Teleworking.** Allows employees to work off-site. *Teleworking* (also known as telecommuting) requires sophisticated technology to enable effective communication, collaboration, and collaborative commerce activities.

Both the infrastructure and the software for the above applications are expensive. Many Telstra customers were interested in learning about how to *justify* the investment, but they did not know how to go about it.

The Solution

Telstra developed a white paper to illustrate the use of ROI calculators in each of the above four lines of applications. The unique property of the calculators is that they compute benefits to the users' organizations, to the employees, and to society. Telstra is known for its concerns for SMEs. In 2015, it took a majority ownership in Neto, an EC platform provider for SMEs (Murtagh 2015). Here, we provide some of the highlights.

Justifying Video Conferencing

Benefits include reduction in travel expenses, work time lost by employees, and so forth. This calculator uses the Net Present Value (NPV) approach.

The cost–benefit analysis calculates the savings to a company (seven variables), some of which are intangible (such as faster decision-making). The benefits are compared with both the fixed and variable costs. The benefits to employees are measured by five variables, some of which are intangible (e.g., better job satisfaction). Finally, benefits to society include variables such as reduced car emissions and traffic congestion.

Justifying Teleworking

The benefits to the companies range from reduced office footprints to higher employee retention. Again, some benefits are intangible. The costs are detailed (e.g., cost of equipment). Employees save travel time when they work at home but they need to pay for the energy used at home. Society enjoys reduced vehicle emissions when people telecommute.

Justifying Web Contact Centers

The above approach is used here, too: The calculator includes savings, benefits, and costs to the company, employees, and society. Both tangible and intangible variables are considered in the calculations.

Justifying Fleet and Field Force Management

The structure of this calculator is similar to those above: Savings, benefits, and costs to the company, employees, and society.

The white paper provides comprehensive calculations with sample data for a hypothetical company.

Telstra offers other calculators including one for data usage for mobile devices.

The Results

Telstra believes that Australian companies have an opportunity to develop a sustainability strategy using the above technologies that need to be justified. Telstra provides proof of substantial cost–benefits. While the savings to companies are substantial in many cases, the benefits to employees and society should not be ignored.

As far as Telstra itself, the introduction of the calculators helped the company increase its market share and profitability. Also the market value of Telstra stock doubled from 2010 to 2015.

A note: Telstra is known for its EC and IT innovations. For how it is outpacing the USA in IoT adoption, see Barbaschow (2016).

Sources: Based on and AIIA Report (2009), Murtagh (2015), and Barbaschow (2016).

LESSONS LEARNED FROM THE CASE

The Telstra case demonstrates the need for organizations to justify EC-related projects and the fact that this may not be easy to do. Telstra provided calculators to their clients to help them with the justification of IT and EC investments. The case points to intangible benefits, which are difficult to measure and quantify. It also raises the issue of sharing costs among several projects, and the need to consider the benefits to employees

and to society. These are only some of the topics presented in this chapter. Other topics deal with the use of EC metrics. This chapter also provides a discussion of successes and failures in e-commerce. Other implementation issues covered are the implementation of EC by SMEs and the strategy of going global online. Finally, privacy, ethical issues, and intellectual property are covered. The chapter ends with an assessment of the future of e-commerce.

- Companies now realize that EC is not necessarily the solution to all problems. Therefore, EC projects must compete with other internal and external projects for funding and resources. The answer usually is provided by ROI.
- Some large companies and many public organizations mandate a formal evaluation of requests for funding.
- Companies are required to assess the success of EC projects after their completion.
- The pressure by top management for better alignment of EC strategy with the business strategy.
- The success of EC projects may be assessed in order to pay bonuses to those involved with the projects.

12.1 WHY JUSTIFY E-COMMERCE INVESTMENTS? HOW CAN THEY BE JUSTIFIED?

Companies need to justify their EC investments for a number of different reasons.

Increased Pressure for Financial Justification

Today, companies are careful with EC expenses and budgets. Technology executives feel the pressure for financial justification and planning from top executives. However, there is still a long way to go as demonstrated by the following data:

- Most companies lack the knowledge or tools to do ROI calculations for EC projects.
- The vast majority of companies have no formal processes or metrics in place for measuring ROI for EC projects.
- Many companies do not measure how completed EC projects compare with their promised benefits.

At the same time, the demand for expanding or initiating e-business projects is high. Therefore, it is recommended to calculate the projected value of proposed EC projects in order to gain approval for them. For further discussion, see TeamQuest (2014).

Note that in some cases, following the competitors is a major reason to embark on EC projects. In such cases, you still need to do a formal justification, but it may be more of a qualitative in nature.

Other Reasons Why EC Justification Is Needed

The following are some additional reasons for conducting EC justification:

EC Investment Categories and Benefits

Before we look at how to justify EC investments, let us examine the nature of such investments. One basic way to categorize different EC investments is to distinguish between investments in infrastructure and investments in specific EC applications.

IT infrastructure provides the foundation for EC projects or applications in the enterprise. IT infrastructure includes servers, intranets, extranets, data centers, data warehouses, knowledge bases, and so forth. In addition, it is necessary to integrate the EC applications with other applications throughout the enterprise that share the infrastructure. Infrastructure investments are made for the long term.

EC applications are specific projects and programs for achieving certain objectives. The number of EC applications can be large. They may be in one functional department, or several departments may share them, which makes the assessment of their costs and benefits more complex.

Note: Cloud computing may provide a low-cost IT infrastructure and EC applications and must be considered.

The major reasons that companies invest in IT and EC are to improve business processes, lower costs, increase productivity, increase customer satisfaction and retention, increase revenue and market share, reduce time-to-market, and gain a competitive advantage.

How Is an EC Investment Justified?

Justifying an EC investment means comparing the costs of each project against its benefits in what is known as a **cost–benefit analysis**.

A number of different methods are available to measure the *business value* of EC and IT investments. Traditional methods that support such analyses are *net present value* (*NPV*) and ROI (see **nucleusresearch.com/research**).

Cost–Benefit Analysis and the Business Case

The cost–benefit analysis and the business value are part of a *business case*. The business case's cost benefit includes three major components: *Benefits* (e.g., revenue increase, cost reduction, customer satisfaction), *costs* (investment and operating costs), and *risks* (e.g., obsolescence, employee resistance). Several vendors provide templates, tools, guidelines, and other aids for preparing the business case in specific areas. For example, IT Business Edge (**itbusinessedge.com**) provides a Business Case Resource Kit (see **itbusinessedge.com/downloads**).

What Needs to Be Justified? When Should Justification Take Place?

Not all EC investments need to be justified formally. In some cases, a simple one-page qualitative justification is sufficient. The following are cases where formal evaluation may not be needed:

- When the value of the investment is relatively small for the organization.
- When the relevant data are not available, are inaccurate, or are too volatile.

When the EC project is mandated—*it must* be done regardless of the costs involved (e.g., when mandated by the government, or when it is necessary to match the competition).

However, even when formal analysis is not required, an organization should conduct at least some qualitative analysis to explain the logic of investing in the EC project.

Using Metrics in EC Justification

Metrics can be used to designate the ratio between costs and benefits or the total costs or do comparisons. They are used not only for justification but also for other economic activities (e.g., to compare employee performance in order to reward those who do the best job). Metrics can produce very positive results in organizations by driving behavior in a number of ways. Metrics can:

- Be the basis for setting up specific goals and plans.
- Describe and measure the value proposition of business models (Chapter 1).
- Align the goals of individuals, teams, departments, and other organizational units with the enterprise's objectives.
- Track the characteristics and/or performance of EC systems, including usage, types of visitors, page visits, conversion rate, and so forth.
- Assess the health of companies by using tools such as *balanced scorecards* and *performance dashboards*.

Metrics, Measurements, and Key Performance Indicators

Metrics need to be defined properly with a clear way to measure them. Figure 12.1 shows the process of using metrics. The

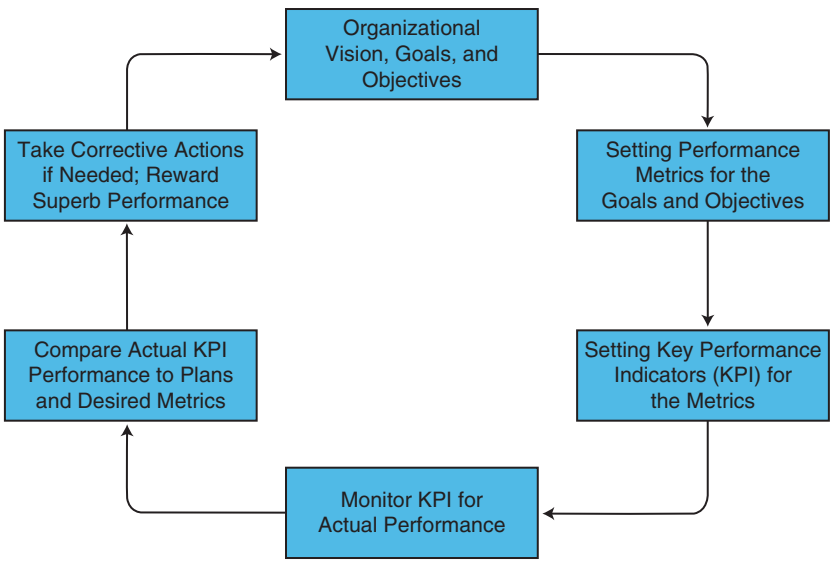

Figure 12.1 How metrics are used in performance management

cyclical process begins with setting up goals and objectives for organizational and EC performance, which is then expressed by a set of metrics. The metrics are expressed by a set of **key performance indicators (KPIs)**, which are the quantitative expressions of critically important metrics. Often one metric has several KPIs.

The KPIs are continuously monitored by the organization (e.g., via Web analytics, financial reports, marketing data, and so forth). As shown in Figure 12.1, the KPIs that reflect actual performance are compared to the desired KPIs and planned metrics. If a gap exists, corrective actions take place and then goals, objectives, and metrics are adjusted if necessary.

Another example of metrics is shown in the *balanced scorecard method.* This method uses four types of metrics: *customer*, *financial*, *internal businesses processes*, and *learning growth*.

One of the most useful tools for EC management is Web analytics. Web analytics are closely related to metrics.

Web Analytics

Web analytics refers to tools and methods that are used to measure, analyze, and optimize Web usage and other Internet activities. A common usage of Web analytics is to evaluate website traffic, but it can also be used as a tool for EC market research. The outcomes of advertising campaigns can also be assessed with Web analytics. For additional information, see Beasley (2013).

Now that we understand the need for conducting EC justification and the use of metrics, let us see why EC justification is difficult to accomplish.

The Process of Justifying EC and IT Projects

The major steps of this process are:

1. Establish an appropriate basis for analysis with your vendor, and then conduct your ROI.
2. Investigate what metrics to use (including internal and external metrics) and be sure about their accuracy.
3. Justify the cost–benefit under appropriate assumptions.
4. Verify all data used in the calculation.
5. Include strategic benefits, including long-term ones. Find contributions to competitive advantage. Make sure not to underestimate costs and overestimate benefits (a tendency of many managers).
6. Make data as realistic as possible, and include cost avoidance and risk analysis.
7. Commit all business partners, as well as suppliers and major customers to your plans.

Justifying Social Networking and the Use of Web 2.0 Tools

Justifying social networking initiatives and the use of Web 2.0 tools can be difficult due to the intangible benefits and the potential risks. However, in many cases, the cost is relatively low and so companies embark on such projects without formal justification. The major issue could be that of risk assessment. Some of the tools are available for free or are being added by vendors to communication and collaboration tools. For a comprehensive e-book, see Petouhoff (2012). Also, watch two videos from Salesforce.com: "How to Build a Business Case for Social Media" and "How to Measure Social Media ROI" (**connectedtimes.com/2012/04/09/how-to-build-a-business-case-for-social-media**). For a comprehensive coverage, see Turban et al. (2016).

SECTION 12.1 REVIEW QUESTIONS

1. List some of the reasons for justifying an EC investment.
2. Describe the risks of not conducting an EC justification study.
3. Describe how an EC investment is justified.
4. List the major EC investment categories.
5. When is it unnecessary to formally justify EC investments?
6. What are metrics? What benefits do they offer?
7. Describe KPI.
8. Describe the cyclical use of metrics as it relates to organizational performance.
9. What is Web analytics, and what role does it play in the justification of EC projects?
10. Describe the process of justifying EC projects.

12.2 A STRATEGY FOR GLOBAL E-COMMERCE

Deciding whether to "go global" is a strategic issue. The statistics regarding Internet and smartphone usage worldwide illustrate the enormous potential that exists for companies to expand their market share globally using EC.

