A FRAMEWORK FOR ELECTRONIC BUSINESS ETHICS: A COMPARISON STUDY BETWEEN THE UK AND EGYPT

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Abstract

The rapid spread of e-commerce has created tremendous opportunities for economic efficiency and customer choice. Use of the global Internet computer network for e-commerce activities provides some advantages to the consumers on their daily life. On the other hand Internet represents a new environment for unethical behaviour. This study investigates the effect of online retailing ethics on customer satisfaction through marketing strategy and transaction cost theory. As well as examining the difference regarding the e-retailing ethics framework among a B2B and B2C in the UK and Egypt. Also, the moderating role of confidence benefits and buying frequency between e-retailing ethics and customer satisfaction. The research model was developed based on the literature review. The results: Ethical problems like security, privacy, reliability, non-deception and corporate social responsibility on Internet are core issues that limit the growth of online retailing. Implications for theory and management have been discussed.

1. Introduction

The internet has come as a strong alternative way of physical retailing. The overall users of the internet worldwide reached 7 billion in 2012, up from 420 million in 2000 and 1 billion in 2005 (Internet world stats, 2012). The World Wide Web (WWW) users have been multiplying so rapidly and have widely spread into all walks of life. The use of the Internet is no longer limited to those computer nerds who do it for fun or curiosity. It has opened up tremendous business opportunities for its users. "Electronic Commerce", the term first used by (Kalakota and Whinston, 1996), has become the most important trend for doing business in the 21st century. Two prominent examples are the American Commercial Alliance in Silicon Valley and the Federal Government's use of Internet for purchasing. In Japan, hundreds of million U.S. dollars have been invested in setting up networks for promoting electronic commerce.

During the previous two decades, while the overall users of the internet have increased with great speed (Internet world stats, 2012), many traditional retailers of some industries have introduced business processes based on the internet (Pavlou and Gefen, 2004).

Internet creates a" new environment for unethical behaviour "(Freestone and Mitchell, 2004. p.126), and avoiding the ethical rules demolishes the relationships based between organizations and customers (Fisher et al., 1999:157). If the companies that use web sites in order to perform electronic commerce do not restrict to some of the ethical standards, they will produce bad results like a bad reputation and a lack of trust that might cause losing the whole business (Schneider, 2006:328). Ethical attitudes make the customer satisfied and helps make an organization successful (Fisher et al., 1999:157). So, various strategic marketing decisions should have the ethical factor, while unethical companies begin to lose their customers rapidly. In this study, we take a first step into the analysis of the influence of online retailing ethics on customer satisfaction from the view point of internal and external ethics, as well as the moderating role of confidence benefits and buying frequency on customer satisfaction. This study focuses on online shopping sites. The study will not deal with other Internet sites -such as online newspapers, portals, free down-load sites, customer-to-customer sites such as eBay or job sites- that exist for purposes other than online shopping and that are advertiser supported.

This paper is organized as follows: Section 2 discusses theoretical background of Business ethics, online retailing ethics, confidence benefits, buying frequency, customer satisfaction, relationship marketing strategy and transaction cost theory. Section 3 presents the proposed research model. Section 4, the methodology of the study is described. Finally, the conclusion and the contribution of the study

2. Literature review

2.1 Business ethics

Business ethics', defined in most simple terms, is the application of ethical principles to business. (Gaski, 1999), stated that the moral philosophy of Aristotle refers to the meaning of "ethics" as: "human behaviours according to the viewpoint of their rightness and wrongness". (Pires and Santon, 2002), Ethics referred to the goodness of acts "ethics is considered as all possible moral principles or values which might guide behaviour (Sherwin, 1983). Subjects such as medical ethics, and even legal ethics, are conceptually simpler to grasp, because they deal with particular, well-defined professions. "Business" is a rather more ambiguous word. One might wonder what it is in particular that ethics is being applied to.

