"E-commerce: Business & Legal Ethics"
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ABSTRACT
E-commerce presents a world of opportunity for doing businesses, reaching global markets and purchasing without leaving the home or office. E-commerce can provide opportunities to improve business processes, just as phones, faxes and mobile communications have in the past. However, just as any new business tool has associated issues and risks, e-commerce does have some issues too. It's important to understand the ethical and legal issues concerning e-commerce to ensure a safe and secure environment for trading with customers and other businesses. Therefore to ensure the longer-term success of e-Business there have been calls for an adequate enabling framework to be put in place, particularly of a legislative nature. Stakeholders are demanding a more stable environment in which to conduct routine business and consumer transactions. Business ethics is a system of moral principles applied in the commercial world. It is a whole new scientific area because it combines law theory and politics as much as philosophical and historical documents. Ethics become a term very flexible and have many different aspects. Business ethics provide guidelines for acceptable behavior by organizations in both their strategy formulation and day-to-day operations. An ethical approach is becoming necessary both for corporate success and a positive corporate image. Especially nowadays ethics in business are obligated because many businessmen are only interested in making money despite the ethical costs or the harm they would probably cause to people or even to nature (environmental pollution).

Keywords: E-commerce, e- business, business ethics, legal ethics, internet, security

Introduction

The vastness of Internet advertising offers a solid platform for Electronic Commerce (or e-commerce) to explode. E-Commerce has the ability to provide secure shopping transactions coupled with instant verification and validation of credit card transactions. E-Commerce is not about the technology itself, it is about doing business leveraging the technology.

A technological innovation is followed by frequent incorporation of ethical standards into law. New forms of E-Commerce that enables new business practices have many advantages but also bring numerous risks.

Objective of the study

- To learn about the concept of e-commerce and business ethics
- To know about the importance and merits of e-commerce
- To understand the ethical and legal issues involved in e-commerce
- To learn about the various implications of e-commerce

Research methodology

The study focuses on extensive study of Secondary data collected from various books, National & international Journals, publications from various websites which focused on various aspects of e-commerce.

Meaning of e-commerce

E-Commerce is the ability of a company to have a dynamic presence on the Internet which allowed the company to conduct its business electronically, in essence having an electronic shop. Products can be advertised, sold and paid for all electronically without the need for it to be processed by a human being. Due to the vastness of the internet advertising and the website can be exposed to hundreds of people around the world for almost nil cost and with information being able to be changed almost instantly the site can always be kept up to date with all the latest products to match with consumers demands.

The biggest advantage of E-Commerce is the ability to provide secure shopping transactions via the internet and coupled with almost instant verification and validation of credit card transactions. This has caused E-Commerce sites to explode as they cost much less than a store front in a town and has the ability to serve many more customers.

In the broad meaning electronic commerce (E-Commerce) is a means of conducting business using one of many electronic methods, usually involving telephones, computers (or both).

Benefits of E-Commerce

An E-Commerce website offers many advantages to most types of businesses of all types and sizes. The main advantages are:

- Access To A Global Market

The internet allows companies to have access to a global market rather than just the potential customers in the surrounding area of their physical location. Due to the fact that the website is open 24-hours a day (more below) time differences between countries are no longer a problem, you wouldn't have to get up early in America to order something in England anymore.

- Cutting Out The Middleman

Businesses can sell direct to the consumer rather than having to sell to a supplier and then them sell it on, this means the company can usually offer the product at a discount compared to their retailers because only one company has to make profit rather than two or more.

- A Level Playing Field

A small business can compete and show itself as a professional company as much as large ones as budgets for setting up a professional site are relatively cheap to the amount of return you can get on them.

- Open 24 Hours A Day

With fully automated payment and order processing systems your site need never be closed even if your office/warehouse is. Orders can be dispatched during opening hours while orders can be taken 24 hours a day, this has great advantages

for people who might be at work or busy during normal working hours of some shops.

- Greater Customer Satisfaction

An E-Commerce website can be a powerful tool for building customer loyalty if it is effective enough, a well designed website puts the customer in charge of the relationship, they can buy, browse, ask for help or track the progress of order they have placed where they want and when they want.

- Reduced Marketing Costs

Word of mouth can be incredibly powerful on the Web through e-mail recommendations and search engine rankings. You can achieve a great deal through growth by treating customers well, keeping them informed about your activities and benchmarking yourself against competitors. Also with the internet advertisement being relatively cheap you can reach many more people at a cheaper cost than using conventional advertising methods.

- Better Customer Information

You can quickly and easy analyze your customers by location and area as well as the products they buy as you will have to request a customer name and address from them when processing a transaction. As well as you being more informed about your customers, your customers are also more informed as generally on E-Commerce sites there is more information on a product including reviews etc to help customers choose the right product for them. This works in the best interest for the site as it cuts down on the amount of returned goods.