The decision to go global is made for many reasons, both reactive and proactive. Reactive reasons include factors such as competitors that are already selling internationally. Proactive reasons include sellers that are seeking economies of scale, looking for new international markets, gaining access to sufficient or new resources, cost savings, and local government incentives. Regardless of the reasons, expanding globally to realize a company's strategic objectives requires extensive planning and responding quickly to opportunities.

A global electronic marketplace can be an attractive opportunity in an EC strategy. Going global means access to new and possibly larger markets, opportunity to minimize taxes, and flexibility to employ a less expensive workforce anywhere. However, going global is a complex and strategic decision process for several reasons. Geographic distance is an obviously important issue in conducting business globally; however, frequently, it is not the most important issue. Cultural differences and political, legal, administrative, and economic issues must be considered. This section briefly examines representative opportunities, problems, and solutions for companies that are going global with EC.

Benefits and Extent of Global Operations

A major advantage of EC is the ability to conduct business at any time, from anywhere, and at a reasonable cost. These are also the drivers behind global EC, and there have been some incredible success stories in this area. For example:

- eBay conducts auctions in hundreds of countries worldwide.
- Alibaba.com (Chapter 4) provides B2B trading services to millions of companies worldwide.
- Amazon.com sells books and millions of other items to individuals and separate retail websites for 13 countries, including the USA, the UK, France, and Brazil.
- Small companies, such as ZD Wines (**zdwines.com**), sell to hundreds of customers worldwide. HotHotHot (**hothothot.com**) is a success story from the past. The company is no longer in business. Global sales now are done via HotSauce.com service.
- Major corporations, such as GE and Boeing, have reported an increasing number of international vendors participating in their electronic RFQs. These electronic bids have resulted in a 10–15% cost reduction and more than 50% reduction in cycle time.
- In 2013, the NFL opened an e-commerce shop for the Chinese market (**nfl.tmall.com**), which partners with 25 regional TV broadcasters and digital media outlets across China (see *PR Newswire* 2013).
- By recruiting online via social networks (e.g., **xing.com** and **linkedin.com**), many international corporations have considerably increased their success in recruiting employees to work in international locations.

Globalization and Social Networking

Globalization of EC has benefitted greatly from social networking. For example, there are about five times more international Facebook members than in the USA. Furthermore, companies such as Amazon.com, Google, Groupon, and Yahoo! are very active globally.

Barriers to Global E-Commerce

Despite the benefits and opportunities offered by globalization, there are several barriers to global EC. Some of these barriers face any EC venture but become more difficult when international impacts are considered. These barriers include authentication of buyers and sellers (Chapter 10), generating and retaining trust (Chapter 9), order fulfillment and delivery (Chapter 11), security (Chapter 10), and domain names. Others are unique to global EC. In this chapter, we will discuss only some of these barriers.

iGlobal stores (**iglobalstores.com**) and Alibaba.com offer suggestions on what to offer international customers: country-specific checkout experience, up-to-the-minute currency conversion and foreign settlement, global fraud and risk and its protection, calculation of duty and tax, and integration with existing information systems.

Cultural Differences

The Internet is a multifaceted marketplace made up of cross-cultural users. The multicultural nature of global EC is important because cultural attributes (such as social norms, local habits, and spoken languages) determine how people interact with companies, agencies, and with each other. Cultural and related differences include spelling differences (e.g., American versus British spelling), information formatting (e.g., dates can be mm/dd/yy or dd/mm/yy), graphics and icons (e.g., mailbox shapes differ from country to country), measurement standards (e.g., metric versus imperial system), and so forth. Many companies are globalizing their websites by creating different sites for different countries, taking into account site design elements, pricing and payment infrastructures, currency conversion, customer support, and language translation.

Language Translation

Although the world population is over 7.4 billion (2016), only about one billion people speak English as their native or second language. In contrast, more than 1.5 billion people speak Chinese. In their study of 1000 top websites, Sargent and Kelly (2010) found that more than 72% of consumers would be more likely to purchase a product with

the description in their native language, and 56.2% agreed that price is not as important as being able to access information in their native language. In order to reach 80% of the world's population, a website would have to be translated into 83 of the world's 6912 languages. Therefore, a website offered in only one language can only reach 20–30% of the total online population at the most. We assume the situation is similar today.

Clearly, these single language websites are severely limiting their customer base. It is not surprising then, that language translation is one of the most obvious and most important aspects of creating and maintaining global websites. In 2014, Byte Level Research reviewed 150 corporate global websites, identifying the 25 top "amazing global gateways"—leaders, laggards, and best practice companies (**bytelevel.com/reportcard2014/#25top**).

The number one global website in 2016 is Facebook. Other large global sites are Alibaba and Google. Facebook's representative innovations include multilingual plug-ins, an improved global gateway, and multilingual user profiles. The primary problems with language translation are speed and cost. It may take a human translator a week to translate a medium-sized website into another language. For large sites, the cost can be more than $500,000, depending on the complexity of the site and the number of languages for translation and can be a lengthy process.

Machine Translation

Some companies address the cost and time problems by translating their Web pages into different languages through what is called *machine translations* such as Google Translator. A list of free translation programs can be found at **xmarks.com/site/www.humanitas-international.org/newstran/more-translators.htm** and **websites.translations.com**. For examples on how Lionbridge Technologies, Inc. uses machine translation to help their clients, see **lionbridge.com/clients**. For example, in November 2013, Lionbridge was selected by Net-A-Porter (Case 1.1, Chapter 1) to develop and maintain translated content for Net-A-Porter's global websites. Net-A-Porter ships its luxury fashion products to 170 countries and operates several non-English sites (e.g., Mandarin, French, German). For real-time translation of conversations via Skype, see Skype (2015).

Lionbridge Technologies integrates its machine translation with Zendesk Customer Service platform to deliver real-time multilingual online support (see Company News 2015).

Example: Ortsbo, Inc.

The company that enables real-time global communication claims more than 212 million unique users in over 170 countries. Telus International teamed up with Ortsbo in a customer care program to enable Telus's customer service agents to chat in real-time online to almost anyone in their native language (as of 2013, the software is available in 66 languages). Telus can offer multilingual support at a lower cost because they do not have to hire additional agents for each language. (See Bach 2013 for details.)

The Droid Translator app, launched in June 2014, offers the capabilities to transform personal and business chat by translating phone, video, and text chat in 29 languages (see Petroff 2014). The company was acquired by Yappan Corp. in August 2015.

Legal Issues

One of the most contentious areas of global EC is the resolution of international legal issues. An ambitious effort to reduce differences in international law governing EC is the United Nations Commission on International Trade Law (UNCITRAL) Model Law on Electronic Commerce. Its purpose is to provide national legislators with a set of guidelines that are internationally acceptable, which specify how to overcome some of the legal constraints in the development of e-commerce. It also provides for a safer legal platform to be constructed through the design of fair, current, and consistent guidelines in e-commerce transactions (see **uncitral.org**). The Model Law has been adopted in some form or another in many countries and legal jurisdictions, including Singapore, Australia, Canada, Haiti, and the United States.

Geographic Issues and Localization

Barriers posed by geography differ based on the transportation and communication infrastructures between and within countries and the type of product or service being delivered. For example, geographic distance is almost irrelevant with online software sales.

Example: Clarins Group

Clarins Group (**clarinsusa.com**), a major player in the skin care, makeup, and fragrance business sector, is significantly increasing its global online presence and its e-commerce analytics to optimize online performance of its trading platform. Its brands, such as Clarins, and Azzaro, are advertised and sold on websites using the EC vendor Intelligent Trader, in more than 15 countries, while the challenges of multichannel, multilanguage, and multicurrency are addressed.

Web Localization

Many companies use different names, colors, sizes, and packaging for their overseas products and services. This practice is referred to as *localization.* In order to maximize the benefits of global e-commerce, the localization approach also should be used in the design and operation of the supporting information systems. For example, many websites offer different language or currency options, as well as

special content. Europcar (**europcar.com**), for example, has a global presence in over 150 countries, each with an option for one of ten languages. The company has a free iPhone app, which is available in eight languages.

Payments in Global EC Trades

The issues facing global payments vary from fraud to banking regulations. Some solutions were discussed in Chapter 11. Companies such as Elavon (**elavon.com**) provide global EC gateway solutions.

Economic and Financial Issues

Economic and financial issues encompassing global EC include government tariffs, customs, and taxation. In areas subject to government regulation, tax and regulatory agencies have attempted to apply the rules used in traditional commerce to e-commerce, with considerable success. Exceptions include areas such as international tariff duties and taxation. Software shipped in a box would be taxed for duties and tariffs upon arrival. However, software downloaded online may rely on self-reporting and voluntary payment of tax by the purchaser, something that does not happen very often. Note that Amazon.com and other e-tailers have started charging sales tax in many U.S. states for digital downloads (see **taxes.about.com/od/statetaxes/a/sales-tax-for-digital-downloads.htm**).

A major financial barrier to global EC is electronic payment systems. To effectively sell online, EC firms must have flexible payment methods that match the ways people in different countries pay for their online purchases. Although credit cards are used widely in the United States, many European and Asian customers prefer to complete online transactions with off-line payments. Even within the category of off-line payments, companies must offer different options depending on the country. For example, French consumers prefer to pay with a check, Swiss consumers expect an invoice by mail, Germans commonly pay for products only upon delivery, and Swedes are accustomed to paying online with debit cards.

Pricing is another economic issue. A vendor may want to price the same product at different prices in different countries based upon local prices and competition. However, if a company has one website, differential pricing will be difficult or impossible. Similarly, what currency will be used for pricing? What currency will be used for payment?

E-Commerce in Developing Countries

Economic conditions determine the degree of the development of countries. Some developing countries are using EC as a springboard to improve their economies (e.g., China, Malaysia, India). Other developing countries are making strides. For a story, see Pittaway (2016). For a case study about Thailand, see **bangkokpost.com/tech/local-news/884152/e-commerce-set-to-flourish-in-five-years**.

Breaking Down the Barriers to Global E-Commerce

A number of international organizations and experts have offered suggestions on how to break down the barriers to global EC. Some of these suggestions are:

- **Be strategic.** Follow the entire strategy life cycle. A company must consider what countries to target and which languages, and how the users in the target countries will react. These considerations need to be included in the strategy.
- **Know your audience.** Consider cultural issues and legal constraints, which vary around the world.
- **Localize.** Websites need to be localized. In certain countries (e.g., Japan, China, Russia), local languages are essential (e.g., Yahoo! has a specific website for Japan: "Yahoo! Japan;" **yahoo.co.jp**); products are priced in local currencies; and local terms, conditions, and business practices are based on local laws and cultural practices.
- **Think globally, act consistently.** An international company with country-specific websites should be managed locally and must make sure that areas such as brand management, pricing, ad design, and content creation and control are consistent with the company's strategy.
- **Value the human touch.** Human translators are preferred over machine translation programs. The quality of translation is important because even a slight mistranslation may drive customers away.
- **Clarify, document, explain.** Pricing, privacy policies, shipping restrictions, contact information, and business practices should be well documented, located on the website, and visible to the customer.
- **Offer services that reduce trade barriers**. It is not feasible to offer prices and payments in all currencies, so provide a link to a currency exchange service (e.g., **xe.com**) or to a currency conversion calculator. In B2B e-commerce, integrate EC transactions with the accounting/finance information system of the major buyers.

SECTION 12.2 REVIEW QUESTIONS

1. Describe globalization in EC and the advantages it presents.
2. Describe the major barriers to global EC.
3. What can companies do to overcome the barriers to global EC?
4. Discuss the pros and cons of a company offering its website in more than one language.

12.3 E-COMMERCE STRATEGY FOR SMALL AND MEDIUM-SIZED ENTERPRISES

E-commerce can be one of the most effective business strategies for small and medium-sized enterprises (SMEs). The potential for SMEs to expand their markets and compete with larger firms through EC is enormous. Some of the first companies to take advantage of Web-based e-commerce were small and medium-sized enterprises (SMEs). While larger, established, tradition-bound companies hesitated, some forward-thinking SMEs initiated online presence and opened webstores because they realized there were opportunities in marketing, business expansion, cost-cutting, procurement, and a wider selection of partner alliances. An example of an active SME is: The Mysterious Bookshop (**mysteriousbookshop.com**).

Clearly, SMEs are still finding it difficult to formulate or implement an EC strategy, mainly because of their inability to handle large volumes of products, lack of knowledge or IT expertise in the SME, and limited awareness of the associated opportunities and risks. As a result, many SMEs create static websites that are not used for selling. However, a growing number of SMEs are adopting the EC strategy. SMEs can join marketplaces such as Alibaba, Amazon.com, and Net-a-Porter to sell their products there. According to TrueShip (2016) consumers like to buy in marketplaces with the variety of products they can find there.

In her article, Burke (2013) describes how a 15 year old girl created a successful business inventing special flip-flops, which are now sold online, in various off-line boutiques, and at Nordstrom. For the future of EC for small businesses, see Mills (2014).