The academic subject of business ethics could be said to focus on a number of levels. At its broadest level, it is concerned with the justification of economic systems. Questions about the ethics of capitalism might be raised, for example, or the consideration of whether profit can ever arise from behaviour defined as ethical. At the next level it is concerned with the structures and norms within a specific system, for example the laws and regulations which guide the activity of different parts of the system. Further attention is given to the main feature of these systems — namely, corporations, focusing on their structures, activities and responsibilities. Finally, there has been much discussion of the moral responsibilities and rights of individuals within those corporations. As corporations have expanded their operations overseas, especially into less developed countries, a large part of the business ethics literature has focused on issues arising from this. Commonly discussed issues relate to different cultures and moral values and the need for and possibility of universal codes of conduct.

We can conclude that business ethics is two things; first, ethics refers to well-based standards of right and wrong that prescribe what humans ought to do, usually in terms of rights, obligations, benefits to society, fairness, or specific virtues. Secondly, ethics refers to the study and development of one's ethical standards.

2.2 Online retailing ethics

The online retail market is growing rapidly, especially in the UK, and now covers a large assortment of products and services. Throughout this period e-retailers have had to ensure they offer consumers appropriate customer service and a pleasant online shopping experience, including the order fulfillment process. Wholesale and retail trade contributed 11.3% of total Gross Value Added in the UK economy in 2011. The retail industry, however, is subject to a number of pressures. These include changes in shopping habits and the decline of consumer confidence. In 2011, 2.9 million people were employed in the retail sector, accounting for 10.3% of employment. 1.1 million People were employed in the wholesale sector, accounting for 4.0% of all employment (Department for Communities and Local Government, 2012).

On the other hand, Egypt is the largest market in the Arab world. A population of more than 84 million citizens makes Egypt a lucrative market in the Middle East. About 42% of the population is under the age of twenty (Cairo Festival City hopes to capitalize on Egyptian retail sector, 2008). Cairo, Egypt's capital has about 17 million residents. Alexandria, the second largest city, has over 4 million people. *Egypt Retail Report* forecasts the country's retail sales to grow from EGP147.80bn (US$27.22bn) in 2010 to EGP208.37bn (US$38.37bn) by 2014 (Egypt Retail Report Q4 2010).According to the Al-Futtaim Group, there will be an increase in per capita income by 7.2%) between 2007-2014. This will lead to an increase in demand for luxury products and necessitates more modern retail technology. This shift will attract the attention of international brands for the Egyptian retailing market. Egypt's GDP was US $226 Billion in 2010. Between 2010 and 2014, GDP per capita, is predicted to rise by 63.9% to U.S. $4,463.

The ethics of online retail practices is an understudied phenomenon in general (Palmer, 2005; Sama and Shoaf, 2002), yet consumers' concerns regarding ethical issues surrounding online shopping continue to rise (Kimery and McCord, 2006). As previously discussed, the topic of online retailing is still an under-researched area. In what follows, we summarize the results of the empirical studies that specifically address ethical issues related to marketing on the Internet (please see table 1). Table1 summarises prior studies on ethical issues and shows subject areas, purposes, factors, and results, the ethical issues in electronic commerce especially online retailing has not yet been fully examined. This study on B2B and B2C ethics can be used to understand the ethical issues which can confront the customer and retailers as well as its effect on customer satisfaction as well. Based on the prior studies this study will focus on some ethical issues in E-commerce such as (Privacy, Security, Non-deception, Fulfilment/reliability, Social responsibility). Roman, (2007) pointed out that there is a positive relationship between e-retailers ethics (Privacy, Security, Non-deception, and reliability) and customer satisfaction. And Yoo and Donthu (2001) found that consumers' perceptions of online security played an important Role in their satisfaction. Further evidence from Wolfinbarger and Gilly (2003) revealed that fulfilment/reliability was positively related to consumer satisfaction. While researchers have considered the impact of CSR by innumerable number of factors, including word of mouth, customer loyalty, their attitudes, their intentions, customer's emotional attachment, shopping in-store, and brand identification, very few studies have considered the relationship between customer satisfaction and CSR. Luo and Bhattacharya (2006) investigated Fortune 500 companies, concluded a direct link between CSR and customer satisfaction. Their study concludes that customer satisfaction is mediated by the relationship between CSR and firm market value. That is, the incorporation of the customer satisfaction construct diminished to non-significance as the effect of CSR on market value. (Fisher et al., 1999:157). Found that ethical attitudes also create customer satisfaction and it is a key factor that helps organizations to have long-term success. According to Lagace et al. (1991), a salesperson should not disclose false information to influence a customer. Once the customer learns the truth, their trust and satisfaction will be lost. On the contrary, if the salesperson provides correct information, then the customer will feel more satisfied with the service and the trust and satisfaction will be followed by word-of-mouth recommendations. Therefore, it is clear that the positive ethical sales behaviour will decrease the transaction costs that result from false information and thus have a positive effect on customer satisfaction.