- Security

Most E-Commerce suits offered by companies come with built in security in the software and with the purchase of a dent SSL certificate and some good server configuration you can safely know that all the details of your customers will be safe and secure. You can get approved certificates to show that your site is secure and meets up the certain standard, this lets your customers know that they are safe to shop at your site and the data will not end up in the wrong hands. Also sensitive information such as credit card numbers are usually automatically processed so do not require any staff at the company to see them, making purchasing online even more secure.

Meaning of business ethics

Ethics is the branch of philosophy that studies what's right and wrong. Ethical rules are rules to follow in our interactions with other people and in our actions that affect other people. They apply to all of us and are intended to achieve good results for people in general, and for situations in general; not just for ourselves, and not just for one situation. Business ethics is concerned with the numerous ethical questions that managers must confront as part of their daily business decision-making. Managers use several important alternatives when confronted with making ethical decisions on business issues. These include:

1) Stockholder Theory – Holds that managers are agents of the stockholders, and their only ethical responsibility is to increase the profits of the

business, without violating the law or engaging in fraudulent practices.

2) Social Contract Theory - States that companies have ethical responsibility to all members of society, which allow corporations to exist based on a social contract.

3) Stakeholder Theory - Maintains that managers have an ethical responsibility to manage a firm for the benefit of all of its stakeholders, which are all individuals and groups that have a stake in or claim on a company

Ethical issues in e-commerce

1. Web Spoofing

Web spoofing is an electronic deception which relates to the Internet. It occurs when the attacker sets up a fake website which is almost same as the original website in order to lure consumers to give their credit card number or other personal information.

For example if the attacker sets up a site called *www.micros0ft.com* using the number zero in place of the letter O, which many users sometimes type by mistake, then users might find themselves in a situation that they do not realize that they are using a bogus web-site and thus they give their credit card details or other information.

2. Cyber-Squatting

Cyber-squatting is an activity in which a person or firm register, purchase and uses the existing domain name, belonging to the well-known organization, for the purpose of infringing its

trademarks. This type of person or firm, called cyber-squatters usually infringes the trademarks to extort the payment from original trademark's owner. The extortion of payment occurs when they offer the prices which are far greater than what they have paid to purchase the organization's domain name.

Some cyber-squatters put up derogatory remarks about the person or company which the domain is meant to represent (*eg: www.walmartsucks.com*), in an effort to encourage the subject to re-buy their domain from them.

3. Privacy Invasion

This issue is related to consumer. The privacy invasion occur when the personal details belonging to consumers are exposed to the unauthorized party. It may occur in three ways.

i. Electronic commerce businesses buy information about individuals such as their personal details, shopping habits and web page visitation listings. This can be done with or without the individual's knowledge by using different computing technologies. A large number of web sites, which require users to create a member name, also ask for personal details. These details are then often sold on to companies to aid in the marketing and selling of their products.

ii. The personal information of consumers being transmitted may be intercepted by anyone other than the person whom it is intended to. Protecting the privacy of communication is a great challenge due to the very nature of the online medium, an open network of digital telecommunications. It is

technically and economically impossible to patch all the holes through which unauthorized intruders may gain access.

iii. Malicious programs delivered quietly via web pages could reveal credit card numbers, usernames, and passwords that are frequently stored in special files called cookies. Because the internet is stateless and cannot remember a response from one web page view to another, cookies help solve the problem of remembering customer order information or usernames or passwords.

4. Online Piracy

The online piracy can be defined as unauthorized copyright of electronic intellectual property such as e-books, music or videos. This unethical activity occurs when the Internet users use the software and hardware technology in an illicit manner to transfer the electronic intellectual property over the Internet.

For example, some web-based applications such as *www.napster.com* have enabled large scale exploitation of music samples and audio formats. Software that is available for free of cost on the Internet allows the transfer of music and videos without the authorization of rights holders. Moreover, CD burners and portable MP3 players allow copyright violations to occur rather easily.

5. Email Spamming

E-mail spamming, also known as unsolicited commercial e-mail (UCE) involves using e-mail to send or broadcast unwanted advertisement or correspondence over the Internet. The individual who spam their e-mail is usually called spammer. Many spammers broadcast their e-mail for the purpose of trying to get people's financial information such as credit card or account bank numbers in order to defraud them.

The example of fraud using e-mail is spammers will lure consumers to enter their personal information on fake website using e-mail, forged to look like it is from authorized organization such as bank. The content of e-mail often directs the consumers to the fake website in order to lure them to fill their personal information such as credit card or bank account's details. This technique is called phishing.

Legal Issues

Internet fraud and its sophistication have grown even faster than the Internet itself. There is a chance of a crime over the internet when buyers and sellers do not know each other and cannot even see each other. During the first few years of e-commerce, the public witnessed many frauds committed over the internet. Some of the legal issues specific to e-commerce are as follows:

- **Fraud on the Internet**

E-commerce fraud popped out with the rapid increase in popularity of websites. It is a hot issue for both cyber and click-and-mortar merchants. The swindlers are active mainly in the area of stocks. The small investors are lured by the promise of false profits by the stock promoters.