Choosing an EC approach is a strategic decision that must be made in the context of the company's overall business strategy. On the positive side, the nature of EC lowers the barriers to entry, and it is a relatively inexpensive way of reaching a larger number of buyers and sellers who can more easily search for, compare prices, and negotiate a purchase. However, there are also some inherent risks associated with the use of EC in SMEs. Table 12.1 provides a list of major advantages and disadvantages of EC for SMEs.

Table 12.1 Advantages and disadvantages of EC for small and medium-sized businesses

Advantages/benefits	Disadvantages/risks
• Inexpensive sources of information. A Scandinavian study found that over 90% of SMEs use the Internet for information search (OECD 2001)	• Lack of funds to fully exploit the potential of EC
• Inexpensive ways of advertising and conducting market research. Banner exchanges, newsletters, chat rooms, and so on are frequently cost-free ways to reach customers	• Lack of technical staff or insufficient expertise in legal issues, advertising, etc. These human resources may be unavailable or prohibitively expensive to an SME
• Competitor analysis is easier. A Finnish study found that Finnish firms rated competitor analysis third in their use of the Internet, after information search and marketing	• Less risk tolerance than a large company. If initial sales are low or the unexpected happens, the typical SME does not have a large reserve of resources to fall back on
• Inexpensive ways to build (or rent) a webstore. Creating and maintaining a website is relatively easy and cheap	• When the product is not suitable or is difficult for online sales
• SMEs are less locked into legacy information technologies and existing relationships with traditional retail channels	• Reduced personal contact with customers
• Image and public recognition can be generated quickly. A Web presence makes it easier for a small business to compete against larger firms	• There is an inability to afford entry, or purchase enough volume, to take advantage of digital exchanges
• An opportunity to reach worldwide customers. Global marketing, sales, and customer support online can be very efficient	

Globalization and SMEs

In addition to increasing their domestic market, EC opens up a vast global marketplace for SMEs, but only a small percentage of them conduct a significant part of their business globally. However, a growing number are beginning to use EC to tap into the global marketplace in some way, but even then, SMEs are more likely to purchase globally than to sell globally. This situation is changing, thanks to Alibaba.com and similar online directories that help small companies sell globally. For details, see Vega (2014). Very important is the advice provided by Alibaba Group (see Fan 2015).

For resources for SMEs going global, see **sbecouncil.org/resources/going-global**.

Resources to Support SME Activities in EC

SME owners often lack strategic management skills and consequently are not always aware of changes in their business environment with respect to emerging technologies. Fortunately, SMEs have a variety of private and public support options (e.g., **sba.gov**, **business.gov.au**).

In addition, vendors realize that the large number of small businesses means an opportunity for acquiring more customers. Thus, many vendors have created service centers that offer both free information and fee-based support. Examples are IBM's Small and Medium Business Solutions (**ibm.com/midmarket/us/en**) and Microsoft's Business Hub (**microsoftbusinesshub.com**). Professional associations, Web resource services (e.g., **aabacosmallbusiness.com**) and small organizations that are in the business of helping other small businesses, go online today.

Resources to assist SMEs in going global are also emerging as helpful tools for SMEs that want to expand their horizons. For example, the Global Small Business Blog (GSBB) (**globalsmallbusinessblog.com**) was created in 2004 by Laurel Delaney to help entrepreneurs and small business owners expand their businesses internationally.

A good source regarding SMEs' use of e-markets to conduct international business is **emarketservices.com/start/Case-studies-and-reports/index.html**. Also see Goldberg (2016).

SMEs and Social Networks

Social commerce is one of the fastest growing EC technologies that is being adopted by SMEs.

Small businesses can utilize social network sites to interact with peer groups outside their immediate geographical area in order to exchange opinions about topics of mutual interest and help each other solve problems. SMEs can find websites that are dedicated to small businesses. These sites provide SMEs with opportunities to make contacts, get start-up information, and receive advice on e-strategies. Not only can sites such as LinkedIn be used to garner advice and make contacts, they can be used in B2B to develop networks that can connect SMEs with other small businesses or foster relationships with partners.

Table 12.2 lists ten steps to success when using social media in SMEs. Note that, social networks facilitate interactions and relationship building, which are very important for SMEs. For tips on how to use YouTube to promote the online content of SMEs, see **masternewmedia.org/online_marketing/youtube-promote-content-viral-marketing/youtube-video-marketing-10-ways-20070503.htm**.

SMEs are following the growing popularity of social networking sites and using social media to build connected networks, enhance customer relationships, and gather feedback about their services and products.

For implementation issues of social commerce, see Chess Media Group (2012).

Table 12.2 Ten steps to a successful social media strategy

Step	Description
1	Understand what social media is and what the benefits of using it are
2	Identify the audience you want to reach and where to find it
3	Identify the resources you currently have available for use for social networking and social networks
4	Identify the most appropriate technologies to use
5	Start a blog and create a social culture in your business
6	Build social media profiles for your business on Facebook, LinkedIn, Twitter, YouTube, Instagram, Pinterest, etc.
7	Make your blog social media friendly
8	Build relationships with your target market
9	Turn friends and followers into customers
10	Decide how you will monitor and measure the performance of your social media initiatives

SECTION 12.3 REVIEW QUESTIONS

1. What are the advantages or benefits of EC for small businesses?
2. What are the disadvantages or risks of EC for small businesses?
3. What are the advantages and disadvantages for small businesses online?
4. How can social networks help SMEs become more competitive?

12.4 OPPORTUNITIES FOR SUCCESS IN E-COMMERCE AND AVOIDING FAILURE

Now that EC has been around for over 20 years, it is possible to observe certain patterns that contribute to the success or failure of EC projects. By examining these patterns, one can find indications of the opportunities that lie ahead and avoid pitfalls along the way. It is not easy to assure success in e-commerce as shown in the case of Aldi supermarket (Case 12.1).

CASE 12.1: EC APPLICATION ALDI SUPERMARKET TRYING E-COMMERCE IN THE UK

The Problem

Aldi Supermarket is a large Germany-based supermarket chain which is also active in the UK and Ireland. The grocer is known to be active, inspiring to open 1000 stores in the UK.

The company is a discounter, so profitability is difficult to achieve. The profit margin is very low. The competition is very strong, especially against well-known brands in the UK (e.g., Primark).

The Solution

Aldi's major competitors do not offer online services. Aldi decided to go online since the company concentrates on selling nonperishable goods such as wines and non-foods. By going online, the company hopes to reach more customers and have its brand more be more familiar. The first product went online in early 2016 (it was wine). Clothing and electrical products will go online in 2017.

The Results

Given that the EC experiment started in late 2015 and it is the first of its kind in the UK, the results are not known. According to Hobbs (2015), the move is both a risk and an opportunity. The company may increased its cost and turn to EC to be profitable only in several years.

Sources: Based on Hobbs (2015), Baldwin (2015), and on Chapman (2016).

Questions

1. Read information about the case and identify all the risks and opportunities.
2. The company decided against EC in 2014, but changed its mind a year later. Find the reasons why.
3. What factors can determine the success and what factors can determine the failure in this venture.

Note: You need to read the sources to answer the questions.

Factors that Determine E-Commerce Success

The economic capabilities of EC described earlier influence some industries more than others do. The success factors of EC depend on the industry, the sellers and buyers, and the products sold. Furthermore, the ability of sellers to create economic value for consumers will also determine EC success. When deciding to sell online, looking at the major factors that determine the impact of EC can assist in evaluating the chances for success.

Four categories of e-market success factors exist: *product*, *industry*, *seller*, and *consumer* characteristics.

E-Commerce Failures

By examining the economic history of previous innovations, the failure of EC initiatives and EC companies should come as no surprise. Three economic phenomena suggest why this is the case.

Some of the specific reasons for failure in B2C EC are: lack of profitability, excessive risk exposure, the high cost of customer acquisition, poor performance, and poor website design. Two additional financial reasons are lack of funding and incorrect revenue models. An example of a failure is the Webvan case—an express delivery company that lost $1.2 billion—the largest of any other bankrupt dot-com. Another bankrupt company is Kozmo, whose story is available in Online File W12.1.

E-Commerce Successes

Despite the failure of hundreds of start-ups and thousands of EC projects, EC is alive and well, and continues to grow rapidly (after a short pause from 2000 to 2002), as discussed throughout the text.

EC success stories abound, primarily in the specialty and niche markets. One example is Puritan's Pride, Inc. (**puritan.com**), a successful vitamin and natural health care product store. Another is GrubHub, Inc. (**grubhub.com**), which allows people to order food online for either pickup or delivery (previously CampusFood.com). Also doing very well are travel sites, such as Expedia, Trip Advisor, and Priceline.

Alloy Apparel (**alloy.com**) is a successful shopping and entertainment portal for young adults. As pointed out in Chapter 3, online services such as stock trading, travel and hospitality, online banking, and more are commanding a major part of the transactions in their industries. For a comparison of how these and other thriving online businesses have translated critical success factors (CSFs) from the old economy into EC success, see Table 12.3. EC successful companies such as Priceline, Netflix, Amazon.com, Facebook, and Google are becoming major players in their industries, making their shareholders very rich.

Following are some of the reasons for EC success and suggestions from EC experts and consultants on how to succeed in EC.

Strategies for EC Success

- Thousands of brick-and-mortar companies are adding online marketing and/or procurement channels with great success. Examples are Uniglobe Travel (**uniglobetravel.com**), Staples (**staples.com**), Target (**target.com**), Home

Table 12.3 Critical success factors: old economy and EC

Old economy CSFs	EC CSFs
Vertically integrate or do it yourself	Create new partnerships and alliances; stay with core competency
Deliver high-value products	Deliver high-value service offerings that encompass products
Build market share to establish economies of scale	Optimize natural scale and scope of business; look at mass customization
Analyze carefully to avoid missteps	Approach with urgency to avoid being left out; use proactive strategies
Leverage physical assets	Leverage intangible assets, capabilities, and relationships—unleash dormant assets
Compete to sell product	Compete to control access to markets, and build relationships with customers; compete with other websites

Depot (**homedepot.com**), Walmart (**walmart.com**), FIS (**fisglobal.com/Solutions/Payments/Digital-Payments**), **1-800-Flowers.com** (1800flowers.com), and Southwest Airlines (**southwest.com**). A group of Asian CEOs recommend the following EC CSFs: select proper business models, project, predict, and prepare for the EC company, encourage e-innovation, co-brand marketing, and focus on younger customers (e.g., see **alloy.com** and **bolt3.com**).

- For an EC exchange to be successful, it has to create value for *all* participants. A vivid example is Alibaba.com.
- Pricing in EC has continued to be a challenge for sellers because of shipping and handling costs. Often, the seller and market maker will see the potential for profits and ignore the fact that the buyers will subscribe to EC only if they see a benefit in price or product variety. For example, free shipping is available at Dell, Newegg, and many other e-tailers.
- New technologies can boost the success of EC. For example, RFID has great potential for improving the supply chain; however, it will take a large investment in EC infrastructure and applications to realize its full potential.
- Digital partnerships can drive business success (McCafferty 2016b).

Additional Guidelines for EC Success

A number of experts and consultants have proposed many more keys to success. Several studies identified success factors such as:

- Effective marketing and advertising
- User-friendly website
- Good relationships between customers and merchants
- Proper supply chain management and order fulfillment
- Integration with internal and external information systems
- Use of appropriate business models (including revenue models)
- Effective and efficient infrastructure
- Organization culture regarding becoming an e-business and social business
- Effective leadership of the digital business team (Raskino and Waller 2016)

At this still-early stage of the EC revolution, success cannot be guaranteed, and failure rates remain high. However, if companies learn from the mistakes of others and follow the guidelines offered by experts and researchers, their chances for success are greatly enhanced.

Cultural Differences in EC Successes and Failures

Here, we add the issue of *cultural differences* so that appropriate strategies can be developed when doing business globally.

One of the strengths of EC is the ease with which sellers and buyers can reach a global population of consumers or suppliers. However, they must recognize existing cultural differences and act upon them. Even the content of online ads can mean different things in different cultures. Due to these differences, the transaction costs, including coordination costs, may vary among the consumer base.

EC success factors as well as adoption strategies differ among countries (see Online File W12.2).

Can EC Succeed in Developing Economies?

Similar to cultural differences, developed and developing economies vary in how EC is used and whether the economics favor electronic commerce. Developing economies struggle with various issues taken for granted in developed economies (e.g., use of credit cards).