Table 1 Ethical issues related E-commerce ethics.

Study	Area	Purpose	Factors	Results
Culanan (1993)	E-commerce	To examine ethical issues of consumer privacy on the Internet	Data sharing, trespassing loss of anonymity, direct marketing, unintended use of data	Data sharing, trespassing, loss of anonymity, direct marketing, unintended use of data. Privacy
Caudill and Murphy (2000)	E-commerce	To examine both historical and conceptual analyses of privacy	Privacy, security, trust	Privacy, security and trust. Growth of E-Commerce
Bart et al., (2001)	E-commerce	To develop a conceptual model that links web site and consumers characteristics, online trust, and behavioural intent.	Privacy, security, fulfilment	Privacy, security, and fulfilment. Consumer trust towards the website
Gauzenet and Ranchhod (2001)	E-commerce	To develop a model of ethical interactivity with consumers.	Notice, Choice, Contact, Security, Access	Notice, choice, contact, security, and access. Ethical interactivity

Study	Area	Purpose	Factors	Results
Fraanzak et al., (2001)	E-commerce	To explore issues surrounding the protection of consumer privacy	Privacy, Cookies	Cookies. Privacy
Maury and Kleiner (2002)	Online retailing	To investigate ethical issues in electronic commerce.	Privacy, Intellectual property	privacy, and intellectual property. Growth of E-commerce
Menestret et al (2002)	E-commerce	To present a case and its development up to the decision of yahoo.	privacy	E-ethics.Media crisis
Sama and Shoaf (2002)	E-commerce	To examine the advent of the web as a critical media tool in the promotion and sale goods and services to consumers.	Privacy	Privacy. Consumer welfare
Beltramini (2003)	E-commerce	To provide a brief overview of the application of the "FTC" lesser known unfairness doctrine as a potential frame work for better understanding emerging privacy and e-commerce issues.	Privacy, Trust	Unfairness doctrine. Protecting consumer privacy
Beltramini (2003)	E-commerce	To investigate the relative importance of three types of web site attributes : privacy, security, and trust	Privacy, Security, Trust	Privacy, security, and trust. Willingness to give private information.
Mukherjee.and Nath.(2003)	Online retailing	To develop a model of trust in online relationship banking.	Shared value, Communication, Opportunistic behaviour, Trust, Commitment	Shared value, communication, and opportunistic behaviour. Trust. Commitment
Siplor et al (2004)	E-commerce	To examine ethical issues of consumer privacy on the internet.	Loss of anonymity, Data sharing, Direct marketing, Unintended use of data	Loss of anonymity, data sharing, direct marketing, and unintended use of data. Privacy
Palmer (2005)	E-commerce	To examine some practices associated with marketing on the internet.	Pop-ups, Cookies, Spam	Pop-ups, cookies, and spam. Privacy. E-commerce