Auctions are also conductive to fraud, by both sellers and buyers. The availability of e-mails and pop up ads has paved the way for financial criminals to have access to many people. Other areas of potential fraud include phantom business opportunities and bogus investments.

- **Copyright**

The copyright laws protect Intellectual property in its various forms, and cannot be used freely. It is very difficult to protect Intellectual property in E-Commerce. For example, if you buy software you have the right to use it and not the right to distribute it. The distribution rights are with the copyright holder. Also, copying contents from the website also violates copy right laws.

- **Domain Names**

The competition over domain names is another legal issue. Internet addresses are known as domain names and they appear in levels. A top level name is *qburst.com* or *microsoft.com*. A second level name will be *qburst.com/blog*. Top level domain names are assigned by a central non-profit organization which also checks for conflicts or possible infringement of trademarks. Problems arise when several companies having similar names competing over the same domain name. The problem of domain names was alleviated somewhat in 2001 after several upper level names were added to com.

Security features such as authentication, non-repudiation and escrow services can protect the sellers in e-commerce. One needs to be careful while doing e-commerce activities. The need to educate the public about the ethical and legal issues related to e-commerce is highly important from a buyer as well as seller perspective.

Implications of E-Commerce

When using the Internet and E-Commerce is important to remember that there are many legal, moral and ethical issues to consider.

- **Ethical & Moral Implications**

Businesses entering the e-commerce world will be facing a new set of ethical challenges. It is easy for businesses to become sidetracked in the technical challenges of operating in this way and to pay little attention to the ethical implications.

There are many ethical implications for businesses to run into that would normally be addressed when doing business face to face, for example selling tobacco and alcohol to an underage minor over the internet, this is impossible to regulate easily and affectively as it would be if the person walked into a store, not only is this unethical but it is also illegal.

Another case of this was a case when a community pharmacy decided to start up an E-Commerce site, of course there were plenty of Moral and Ethical decisions to be made, as Pharmaceuticals are different from other items of commerce, particularly in that they should only be used as and when they were required.

- **Legal Implications**

The central issues of E-Commerce and the law include the development of E-Commerce, the role

of consumers and regulation of e-commerce in regards to consumer protection.

E-commerce is a new way of conducting business that takes place on the Internet, it has become an important way in which consumers purchase goods across the world as well as due to internet technology progressing rapidly in the last few years.

Although E-Commerce has a big effect on the global trade, governments also have a large effect on the growth of E-Commerce on the internet by regulating is accordingly. As Governments are setting regulations for E-Commerce organizations, managers are starting to worry if the regulations will be made to tighten or to reduce the market in the online trade.

Regulation of E-commerce is very important for the cyberspace market as it can help or stop the organizations working with E-Commerce, as well as being able to protect the consumers in the online market.

- **Security Implications**

There are a few security implications that come about when setting an E-Commerce website, especially when handling sensitive information such as credit card information and personal details such as address. Many parts will have to be protected well including communication between the customer and the website server and the server itself from any hacker trying to intercept information or from trying to retrieve existing

information from databases.

- **Customer & Server**

To secure data between the customer and the web server there is a system called SSL (Secure Socket Layer) which encrypts the information between them so no one else can read it. The theory of it is quite basic and uses the following steps:

- User want to send data to the server, before it leaves it is encrypted with a unique key for the session.
- The server receives this information then encrypts the information one more time this time using its own unique session; this is completely different from the user's unique key. It then sends back the data.
- The user's computer now unlocks the data with the key it locked it with earlier; the data is still encrypted but now only with the server's key. The user's computer then sends the data back.
- The server then receives this information and unlocks it with its key and now has the unencrypted data of what the user was sending to the server.

- **Server Security**

Just like the security between the consumer and server, there is also security needed on the server(s) as well, especially if sensitive information is stored under customers accounts, such as credit card information and other personal information.

Servers will have to be protected to withstand any

hack attempts to retrieve the information that is stored. Prevention measures such as firewalls, checking for root kits, antivirus systems and others should be put in place, as well as encryption of the data if possible so should a hacker gain entry the information he see's is useless to him or her.

Conclusion

When business people speak about "business ethics" they usually mean one of three things:

(1) Avoid breaking the criminal law in one's work-related activity;

(2) Avoid action that may result in civil law suits against the company and

(3) Avoid actions that are bad for the company image.

Businesses are especially concerned with these three things since they involve loss of money and company reputation.

Applying good ethical standards to the online world is a direct reflection of your business online. Ethics affects all aspects of your business. It affects first and foremost your company's brand image and subsequently how sales, marketing, and advertising principles are applied to the task of making your company profitable for the long haul. Ethics affects your employees, and how they represent your company online, on the phone, in person, and all types of customer service and customer relations when dealing with buyers, engineers, sales leads, and potential customers.

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