Developing economies often face power blackouts, unreliable shipments, unstable political and social environments, lack of regulations that protect customers, and insufficient payment options. Such limitations make it difficult for firms to predict whether EC investments will pay off, and when. However, developing economies, such as in China and India, represent a significant opportunity for EC to connect businesses to customers, as well as other businesses. The potential volume of transactions in developed countries can make EC investments more attractive for established firms. This is because much of the cost of EC systems development would have already been recovered because EC initiatives frequently can use existing IT infrastructures.

The traditional EC assumption is that every computer user has the ability to own a computer and afford Internet connection, as is the case in developed economies. In developing economies, this assumption will have to be revised to include the existence infrastructure, poverty levels, and technology availability and affordability. A major booster for EC in developing countries is the increasing use of low-cost laptop computers and tablets in a wireless environment. With simple computers costing less than $100 (and declining), and the widespread use of cell phones with Internet access and free access in public places, it is likely that EC use will increase significantly in developing countries. For comprehensive coverage of e-commerce in developing countries, see **wto.org/english/res_e/booksp_e/ecom_brochure_e.pdf**.

As discussed in Chapter 6, the mobile revolution enables developing countries to leap frog EC deployment, especially in the areas of mobile banking (finance) and mobile marketing.

SECTION 12.4 REVIEW QUESTIONS

1. Describe product characteristics in EC.
2. What are industry characteristics in EC?
3. What are seller characteristics in EC?
4. What are consumer characteristics in EC?
5. List three reasons why EC failure should not come as a surprise.
6. What are some reasons for EC success?
7. Relate EC to cultural differences.
8. Discuss some factors of implementation in developing countries.

12.5 ETHICAL CHALLENGES AND GUIDELINES

Ethics is a set of moral principles or rules of how people are expected to conduct themselves. It specifies what is considered by society to be right or wrong.

Issues of privacy, ownership, control, and security must be confronted in implementing and understanding the ethical challenges of EC.

Ethical Principles and Guidelines

Public law embodies ethical principles, but the two are not the same. Acts that generally are considered unethical may not be illegal. Lying to someone may be unethical, but it is not illegal. Conversely, the law is not a collection of ethical norms, and not all ethical codes are incorporated into public law. Online File W12.3 shows a framework for ethical issues.

One example of an ethical issue is the Facebook class action lawsuit of 2009, described next.

Example: Who Owns User-Generated Content?

In August 2009, five Facebook users filed a class action lawsuit against Facebook, claiming that Facebook violated privacy laws by gathering online users' activity and providing their personal information to third parties without the users' permission. They also alleged that Facebook engages in data mining, without informing the users.

The objective of the data collection was to enable Facebook to sell their users' data to advertisers because Facebook needed more revenue sources. The Electronic Privacy Information Center filed a complaint with the FCC, alleging that Facebook's changes in privacy settings made users' information publicly available without giving the users the option to opt out. Facebook was found to be liable for violating the privacy of their users and amended their rules. Facebook has continuously been modifying and changing its privacy settings, letting its users decide how much they want to share with the public.

Business Ethics

Business ethics (also known as *corporate* or *enterprise ethics*) is a code of values, behaviors, and rules, written or unwritten, for how people should behave in the business world. These ethics dictate the operations of organizations. For implementation considerations, see Business for Social Responsibility (**bsr.org**).

The Issues of Internet Abuse in the Workplace

The actual time wasted and productivity losses due to employees spending time on the Web during working hours is very high. In general, employees spent more than 1 h per week on social media alone, followed by online games and e-mails. Many companies have banned access to social networks such as Facebook, Twitter, and LinkedIn. In 2013, *SFGate* (per Gouveia 2013) conducted a survey in which they found that 69% of the employees were wasting time for 30 min to several hours per day. The top four employee "time wasters" were: checking news (37%), social networking (14%); online shopping (12%), and online entertainment (11%). For an article, see **salary.com/2014-wasting-time-at-work**.

Managing Internet Abuse

Instead of banning the use of social networks in the workplace, some employers are following less draconian measures by setting the following policies in place: employees are encouraged to check their social networks only once or twice a day, consolidate their social networking streams, develop a clear social networking policy, and utilize technology made for consolidation. A social networking policy should communicate clear guidelines from employers to employees. For example, employees should not spend more than 20 minutes per day of company time browsing social networks.

Table 12.4 Typical safeguards to minimize exposure to risk of criminal or civil charges

1. Does the website clearly post shipping policies and guarantees? Can the selling company fulfill its policies and guarantees? Does it comply with Federal Trade Commission (FTC) rules?
2. Does the website clearly articulate procedures for customers to follow when returning a shipment or when seeking a refund for products or services not received, or received in bad or damaged condition?
3. Has the company checked partners' backgrounds before entering into agreements with third-party vendors and supply chain partners? Do those agreements include protection of the company against all possible risks?
4. Is there sufficient customer support staff, and are they knowledgeable and adequately trained to process customers' inquiries?

Monitoring Employees: Is It Ethical?

Google and several other software application providers have incorporated new spyware on company smartphones given to employees, which enables employers to monitor the whereabouts of their employees using the smartphones' built-in GPS tracking systems. Google's Latitude enables companies to know their employees' location at all times. The ethical question is, whether this new power will be used by governments to invade the privacy of an individual's real-time whereabouts. In other words, rules and procedures for ethical behavior are needed for business people practicing EC. Two major risks are criminal charges and civil suits. Table 12.4 lists examples of safeguards to minimize exposure to those risks.

EC Ethical and Legal Issues

There are many EC- and Internet-related ethical issues that are related to legal issues (see Lewis 2014). These issues are often categorized into intellectual property rights, privacy, free speech versus censorship, and fraud protection methods.

- **Intellectual property rights.** Ownership and value of information and intellectual property. Intellectual property is difficult to protect on the Web. Owners are losing a substantial amount of money due to piracy.
- **Privacy.** Because it is so difficult to protect the privacy of individuals on the Web, there are some countries that do not regulate privacy issues while others have strict anti-invasion rules.
- **Free speech versus censorship.** Free speech on the Web may result in offensive and harmful attacks on individuals and organizations. Therefore, some countries have decided to censor material on the Internet.
- **Consumer and merchant protection against fraud.** For e-commerce to succeed, it is necessary to protect all transactions and participants against fraud.

Examples of ethical issues discussed elsewhere in this book are channel conflict (Chapter 3), pricing conflict (Chapter 3), disintermediation (Chapters 3 and 4), and trust (Chapter 9). Two additional EC-related ethical issues are Internet use that is not work-related and code of ethics. See also **investopedia.com/terms/c/code-of-ethics.asp**. For legal considerations of e-commerce, see Zottola (2014).

Internet Use that Is Not Work-Related

As described earlier, a majority of employees use e-mail and surf the Web for purposes not related to work. The use of company property (i.e., computers, networks) for e-mail and Internet use may create risk and waste time. The degree of risk depends on the extent to which the company has implemented policies and procedures to prevent and detect illegal uses. For example, companies may be held liable for their employees' use of e-mail to harass other employees, participate in illegal gambling, or distribute child pornography.

SECTION 12.5 REVIEW QUESTIONS

1. List seven ethical issues related to EC.
2. List the major principles of ethics.
3. Define business ethics.
4. Give an example of an EC activity that is unethical but not illegal.
5. How can employees abuse the Internet? How do small companies handle this?
6. Describe the issues of monitoring employees.

12.6 INTELLECTUAL PROPERTY LAW AND COPYRIGHT INFRINGEMENT

The legal system is faced with the task of maintaining a delicate balance between preserving social order and protecting individual rights. In this section, we explain some types of intellectual property laws and the issues arising from EC.

Intellectual Property in E-Commerce

Intellectual property (IP) refers to property that derives from the creative work of an individual, such as literary or artistic work. Intellectual property can be viewed as the ownership of intangible assets, such as inventions, ideas, and creative work. It is a legal concept protected by patents, copyrights, trademarks, and trade secret law (known as **Intellectual Property Law**).

There are various intellectual property law specialties, as shown in Table 12.5. Those specialty laws are interrelated and may even overlap.

Table 12.5 Intellectual property laws and the protections of intellectual property

Laws	Protection provided by the law
Intellectual property law	Protects the creative work of people
Patent law	Protects inventions and discoveries
Copyright law	Protects original works of authorship, such as music and literary works, artistic design and writing computer codes
Trademark law	Protects trademarks, logos, etc.
Trade secret law	Protects proprietary business information
Law of licensing	Enables owners of intellectual property to share it via licensing
Law of unfair competition relating to counterfeiting and piracy	Protects against those who use illegal or unfair methods, or methods not available to others. Also against those pirating intellectual property

Recording Movies, Shows and Other Events

A common method of infringement is to bring video cameras and video-capable cell phones to movie theaters and record the performances. PirateEye (**pirateeye.com**) is one of the companies that manufacture devices that discover and identify the presence of any digital recording device, monitor remotely in real time, and much more.

For intellectual property in social media, see Kankanala (2015).

Copyright Infringement and Protection

Numerous high-profile lawsuits already have been filed regarding online copyright infringement related to EC and the Web. A **copyright** is an exclusive legal right of an author or creator of intellectual property to publish, sell, license, distribute, or use such work in any desired way. In the United States, content is automatically protected by federal copyright laws as soon as a work is produced in a tangible shape or form. A copyright does not last forever; it is good for a set number of years after the death of the author or creator (e.g., 50 years in the United Kingdom). After the copyright expires, the work reverts to the public domain (or becomes publicly available). See **fairuse.stanford.edu/overview/public-domain** and **thepublicdomain.org**. In many cases, corporations own copyrights. In such a case, the copyrights will last 120 years, or even longer. The legal term for the use of a work without permission or contracting for payment of a royalty is **copyright infringement**.

Example

An artist made $90,000 by selling someone's Instagram photo without permission. See Instagram (Instagram 2015).

File Sharing

One of the major methods of violating copyrights is *file sharing*. File sharing became popular in the late 1990s through facilitating companies such as Napster. One of the players in this area is The Pirate Bay (see the closing case to this chapter). The loss to copyright holders is estimated to be several billion dollars annually. The Recording Industry Association of America (RIAA) is fighting back.

Examples

The file-sharing business is a major target of the RIAA, which shut down popular sites LimeWire LLC and Kazaa. Additionally, another popular file-sharing site, Megaupload.com, was shut down in January 2012. However, the site was re-launched in January 2013 under the domain name **mega.co.nz**.

Legal Aspects of Infringement

In November 2010, the U.S. Senate Judiciary Committee approved the controversial Combating Online Infringement and Counterfeits Act (COICA) that provides the Attorney General with the power to shut down websites without a trial or court order if copyright infringement is considered to be the "central activity of the site." The problem is that, under this bill, most business websites are considered publishers (e.g., even when publishing an online sales brochure), and may be subject to disruptive investigations.

The RIAA Industry Versus the Violators

To protect its interests, the RIAA uses selective lawsuits to stamp out rampant music piracy on the Internet. However, the RIAA spent more than $58 million in pursuit of targeted infringers between 2006 and 2008, yet collected less than $1.4 million (less than about 2%) from judgments.

Note, since 2009, the number of lawsuits has been declining for several reasons. Viacom sued YouTube (Google) for $1 billion copyright violation. In 2013, Viacom lost its case against YouTube (the appellate court ruled in favor of Google). Finally, pending copyright infringement lawsuits are not favored because they are lengthy and very costly. As an alternative to direct lawsuits, the entertainment industry has begun developing digital rights management (DRM) policies to be enforced through the court system as well through federal legislation.

Globalization

Much of the media piracy occurs in other countries (e.g., Russia, China, and Sweden, and many developing countries). Therefore it is difficult to combat piracy, as per the closing case of Pirate Bay.

Digital Rights Management (DRM)

Digital rights management (DRM) describes a system of protecting the copyrights of data circulated over the Internet or digital media. These arrangements are technology-based protection measures (via encryption or using watermarks). Typically, sellers own the rights to their digital content. For details, see **eff.org/issues/drm**. However, DRM systems may restrict the *fair use* of material by individuals. In law, **fair use** refers to the limited use of copyrighted material, without paying a fee or royalty, for certain purposes (e.g., reviews, commentaries, teaching).

Patents

According to **fedcirc.us**, a **patent** is "an exclusive right to a particular invention. Patents are granted by states or governments to the creator of an invention, or to someone who has been designated by them to accept the rights over the invention. The holder of the patent has sole rights over the invention for a specified period of time" (e.g., 20 years for applications filed on or after June 8, 1995 in the United States and 20 years in the United Kingdom). Patents serve to protect the idea or design of the invention, rather than any tangible form of the invention.

There is some discrepancy between the USA and Europe over the way certain patents are granted. For example, in 1999, Amazon.com successfully obtained a U.S. patent for its "1-Click" ordering and payment procedure. Using this patent, Amazon.com sued Barnes and Noble in 1999, alleging that its rival had copied its patented technology. Barnes and Noble was enjoined by the courts from using their "Express Lane" payment procedure. However, on May 12, 2006, the USPTO ordered a reexamination of the "1-Click" patent. In March 2010, the Amazon patent was rewritten in the USA to include only a shopping cart, and was approved as such. Nevertheless, Expedia and many other e-tailers use similar "checkout" systems today. See **en.wikipedia.org/wiki/1-Click**.

Another example of a legal case involving patents is when Canadian firm i4i Corporation sued Microsoft, for patent infringement, alleging that Microsoft had infringed i4i's patent relating to text manipulation software. Microsoft wanted the standard changed by which patents would be deemed invalid. Microsoft took the case all the way to the U.S. Supreme Court and lost.

Oracle Versus Google

In following its legal right of enforcement, Oracle has been mining its newly acquired patent portfolio and actively seeking and suing infringers. In 2012, Oracle sued Google over its Android product for using Oracle's Java technology (copying Java code) without a license. While the trial court ruled that APIs are not subject to copyright, the appeals court disagreed, holding that Java's API packages were copyrightable, although it sent back the case to the trial court to determine whether or not Google's copying was a violation of the Fair Use Doctrine. In 2014, Oracle won the case (see McLaughlin 2014).

Trademarks

According to the USPTO, a *trademark* is "a word, phrase, symbol, and/or design that identifies and distinguishes the source of the goods of one party from those of others." A trademark is used by individuals, business organizations, or other legal entities to notify consumers of a unique source, and to tell the difference between a company's products or services and those of others. Although federal registration is not necessary, there are several advantages, such as informing the public that the trademark belongs to the registrants, and giving them exclusive right of use (see **uspto.gov/trademarks/basics/definitions.jsp**).

In 2008, eBay won a landmark trademark case against Tiffany, a leading jewelry retailer, who had sued eBay alleging that many of the items being advertised on eBay as Tiffany merchandise were actually fakes. The U.S. court ruled in 2008 that eBay cannot be held liable for trademark infringements "based solely on their generalized knowledge that trademark infringement might be occurring on their websites."

SECTION 12.6 REVIEW QUESTIONS

1. What is intellectual property law? How is it helpful to creators and inventors?
2. Define DRM. Describe one potential impact on privacy and one drawback.
3. What is meant by "fair use"? How does the "jailbreaking" of iPhones fall under "fair use"?
4. Define trademark infringement and discuss why trademarks need to be protected from dilution.

12.7 PRIVACY RIGHTS, PROTECTION, AND FREE SPEECH

Privacy has several meanings and definitions. In general, privacy is the state of not being disturbed by others, being free from others' attention, and having the right to be left alone and not to be intruded upon. (For other definitions of privacy, see the Privacy Rights Clearinghouse at **privacyrights.org**.) Privacy has long been a legal, ethical, and social issue in most countries.

Privacy in E-Commerce

The reason for privacy concerns stems from the fact that in using the Internet, users are asked to provide some personal data in exchange for access to information (such as getting coupons and allowing downloads). Data and Web mining companies receive and gather the collected data. As a result, users' privacy may be violated (see the slide presentation titled "Your Data, Yourself" by Justyne Cerulli at **prezi.com/fgxmaftxrxke/your-data-yourself**).

Privacy rights protection is one of the most debated and frequently emotional issues in EC and social commerce. According to Leggatt (2012), in a survey conducted by TRUSTe, 90% of Internet users "were found to worry about their online privacy." Many EC activities involve privacy issues ranging from collection of information by Facebook to the use of RFID. Here is an example. For issues of EC privacy, see Kenyon (2016).

Here we explore the major aspects of the problem as it relates to social networking.

Example: Google Glass

In May 2013, eight lawmakers, concerned about Google Glass (and other smart glasses), wrote a letter to Google asking what the company planned do to protect people's privacy. See Guynn (2013) for a description. A similar example is that stores can see where you go while you are in the store or shopping mall.

Social Networks Changing the Landscape of Privacy and Its Protection

Today's youth seem to be less concerned about privacy than young people were in the past. The younger generations are more interested in blogs, photos, social networking, and texting. Attitudes about what constitutes private information are changing. As a result, there are new opportunities for marketers and marketing communication, mainly in offering experiences that are better personalized, which do not violate Internet user privacy.

This problem has been articulated by Andrews (2012), who studied privacy protection in social networks and concluded that very little privacy protection exists (e.g., college applicants are being rejected because of what they posted on the social networks; criminals read posts about vacations to know when to break into an empty house).

However, in May 2014, Facebook announced the addition of the "Anonymous Login" feature and changes in login procedures, which allow users to try apps without sharing personal information from Facebook.

Information Pollution and Privacy

Information pollution, the adding of irrelevant, unsolicited information, may raise privacy issues such as the spreading of misinformation about individuals. In addition, polluted information used by decision makers or by UGC may cause invasion of privacy.

Global View

Note that the issue of privacy on the Internet is treated differently in different countries. For example, in November 2009, Google was sued in Switzerland over privacy concerns regarding its Street View application. In 2012, the Swiss highest court ruled that Google may document residential street fronts with its Street View technology (now Google Maps), but imposed some limitations on the kinds of images the company can take (e.g., lowering the height of its Street View cameras so they would not peer over garden walls and hedges). For more about the court's decision and the reaction of the parties, see O'Brien and Streitfeld (2012). In June 2013, the European Union highest court determined that government agencies cannot force Google to remove links to personal material. However, in May 2014, Europe's highest court ruled that people should have the right to say what information is available when someone Googles them. The ruling applies to 28 nations and all search engines (Google, Bing) in Europe. The decision does not apply to the USA or any other country outside Europe (see Sterling 2014).

Privacy Rights and Protection

Today, virtually all U.S. states and the federal government (and many other countries) recognize the right to privacy, but few government agencies actually follow all the statutes (e.g., citing reasons of national security). One reason is that the definition of privacy can be interpreted quite broadly. However, the following two rules have been followed closely in past U.S. court decisions: (1) the right to privacy is not absolute. Privacy must be balanced against the needs of society; (2) the public's "right to know" is superior to the individual's right to privacy. The vagueness of the two rules shows why it is sometimes difficult to determine and enforce privacy regulations.

Section 5 of the Federal Trade Commission Act protects privacy. For an explanation of the FTC Act, see **ftc.gov/news-events/media-resources/protecting-consumer-privacy**. Those practices extend to protecting consumer privacy, including the "do not track" option, protecting consumers' financial privacy, and the Children's Online Privacy Protection Act (COPPA).

In 2016, the Federal government sued Apple in order to force the company to allow the government to open the secured iPhone of a terrorist. Apple refused to cooperate. The government dropped the suit after it was successful in breaking into the phone.

Opt-In and Opt-Out

Privacy concerns have been overshadowed by post-9/11 counterterrorism activities, but consumers still want their data protected. One way to manage this issue is the *opt-in* and *opt-out* system, generally used by direct marketing companies. **Opt-out** is a method that gives consumers the choice to refuse to share information about themselves, or to avoid receiving unsolicited information. Offering the choice to opt-out is good customer practice, but it is difficult to opt out in some industries, either because consumer demand for opting out is low or the value of the customer information is high.

In contrast, **opt-in** is based on the principle that consumers must approve in advance what information they receive from a company, or allow a company to share their information with third parties. That is, information sharing should not occur unless customers affirmatively allow or request it.

See also the Direct Marketing Association (**thedma.org**) for information and resources on consumers' ad choices, opt-in and opt-out, privacy, identity theft, and more.

According to IBM, the following 6 practices for implementing a successful privacy project are:

1. **Get organized.** This can be done by creating a cross-functional privacy team for guidance.
2. **Define the privacy protection needs.** Decide what needs to be protected.
3. **Conduct inventory of data.** List and analyze all data that need protection.
4. **Select solution(s).** Choose and implement a solution that protects privacy.
5. **Test a prototype system.** Create a prototype of the system and test it under different conditions.
6. **Expand the project scope.** Expand the project to encompass other applications.

For further information on privacy protection, see IBM and the International Association of Privacy Professionals (**privacyassociation.org**).

Some Measures of Privacy Protection

Several government agencies, communities, and security companies specialize in privacy protection. Representative examples in the USA include the Privacy Protection (**privacyprotect.org/about-privacyprotection**), Privacy Choice (**avg.com**), and Home PC Firewall Guide (**firewallguide.com/privacy.htm**). Finally, Cagaoan et al. (2014) describe the issue of privacy awareness in e-commerce. For a complete guide to Internet privacy, anonymity, and security, see Bailey (2015).

Free Speech Online Versus Privacy Protection

Although the First Amendment of the U.S. Constitution grants the right to free speech, as with many rights, the right to free speech is not unlimited. The First Amendment does not give citizens the right to say absolutely anything to anyone. Defamation laws (including privacy violations), child pornography, fighting words, and terrorist threats are some of the traditional restrictions on what may be said freely. For example, it is illegal to scream "fire" in a crowded theater or make bomb threats in an airport, but there is no law against taking pictures in public places. Free speech often conflicts with privacy, protection of children, indecency, and so forth. For a discussion of the First Amendment and the ten rights it does not grant, see **people.howstuffworks.com/10-rights-first-amendment-does-not-grant.htm#page=1**.

For a comprehensive coverage of the legal aspects of privacy vs. defamation, see Kenyon (2016).

Example

Anthony Graber, a motorcyclist in Maryland was stopped by a plainclothes state police officer driving an unmarked car. He filmed his own traffic stop by using a camera attached to his motorcycle helmet. He posted his video on YouTube in March 2010, and as a result, was charged with violating state wiretap laws for audio recording the officers and posting the video on the Internet without police consent. Graber was arrested and faced up to 16 years in prison for this undisclosed recording. He pled guilty to speeding, but fought the charge of illegal monitoring, citing Freedom of Speech as a defense. The court ruled that the state trooper had "no legal expectation of privacy," and that videotaping is protected under the First Amendment. The court dismissed all of Graber's charges, except for the traffic violations. See **youtube.com/watch?v=QNcDGqzAB30&feature=related**.

Free Speech Online Versus Child Protection Debate

The debate over free speech versus child protection began in December 2000, after the *Children's Internet Protection Act (CIPA)*, which mandated the use of filtering techniques in libraries and schools that receive federal funding, was signed into law. In June 2003, the Supreme Court handed down a ruling that the CIPA was constitutional, allowing Congress to require some kinds of blocking, but the filters must not block too much material. Their review represented the third time justices had heard arguments pitting free speech against attempts to protect children from offensive online content. See the FCC Children's Internet Protection Act at **fcc.gov/guides/childrens-internet-protection-act**.

The Price of Protecting an Individual's Privacy

In the past, gathering information about individuals, that was residing in government agencies' databases, was difficult and expensive to do, which helped protect privacy. The Internet, in combination with powerful computers, and targeting algorithms with access to large-scale databases, have in all practical terms, eliminated the barriers of protecting citizens' privacy.

In the UK in 2010, Heathrow airport security officials were caught circulating printouts of a Hollywood star's full naked body scans downloaded from the full-body security scanners. However, authorities feel that the scanning process is necessary for airport security. Today's technology even enables monitoring people's activities from a distance, which may be considered a violation of their privacy, as shown in Case 12.2.

CASE 12.2: EC APPLICATION SCHOOL ADMINISTRATORS USED WEBCAMS TO SPY ON STUDENTS AT HOME

Unbeknownst to the students in a Pennsylvania high school, administrators were caught spying on the activities of the underage students. The administrators did this by remotely activating webcams built into each laptop that was issued to the students by the Lower Merion School District, without the permission or knowledge of the students or their parents.

The continued surveillance of the students, even while they were at home, by school officials at Harriton High School revealed that one student was conducting what the school defined as "improper behavior." Based on the video taken at his home, the student was confronted at the school by the assistant principal, and shown "photographic evidence." The school told the parents that they can do such monitoring. As a result, one student filed a class action lawsuit representing all the students who received laptops, for invasion of privacy and illegal interception of private information. The case was settled in October 2010 and the school district paid $610,000. In 2011, the same school district was sued by a former student over the secret monitoring of laptops in 2009.

Sources: Based on **courthousenews.com/2010/02/18/Eyes.pdf** (accessed April 2016).

Questions

1. What legitimate excuse could be made to justify this behavior? Why should the school's actions be stopped?
2. What federal laws were broken? What rights in the U.S. Constitution were violated?
3. What precedent did this decision set? Can you see a way that schools will be allowed to continue this behavior for a narrowly construed purpose?
4. Find other similar cases.

How Information About Individuals Is Collected and Used Online

An individual's private data can be gathered in a number of ways over the Internet. Representative examples of the ways that the Internet can be used to find information about an individual are provided next; the first three are the most common ways of gathering information on the Internet.

- By a user completing a registration form including personal data
- By tracking users' movement on the Web (e.g., by using cookies)
- By using spyware, keystroke logging, and similar methods
- By website registration
- By reading an individual's blog(s) or social network postings
- By looking up an individual's name and identity in an Internet directory or social network profile
- By reading an individual's e-mail, IM, or text messages (hacking)
- By monitoring employees in real time
- By wiretapping conversations over communication lines
- By using wearables such as smart glasses (Chapter 6), including invisible ones

Cookies

A popular way for a website to gather information about an individual is by using cookies. *Cookies* enable websites to keep track of users' online movements without asking the users for permission.

Originally, cookies were designed to help with personalization and market research; however, cookies can also be used to disseminate unsolicited commercial information. Cookies allow vendors to collect detailed information about a user's online behavior. The personal data collected by cookies often are more accurate than information provided by users, because users have a tendency to falsify information while filling out registration forms. Although the ethical use of cookies is still being debated, concerns about cookies reached a peak in 1997 at the U.S. FTC hearings on online privacy. Cookies can be successfully deleted by informed users with programs such as Cookie Monster and CCleaner; to delete and manage flash cookies, see **flashcookiecleaner.com**. By setting the privacy levels on Web browsers very high, cookies from all websites are blocked, and existing cookies cannot be read.

Spyware as a Threat to Privacy and Intellectual Property

In Chapter 10, we described **spyware** as a tool that some merchants use to gather information about users without their knowledge. Spyware infections are a major threat to privacy and intellectual property.

Spyware may enter the user's computer as a virus or as a result of the user clicking some innocent looking, but harmful, links. Spyware is effective in illegally tracking users' Internet surfing habits. Using spyware clearly is an invasion of the computer user's privacy and may be illegal. It can also slow down computer performance. While specific spyware can harvest data, it can also be used to take pictures from an unsuspecting user's Webcam and e-mail or post the photos all over the Internet.

Unfortunately, antivirus software and Internet firewalls cannot always detect all spyware; therefore, extra protection is needed. Many free and low-cost antispyware software packages are available. Representative free antispyware programs are Microsoft security essentials (**windows.microsoft.com/en-us/windows/security-essentials-download**), and AVG (**avg.com**). Programs that charge a fee include Trend Micro (**trendmicro.com**) and Kaspersky Lab (**usa.kaspersky.com**). Upgraded versions of free programs are also available for a fee. Symantec and other companies that provide Internet security services also provide anti-spyware software.

RFID's Threat to Privacy

Although several states have mandated or are considering legislation to protect customers from loss of privacy due to RFID tags, as mentioned in Online Tutorial T2, privacy advocates fear that the information stored on RFID tags or collected with them may violate an individual's privacy.

Other Methods

Other methods of collecting data about people are:

- **Site transaction logs.** These logs show what users are doing on the Internet.
- **EC ordering systems and shopping carts.** These features permit sellers to know buyers' ordering history.
- **Search engines.** Search engines can be used to collect information about users' areas of interest.
- **Web 2.0 tools**. Blogs, discussion groups, chatting, social networks, etc. contain a wealth of information about users' activities and personalities.
- **Behavioral targeting.** Using tools to learn people's preferences (Chapter 9).
- **Polling and surveys.** People's demographics, thoughts, and opinions are collected in surveys.
- **Payment information and e-wallets.** These may include sensitive information about shoppers.

Monitoring Employees

There are several issues concerning Internet use at work and employee privacy. In addition to wasting time online, employees may disclose trade secrets and possibly make employers liable for defamation based on their actions on the corporate website. In response to these concerns, many companies monitor their employees' e-mail and Web surfing activities, including postings on social network walls. One tool that enables companies to monitor their employees is Google Location, which works in combination with a compatible device (e.g., Android, iOS).

For workplace privacy and employee monitoring, see PRC (2014).

The issue of monitoring employees is complex and debatable because of the possibility of invasion of privacy. For comprehensive coverage, see PRC (2014). For more about employers and Internet usage monitoring, see **wisegeek.org/how-do-employers-monitor-internet-usage-at-work.htm**.

Privacy Protection by Information Technologies

Dozens of software programs and IT policies and procedures are available to protect your privacy. Some were defined in Chapter 10. Representative examples are:

- **Platform for Privacy Preferences Project (P3P).** Software that communicates privacy policies (described later in this chapter).
- **Encryption.** Software programs such as PKI for encrypting e-mail, payment transactions, and other documents.
- **Spam blocking.** Built into browsers and e-mail; blocks pop-ups and unwanted mail.
- **Spyware blocking.** Detects and removes spyware and adware; built into some browsers.
- **Cookie managers.** Prevents the computer from accepting cookies; identifies and blocks specific types of cookies.
- **Anonymous e-mail and surfing.** Allows you to send e-mail and surf without leaving a history.

Privacy Policies

A useful practice for companies is to disclose their privacy policies to their customers. For an example, see **arvest.com/pdfs/about/privacy-and-security/privacy-policy-and-notice.pdf**.

Privacy Issues in Web 2.0 Tools and Social Networks

The rise in social network use raises some special issues of privacy and free speech. Here are a few examples.

Presence, Location-Based Systems, and Privacy

Establishing real-time connections in the social networking world is an important activity. For example, Facebook offers Nearby Friends, an app that enables users to know where their friends are.

IBM has presence capabilities in its Lotus Software Connections (now called IBM Connections; **ibm.com/software/products/en/conn**), while Microsoft offers similar capabilities with SharePoint (**office.microsoft.com/en-us/sharepoint**). Apple, Google, and other companies offer similar features. Several social networks enable people to share their location with others. What are the privacy implications of such capabilities if used by businesses to locate customers and goods? Who will be held responsible or legally liable for unforeseen harm resulting from so much awareness and connectivity?

Obviously, clear policies are needed to govern what social networks can do with all the data they collect about people.

Privacy Protection by Ethical Principles

Some ethical principles that exist for the collection and use of personal information also apply to information collected in e-commerce. Examples are: proper notification about the possible use of personal data, option of opting-in and/or opting-out, accessibility to stored data, keeping consumers' data secured, and the ability to enforce related policies.

The broadest law in scope is the Communications Privacy and Consumer Empowerment Act (1997), which requires, among other things, that the FTC enforces online privacy rights in EC, including the collection and use of personal data. For the status of pending legislation in the United States, see **govtrack.us/congress/bills/subjects/right_of_privacy/5910**.

Government Spying on Its Citizens

At issue here is the proper balance between personal privacy and national security, whereby innovation and commerce is not stifled. The claim is that social networking sites have technology that has outpaced government law enforcement capabilities. The laws on the books do not cover new communication methods (i.e., texting and social networking). Opponents see this as nothing more than unbridled government eavesdropping. During 2013 and 2014, it was found that the U.S. government did spy on its citizens. In 2014 and 2015, efforts were taken to minimize such government surveillance.

P3P Privacy Platform

The **Platform for Privacy Preferences Project (P3P)** is a protocol for privacy protection on the Web developed by the World Wide Web Consortium (W3C). According to W3C, an international standards organization for the Web, the "Platform for Privacy Preferences Project (P3P) enables websites to express their privacy practices in a standard format that can be retrieved automatically and interpreted easily by user agents" (per **w3.org/P3P**). The W3C also explains that P3P is useful because "P3P uses machine readable descriptions to describe the collection and use of data. Sites implementing such policies make their practices explicit and thus open them to public scrutiny." This exposure can increase users' trust and confidence in e-commerce sites and vendors. Figure 12.2 shows the process of P3P.

Privacy Protection in Countries Other than the United States

In 1998, the European Union passed a privacy directive (EU Data Protection Directive) reaffirming the principles of personal data protection in the Internet age. This directive protects privacy more than U.S. protection laws do.

In many countries, the debate about the rights of the individual versus the rights of society continues. In some countries, like China, there is little protection of an individual's Internet privacy.

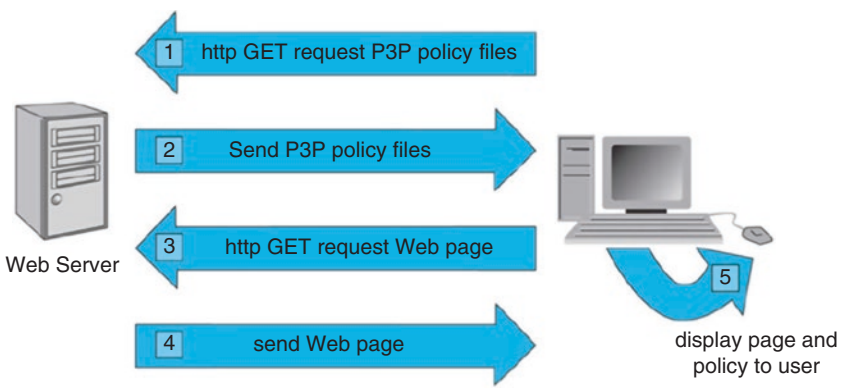

Figure 12.2 How P3P works

Note: According to Ranger (2016) the battle over privacy technologies could define the future of the Web.

SECTION 12.7 REVIEW QUESTIONS

1. Define privacy and free speech. Do your definitions depend on technology?
2. List some of the ways that the Internet can collect information about individuals.
3. What are cookies and spyware, and what do they have to do with online privacy?
4. Describe information pollution and privacy.
5. List four common ethical principles related to the gathering of personal information.
6. Describe privacy issues in social networks. What are the dangers?
7. Define P3P and describe its objectives and procedures.

12.8 THE FUTURE OF E-COMMERCE

Generally speaking, the consensus is that the future of EC is positive. EC will become an increasingly important method of trading, reaching customers, providing services, and improving organizations' operations. In addition, EC facilitates collaboration, innovation, and people-to-people interactions. Analysts differ in their predictions for the anticipated growth rate of EC and the length of time it will become a substantial portion of the economy. There is also disagreement about the identification of industry segments that will grow the fastest. However, there also is a consensus about the overall direction of the field: full speed ahead! Companies such as Amazon.com, eBay, Alibaba Group, Priceline, and Newegg.com are growing rapidly.

EC will grow all over the globe. For challenges and opportunities in China, see Clark (2015).

Some Key Factors for the Future of E-Commerce

The future of EC depends on how many factors will have impacts in the future. TrueShip (2016) made the following ten predictions:

1. Amazon will become bigger than Walmart.
2. EC will be 10% of all retail.
3. Facebook will overtake YouTube for branding.
4. Emotionally-driven shopping will become a standard.
5. In-store pickup will save the large retail chains (as in the case of Target).
6. Competitors will create Amazon Prime-like shopping portals.
7. Drones will start to deliver.
8. Marketplaces for selling goods will become very popular.
9. Mobile shopping will overtake desktop shopping. It may be required for survival.
10. Hassle free returns will be mainstreams in EC.

Other factors cited are:

- The shape of Net Neutrality.
- The extent of developing easy-to-shop and smart applications (e.g., Google's DeepMind).
- The competition between EC giants (e.g., Amazon, Alibaba) and large retailers that are going "brick-and-click" (e.g., Walmart) is intensifying.
- Multichannel shopping is increasing.
- Beacon technology integrates online and off-line systems.
- Huge images and videos deliver stunning homepages.
- Real-time analytics become the norm.

For comprehensive reports see Knight (2016) and McCafferty (2016a).

Integrating the Marketplace with the Marketspace

Throughout this book, we have commented on the relationship between the physical marketplace and the online marketspace. We have pointed out conflicts in certain areas, as well as successful applications. The fact is that, from the point of view of the consumer, as well as of most of the merchants and suppliers, these two entities exist, and will continue to exist, together.

Probably the most noticeable integration of the two concepts is in the click-and-mortar organization. In the near future, the click-and-mortar organization will be the most prevalent model (e.g., see Sears.com, Target.com, Costco.com, and Walmart.com), although the model may take different forms. Some organizations will use EC as just another sales channel, as most large retailers, airlines, and banks are doing today. Others will use EC only for some products and services, and sell other products and services the conventional way (e.g., LEGO Group).

The consumers prefer to have the choice of where to shop. As of 2015, consumers love the combination of ordering online and picking up the merchandise in the physical store.

Some believe that such a combination saves retailers from extinction (e.g., see Douglas 2014).

M-Commerce

There is almost a consensus that the role of m-commerce in e-commerce will increase significantly. There already are millions of innovative mobile apps and their numbers are growing rapidly. The area where we will see the fastest growth in EC is the proliferation of apps. Many m-commerce start-ups are entering the field. For details, see Kemp (2016).

Social Commerce

Recently, the use of mobile social networks has been accelerating. The increasing number of new wireless Web 2.0 services have assisted many social networks to go wireless, enabling more interactions between people. Nielsen's September 2012 release of its *Social Media Report* indicated that 4 out of 5 active Internet users visit social networks and blogs. The report also shows that nearly 82% of social media users access these websites using their mobile phones (Nielsen 2012). These numbers continue to grow with time.

Social commerce is growing rapidly on Facebook, Twitter, Google, and many other companies. Mobile advertising and promotions are major areas of growth. For details, see Turban et al. (2016) and Kemp (2016).

Future Technological Trends that May Accelerate the Speed of E-Commerce

The following are a few examples that will facilitate the use of e-commerce (based on Scollay (2015) and McCafferty (2016a):

- Much wider broadband of technologies and faster networks
- More powerful search engines (intelligent agent-based)
- Better batteries for mobile devices
- Development in quantum computing and the semantic Web
- The arrival of flexible computer screens
- Better cloud applications
- Wide use of smartphones and tablets
- Increased use of wearable devices
- Possibility of free Internet access
- Using augmented reality (e.g., in order fulfillment, see DHL 2015)
- Going further into IoT
- Next generation data centers

Future Trends That Are Limiting the Spread of EC

The following trends may slow down the growth of EC and Web 2.0, and may even cripple the Internet:

- **Security concerns.** Both shoppers and users of e-banking and other services worry about online security. The Web needs to be made safer.
- **Lack of net neutrality.** If the big telecom companies are allowed to charge more for faster access, small companies that cannot pay extra may be at a disadvantage.
- **Copyright violations.** The legal problems of YouTube, Wikipedia, and others may result in a loss of vital outlets of public opinion and creativity.
- **Lack of standards.** There is still a lack of standards for EC, especially for global trade.

In conclusion, many people believe that the impact of EC on our lives will be as much as, and possibly more profound than, that of the Industrial Revolution. No other phenomenon since the Industrial Revolution has been classified in this category. It is our hope that this book will help you move successfully into this exciting and challenging area of the digital revolution.

For a 537 slide show, see "Digital in 2016" at **slideshare.net/wearesocialsg/digital-in-2016** by Kemp (2016).

Enjoy Some Interesting Videos About the Future of E-Commerce

The following are some suggested videos about e-commerce:

1. "E-Commerce's Future Ain't What It Used to Be; It's Even Better" (7:48 min) at **youtube.com/watch?v=mJtw1027FYs**
2. "Future of E-Commerce: Trends, Challenges, and Opportunities for Telecom and the Mobile Industry" (7:41 min) at **youtube.com/watch?v=wCZXif3MUEw**

SECTION 12.8 REVIEW QUESTIONS

1. How is EC related to traditional commerce?
2. Describe the role of mobility in the future of EC.
3. How will social networks facilitate EC?
4. Which future trends will help EC?
5. Which trends slow down the growth of EC?

MANAGERIAL ISSUES

Some managerial issues related to this chapter are as follows:

1. **Which investment analysis method should we adopt for EC justification?** The precise estimation of total cost of ownership is a good starting point for financial investment analysis. If an intangible benefit such as enhanced customer service and quality assurance of purchased material is the primary contributor to productivity increase, management has to include it in the analysis. However, if the benefit can be measured quantitatively, such as creation of new revenue and/or reduced purchase cost, the net present value and ROI can be computed with tangible benefits and costs. Based on the investment analysis, the intangible factors may be considered additionally for managers' multicriteria judgments. Since there is high uncertainty in estimating future revenue creation, the best or worst case analysis may supplement the most likely analysis.
2. **Who should conduct the justification?** For small projects, the project team, possibly in cooperation with the finance department, can do the analysis. For a large or complex project, an unbiased outside consultant may be used, although it may be expensive. The justification should include both tangible and intangible benefits and costs. However, some vendors may provide ROI calculators as part of a proposal that might fit with your application without extra charge.
3. **How can EC go global?** Going global with EC is a very appealing proposition for companies of all sizes, but it may be difficult to do, especially on a large scale or for SMEs that lack the necessary resources. Companies need to identify, understand, and address the barriers to globalization such as culture, language, and law, as well as customers and suppliers. An e-business needs to decide on a localization strategy. Some companies, such as eBay, acquire or establish local companies to support local customers, whereas other companies only support the English language site. In B2B, a business may create collaborative projects with partners in other countries.
4. **What legal and ethical issues are of concern in an EC initiative?** Key issues to consider include the following: (1) What type of proprietary information should we allow and disallow on our site? (2) Who will have access to information that visitors post on our site? (3) Do the content and activities on our site comply with laws in other countries? (4) What disclaimers do we need to post on our website? (5) Are we using trademarked or copyrighted materials without permission? Regardless of the specific issues, an attorney should periodically review the website content, and someone should be responsible for monitoring legal and liability issues.
5. **What are the most critical ethical issues?** Negative or defamatory articles published online about people, companies, or products on websites or blogs can lead to charges of libel—and libel can stretch across countries. Issues of privacy, ethics, and legal exposure may seem tangential to running a business, but ignoring them puts the company at risk of fines, customer dissatisfaction, and disruption of an organization's operations. Privacy protection is a necessary investment.
6. **How can intellectual property rights be protected when it comes to digital content?** To protect intellectual property rights such as video, music, and books online, we need to monitor what copyrights, trademarks, and patents are infringed upon over the Internet. Portal sites that allow pirated video and music files should be monitored. This monitoring may require a vast amount of work, so software agents should be employed to continually inspect any pirated material. The risk to the business that can be caused by the infringement and the possibility of legal protection as well as technical protection by current regulation and potential new common law should be analyzed. Consider settling any suit for damages by negotiation.
7. **How can a patent in EC be purchased?** Some people claim that patents should not be awarded to businesses or computer processes related to EC (as is the case in some European countries). Therefore, investing large amounts of money in developing or buying EC patents may be financially unwise in cases where patents may not be granted or protected properly. Some companies that own many business model patents have been unable to create business value out of these patents.
8. **What is the ethical principle of protecting the privacy of customers?** To provide personalized services, companies need to collect and manage customers' profile data. In practice, the company has to decide whether to use spyware to collect data. Collecting data may make customers unhappy (as in the cases of Google Street View or Facebook privacy settings). The company needs well-established principles of protecting customer privacy: Notify customers before collecting their personal information; inform and get consent on the type and extent of disclosures; allow customers to access their personal data and make sure the data are accurate and securely managed; and apply some method of enforcement and remedy to deter privacy breaches. In this manner, the company can avoid litigation and gain the long-term trust of customers.

SUMMARY

In this chapter, you learned about the following EC issues as they relate to the chapter's learning objectives.

1. **The need for EC justification.** Like any other investment, EC investment (unless it is small) needs to be justified. Many start-up EC companies have crashed because of

incorrect or no justification. In its simplest form, justification looks at revenue minus all relevant costs. Analysis is done by defining performance and comparing actual performance to the desired metrics and KPI related to organizational goals.

2. **Issues in global EC.** Going global with EC can be done quickly and with a relatively small investment. However, businesses must deal with a number of different issues in the cultural, administrative, geographic, legal, and economic dimensions of global trading.
3. **Reasons for EC success and failure.** Products, industries, sellers, and consumer characteristics require different metrics of EC value. With the growing worldwide connectivity to the Internet, EC economics will play a major role in supporting buyers and sellers. Like other innovations, EC is expected to go through the cycle of enormous success, followed by speculation and then disaster before the reality of the new situation sets in. Some EC failures are the result of problematic website design, lack of sustained funding, and weak revenue models. Success in EC has come through automating and enhancing familiar strategies, such as branding, morphing, building trust, and creating value for all trading partners by enriching the human experience with integrated and timely information. EC investments can go beyond the traditional business models by creating digital options. To ensure success, complementary investments must be made in managing change and responding to cultural differences among EC users.
4. **Small and medium-sized businesses and EC.** Depending on the circumstances, innovative small companies have a tremendous opportunity to adopt EC at little cost and expand rapidly. Being in a niche market provides the best chance for small business to succeed. A variety of Web-based resources are available for small and medium-sized business owners to get help to ensure success.
5. **Understanding legal and ethical challenges and how to contain them.** The global scope and universal accessibility of the Internet create serious questions as to which ethical rules and laws apply. Ignoring laws exposes companies to lawsuits or criminal charges that are disruptive, expensive, and damaging to customer relations. The best strategy is to avoid behaviors that would expose the company to these types of risks. Important safeguards are a corporate code of ethics stating the rules and expected behaviors and actions and an Internet acceptable use policy.
6. **Intellectual property law.** EC operations are subject to various types of intellectual property (IP) laws, some of which judges have created in landmark court cases. IP law provides companies with methods of compensation for damages or misuse of their property rights. IP laws passed by Congress are being amended to better protect EC. These protections are needed because the theft or replication of intellectual works on the Internet is both simple and inexpensive. These actions violate or infringe upon copyrights, trademarks, and patents. Although the legal aspects seem clear, monitoring and catching violators remains difficult.
7. **Privacy, free speech, defamation, and their challenges.** B2C companies use CRM and depend on customer information to improve products and services. Registration and cookies are two ways to collect this information. The key privacy issues are who controls personal information and how private it should remain. Strict privacy laws have been passed recently that carry harsh penalties for any negligence that exposes personal or confidential data. There is ongoing debate about censorship on the Internet. The proponents of censorship feel that it is up to the government and various ISPs and websites to control inappropriate or offensive content. Others oppose any form of censorship; they believe that control is up to the individual. In the United States, most legal attempts to censor content on the Internet have been found unconstitutional. The debate is not likely to be resolved any time soon.
8. **The future of EC.** EC is growing steadily and rapidly, expanding to include new products, services, business models, and countries. The most notable areas of growth are the integration of online and off-line commerce, mobile commerce (mostly due to smartphone apps), video-based marketing, and social media and networks. Several emerging technologies, ranging from intelligent applications to wearable devices, are facilitating the growth of EC. On the other hand, several factors are slowing down the spread of EC such as security and privacy concerns; limited bandwidth, and lack of standards in some areas of EC.

KEY TERMS

Business ethics
Copyright
Copyright infringement
Cost–benefit analysis
Digital rights management (DRM)
Ethics
Fair use
Intellectual property (IP)
Intellectual Property Law Key performance indicator (KPI)
Opt-in
Opt-out
Patent
Platform for Privacy Preferences Project (P3P)
Spyware
Web analytics

DISCUSSION QUESTIONS

1. Your state government is considering an online vehicle registration system. Develop a set of EC metrics and discuss how these metrics differ from that of the existing manual system.
2. Enter **businesscase.com** and find material on ROI analysis. Discuss how ROI is related to a business case.
3. A craftsperson operates a small business making wooden musical instruments in a small U.S. town. The business owner is considering using EC to increase the business's reach to the nation and the world. How can the business owner use EC to increase richness to make the products more attractive to consumers?
4. How would you identify competitors of your small business who want to launch an EC project?
5. Discuss the pros and cons of going global online to sell a physical product.
6. Find some SME EC success stories and identify the common elements in them.
7. Submit three questions regarding EC strategy for small businesses to **linkedin.com** and **answers.yahoo.com**. Get some answers and summarize your experience.
8. After viewing the video "FiftyOne Global E-Commerce Demo"(2:08min)at**youtube.com/watch?v=2YazivwAm2o&fea-ture=related**, consider the following: FiftyOne Global E-Commerce (previously called Borderfree; now part of **pitneybowes.com**), claims to address all major issues associated with global EC. Check what they do.
9. Discuss how a company embarking on global e-commerce would approach each challenge such as payments or logistics, without the assistance of a company like Borderfree.
10. Would these challenges be insurmountable? For each challenge, explain why or why not.
11. Would the type or size of a business affect whether it could successfully navigate these challenges to global e-commerce? Explain your conclusions.
12. What can EC websites and social networks do to ensure the safeguarding of personal information?
13. Privacy is the right to be left alone and free of unreasonable personal intrusions. What are some intrusions that you consider "unreasonable"?
14. Who should control minors' access to "offensive" material on the Internet—parents, the government, or ISPs? Why?
15. Discuss the conflict between freedom of speech and the control of offensive websites.
16. Discuss the possible insufficient protection of opt-in and opt-out options. What measures would satisfy you?
17. Clerks at some convenience stores enter their customers' data (gender, approximate age, and so on) into the computer. These data are then processed for improved decision-making. Customers are not informed about this, nor are they being asked for permission. (Names are not keyed in.) Are the clerks' actions ethical? Compare this with the use of cookies.
18. Why do many companies and professional organizations develop their own codes of ethics? After all, ethics are generic and "one size may fit all."

TOPICS FOR CLASS DISCUSSION AND DEBATES

1. Debate: An airline offers extensive travel services online including hotels, car rentals, vacations, and so forth all over the globe. Its online business should be autonomous.
2. The stock market success of e-commerce and social commerce companies vary greatly from very successful (e.g., Google, LinkedIn) to poor (Groupon, Zynga). Examine the IPOs of 2013 through 2016 and try to explain the CSF. Write a report.
3. As the principal in a small business that already has an effective Web presence, you are considering taking your company global. Discuss the main issues that you will have to consider in making this strategic decision.
4. Discuss what the RIAA hopes to achieve by using lawsuits against college students for copyright infringement. Research the issue of how will the proposed Copyright Enforcement Bill, if enacted, support further RIAA lawsuits? Find the status of the bill. Write a report.
5. The proposed Copyright Enforcement Bill defines everyone that creates a website as a publisher and is liable under the Act. Enforcement under this proposed bill for unintentional use or distribution of copyrighted content on business websites could result in the confiscation of a company's domain name or server, which in turn could potentially disable the company's e-mail capability—substantially killing commerce. What steps should a business take to minimize the risk? Discuss.
6. Should shoppers turn off their smartphones when they visit a store or mall? Or does having the phones on lead to better shopping and shorter lines at cash registers? (See Kerr 2014).
7. Many hospitals, health maintenance organizations, and federal agencies are converting, or plan to convert, all patient medical records from paper to electronic storage (using imaging technology) in compliance with the Patient Protection and Affordable Care Act (PPAC), also known as "Obamacare." The PPAC mandates that all medical records shall be freely disseminated to insurance companies, the U.S. government, and government-approved third-party vendors. Once completed, electronic storage will enable expeditious access to most records anytime and from anywhere. However, the availability of these

records in a database or on networks or smart cards may allow people, some of whom are unauthorized, to view another person's private medical data. To protect privacy fully may cost too much money or may considerably slow down the speed of access to the records. What policies could healthcare administrators use to prevent unauthorized access? Discuss.

8. The Communications Decency Act (CDA), which was intended to protect children and others from pornography and other offensive material online, was approved by the U.S. Congress but then was ruled unconstitutional by lower courts. In 2015, it is still being debated. Discuss the implications of this Act. Also, check the Supreme Court ruling.
9. Debate the pros and cons of net neutrality.
10. Many sports-related leagues, including the NFL and UK Football Association, restrict the players' use of social networks. The NFL prohibits any use of social networks 90 min before and 90 min after games. Debate the issue.
11. Have two groups debate the issue of ownership of user-generated content (the Facebook example). One group should be for and one against.
12. Debate: Neutrality on the Internet is good for EC.
13. Debate: Should the exchange of songs between individuals, without paying royalties, be allowed over the Internet?
14. Debate: Are privacy standards strict enough to protect electronic health records?

INTERNET EXERCISES

1. Enter **salesforce.com/form/roi**. Register and download the free ROI kit. Summarize one case study. View two demos. Write a report.
2. One of the most global companies is Amazon.com. Find stories about its global strategies and activities (try **forbes.com**) and conduct a Google search. What are the most important lessons you learned?
3. Visit **business.com/starting-a-business/tech-toolkit-for-startups** and find some of the EC opportunities available to small businesses. Also visit the website of the Small Business Administration (SBA) office in your area. Summarize recent EC-related topics for SMEs.
4. Conduct research on small businesses and their use of the Internet for EC. Visit sites such as **microsoftbusinesshub.com** and **uschamber.com**. Also enter **google.com** or **yahoo.com** and type "small businesses + electronic commerce." Use your findings to write a report on current small business EC issues.
5. Enter **lwshare.languageweaver.com** and locate its product for language translation for multinational corporations. Write a report.
6. You want to set up an ethical blog. Using sites such as CyberJournalist.net: A Bloggers' Code of Ethics at **pcij.org/blog/bloggers-code-of-ethics**, review the suggested guide to publishing a blog. Make a list of the top ten ethical issues for blogging.
7. Conduct a Google search for industry and trade organizations involved in various computer privacy initiatives. One of these groups is the World Wide Web Consortium (W3C). Describe its Platform for Privacy Preferences Project (P3P) (**w3.org/P3P**). Prepare a table with ten initiatives and describe each briefly.
8. Find the status of the latest copyright legislation. Try **fair-use.stanford.edu** and **wipo.int/copyright/en**. Is there anything new regarding the international aspects of copyright legislation? Write a report.
9. Enter **scambuster.org** and identify and list its anti-fraud and anti-scam activities.

TEAM ASSIGNMENTS AND PROJECTS

1. **Assignment for the Opening Case**
   Read the opening case and answer the following questions:
   (a) What motivated Telstra to prepare the calculators?
   (b) Why do the calculators include benefits to employees and to the community?
   (c) Download the e-book at AIIA (2009), and examine the list of benefits in all four cases. Which benefits are intangible?
   (d) The case cites the use of NPV. Explain how it works in this case.
   (e) Find the appendices cited in AIIA (2009) case, and comment on the detailed examples.
2. Explore the business value of EC. Each member enters a different site (e.g., Nicholas G. Carr (**nicholascarr.com**), Baseline (**baselinemag.com**), Strassmann, Inc. (**strassmann.com**)). Prepare a presentation on issues, value, and directions.
3. The class will set up a webstore on Facebook. You can use the application from **ecwid.com** or from **bigcommerce.com**. Have several members place products there while others shop. Write a report on your experience.
4. Each team needs to find the latest information on one global EC issue (e.g., cultural, administrative, geographic, economic). In addition, check how leading retailers, such as Levi's, serve different content to local audiences, both on their websites and on their Facebook pages. Each team prepares a report based on their findings.
5. Compare the services provided by Yahoo!, Microsoft, and Web.com to SMEs in the e-commerce area. Each team should take one company and give a presentation.

6. Research the topic of going "global in the social world." Start with Adobe (2012). Identify the issues and the practices. Write a report.
7. The number of lawsuits in the United States and elsewhere involving EC has increased. Have each team prepare a list of 5 recent EC legal cases on each topic in this chapter (e.g., privacy, digital property, defamation, patents). Prepare a summary of the issues of each case, the parties, the courts, and dates. What were the outcomes of these cases? What was (or might be) the impact of each decision?
8. Form three teams. Have two teams debate free speech versus protection of children. The third team acts as judges. One team is for complete freedom of speech on the Internet; the other team advocates protection of children by censoring offensive and pornographic material. After the debate, have the judges decide which team provided the most compelling legal arguments.
9. It is legal to monitor employees' Internet activity, e-mail, and instant messages? Note that it is legal to open letters addressed to individuals sent to the company's address. Why is the monitoring necessary? To what extent is it ethical? Are employees' rights being violated? Have two teams debate these issues.
10. Smart computer programs enable employers to monitor their employees' movements online. The objective is to minimize wasting time and computing resources, and reduce theft by employees. These actions may invade privacy, and reduce confidence and loyalty. Find the various methods used to monitor employees (list their approaches) and list all possible negative aspects. Find case studies about the benefits (including increasing productivity) and the limitations and dangers. Relate monitoring to telecommuting and debate the issue.

CLOSING CASE: THE PIRATE BAY AND THE FUTURE OF FILE SHARING

What had been considered a landmark 2009 copyright law case involving the Motion Picture Association of America (MPAA) against illegal file sharing in Sweden appears to not have significantly deterred online file sharing. In fact, just the opposite may have occurred.

An Overview

The Pirate Bay (TPB) site was launched in 2003 by hackers and computer activists as a BitTorrent tracker, make it possible to get free access to most media content (including copyrighted material) using BitTorrent peer-to-peer (P2P) file-sharing protocol services (see **en.wikipedia.org/wiki/BitTorrent**). The Pirate Bay site includes links to websites where you can download movies, TV shows, music e-books, live sport games, software, and more. TPB has been ranked as one of the most popular websites in the world. The site generates revenue by advertisements, donations, and sales of merchandise. The site is probably the most well known among dozens of other sites that provide free access to copyrighted content.

The Legal Situation

The Pirate Bay has been involved in a number of lawsuits, both as a defendant and as a plaintiff. For an overview, see **torrentfreak.com/the-pirate-bay-turns-10-years-old-the-history-130810**. Here are some examples. In Sweden, The Pirate Bay company was raided by the Swedish police in 2006. The site was shut down, but reappeared a few days later with servers hosted in different countries. In 2008, the Swedish government began a criminal investigation against the founders of TPB for copyright theft. Three founders and a financier were charged with promoting copyright infringement by facilitating other people's breach of copyright law by using TPB BitTorrent technology. For 34 cases of copyright infringement, the damage claims could have exceeded US$12 million. The trial started on February 16, 2009, and ended on March 3, 2009, with a guilty verdict that carried a 1-year prison sentence and a fine of US$3.5 million. The four founders lost on appeal in 2010 but succeeded in getting reduced prison time; however, the copyright infringement fine was increased. The site is now blocked by several countries. The U.S. government considers TPB (together with the Chinese sites Baidu and Taobao Marketplace) a top market for pirated and counterfeit goods.

Current Operation

As of June 2014, TPB continues to offer torrent files and magnet links to facilitate file sharing for those using the BitTorrent system. The site also offers downloading, watching videos, and searching for all types of media. In fact, much public support for TPB was noted. In 2003, Piratbyrån (The Pirate Bureau), a Swedish organization, was established to support the free sharing of information (however, they disbanded in 2010). Political parties in many European countries have adopted the label "The Pirate Party," after a party in Sweden, which was formed in 2006. Other countries followed suit, creating their own Pirate Parties. The party supports the reform of copyright and patent laws, government transparency, and net neutrality. In 2006, the International Pirate Party Movement was formed as an umbrella organization. In 2009, the Swedish Pirate Party won a seat in the European Parliament and in 2013, Iceland gained three similar seats. The Pirate Bay advocates copyright and patent law reform and a reduction in government surveillance. In the meantime, in Sweden, TPB's founders have worked on several

other decentralized peer-to-peer file-sharing websites, which have flourished in filling the enormous global demand for P2P file sharing. TPB has plenty of defenders. In 2014, the supporters of TPB's jailed founder planned an online campaign to bring more attention to his situation.

All along, file-sharing technology has been one step ahead of enforcement. Since some countries block access to TPB, there are several proxy URLs now that provide indirect access to TPB website.

Despite losing its November 2010 appeal, TPB has kept growing. In 2011, TPB's founders launched a new website, called IPREDator, offering IP address anonymity to registered users by tunneling traffic into a secure server, which reassigns fake IP addresses to registered users so that they may access TPB or other BitTorrent tracking sites on the Web for file sharing without revealing their true IP addresses. Although TPB continues to thrive today as one of the most popular websites on the Internet, many countries are enacting new stricter copyright protection laws aimed directly at stopping this illegal activity. Note that Facebook blocks all shared links to TPB in both public and private messages (however, TPB does have a Facebook page). In 2012, a UK court ordered a blockade on TPB in the UK because of its violation of copyright law (see Dragani 2012). Some countries are allowing access to TPB. For example, in 2014, the Netherlands court ordered the ban on TPB lifted (see **bbc.com/news/technology-25943716**).

In 2012, The Pirate Bay, to protect itself from raids, moved its operation from physical servers to the cloud. Serving its users from several cloud hosting providers makes it impossible to raid because there are no physical locations; the site is more portable and thus makes it more difficult to shut down. Other benefits include reducing downtime, ensuring better uptime, and cutting costs (see Van Der Sar 2012).

Pirate Bay now uses many proxy sites and torrents. It is well and alive (Protalinski 2016).

Discussion

The Pirate Bay is one of a multitude of websites that specializing in pirated and counterfeit content. The Pirate Bay does not host content, in contrast to sites, which allow people to upload videos, included pirated ones. The Pirate Bay only provides links to possible illegal downloads. This strategy did not help the site much in its legal battles.

The Pirate Bay case is only one part of a much broader issue of protecting intellectual property on the Internet. An interesting related issue is the hosting of content by sites such as YouTube, which is more complicated.

Note that one aspect of this case is that the U.S. government is pushing the Swedish government to take a stronger stand against pirating.

Sources: Based on Stone (2011), Protalinski (2016), **en.wikipedia.org/wiki/The_Pirate_Bay** and **medlibrary.org** (both accessed April 2016).

Questions

1. Compare TPB's legal problems to those of Napster between 2000 and 2005, and to those of Kazaa (file-sharing companies).
2. Debate the issue of freedom of speech on the Internet against the need to protect intellectual property.
3. What is The Pirate Bay's business model? What are its revenue sources? (Find more information; start with Wikipedia.)
4. Explore the international legal aspects of this case. Can one country persuade another country to introduce stricter laws?
5. Read the Stone (2011) article and identify all the measures used to battle piracy of live sporting events. Which of these measures can be used in The Pirate Bay case? Which cannot? Why?
6. Find the status of the TPB website.

ONLINE FILES

Available at **ecommerce-introduction-textbook.com**

W12.1 Application Case: The Rise and Fall of Kozmo.com
W12.2 Application Case: The Success Story of E-Choupal
W12.3 Framework for Ethical Issues

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