Study	Area	Purpose	Factors	Results
Pollach (2005)	E-commerce	To examine privacy policies from a linguistic angle to determine whether the language of these documents is adequate communicating data-handling practices in a manner that enables informed consent on the part of the user.	Privacy, Trustworthiness	Privacy and trustworthiness. Privacy policies. Mitigate unethical data handling practices.
Roman (2007)	Online retailing	To develop a reliable and valid scale to measure consumer's perceptions regarding online retailing ethics.	Privacy, Security, Non-deception, Fulfilment/reliability	Privacy, security, non-deception, and reliability. Customer satisfaction and trust
Roman and Cuestas (2008)	Online retailing	To examine the consumer's perceptions regarding online retailing ethics.	Privacy, Security, Non-deception, Reliability	Consumer Internet expertise. Privacy, security, non-deception, and reliability. Customer word of mouth
Limbu., et al (2011)	Online retailing	To examine the effects of consumer's perceptions concerning the ethics of online retailers on web site satisfaction and loyalty.	Privacy, Security, Non-deception, Reliability	Privacy, security, non-deception, and reliability. Customer loyalty
Nardal and Shin (2011)	Online retailing	To measure the perceptions of consumers regarding the online retailing ethics.	Privacy, Security, Non-deception, Reliability	Privacy, security, non-deception, and reliability. Customer satisfaction
Senthikumar., et al (2011)	Electronic banking	To explore the perception of the customer on corporate social responsibility in banking service.	Corporate social responsibility	CSR. Customer satisfaction
Shahazi. et al (2011)	E-commerce	To examine the factors influencing consumer's perceptions of online shopping.	Privacy, Reliability	Privacy and reliability. Shopping online
Yam B and Limbu (2012)	Online retailing	To examine the effects of consumers' perception of online retailers' ethical behaviour on consumer purchase and revisit intentions.	Perceived Ethics, Trust	Perceived ethics. Consumerisms' trust and attitudes. Purchase and revisit intentions

From the literature in table 1 it is clear that no study in online shopping ethics has applied the transaction cost theory. Consequently, the understanding of transaction cost theory application to online shopping ethics is not comprehensive. We take a first step into the application of transaction cost theory in online retailing ethics. Second, existing online shopping ethics studies combine privacy

and security concepts into one dimension (Parasuraman et al., 2005; Wolfinbarger and Gilly, 2003; Yang et al., 2004). For example, Wolfinbarger and Gilly (2003, p. 193), who developed the etailQ scale, argue that one of its four dimensions, security/privacy, is' 'security of credit card payments and privacy of shared information. In this study we distinguish between privacy and security. Third there is no study examined the effect of external ethics (corporate social responsibility) on customer satisfaction through the perceived confidence benefits. In this study we take a first step into examining the effect of corporate social responsibility on customer satisfaction to enhance our understanding for this area.

In short, prior research has identified privacy and security as the most important ethical concerns of Internet consumers. This study will focus on privacy, security, reliability, non-deception, and social responsibility. The ethics of online retailers is a multidimensional construct composed of five dimensions: security, privacy, non-deception, reliability and corporate social responsibility. Security refers to consumers' perceptions about the security of the online transaction (i.e., the safety of the payment methods) along with the protection of financial information from unauthorized access. Privacy, on the other hand, refers to consumers' perceptions about the protection of individually identifiable information on the Internet. Fulfilment/reliability is related to the accurate display and description of a product so that what consumers receive is what they thought they ordered, as well as the delivery of the right product within the frame promised., non-deception refers to the extent to which the consumer believes that the online retailer does not use deceptive or manipulative practices with the intent to persuade consumers to purchase the website's offerings. This dimension focuses on consumer's perceptions of online retailer's deceiving/misleading practices, rather than on the act of deceiving itself. Finally, social responsibility is a liability or ethical responsibility towards society as well- the socio-economic view.

2.3 Customer-perceived confidence benefits

Gwinner et al. (1998) developed three types of relational benefits, including confidence benefits, social benefits, and special treatment benefits. Among these, confidence benefits are the most critical factor in the service encounter. Some researchers have pointed out that confidence benefits, stemming from the trust in the service provider or the confidence in the provider's reliability and integrity, describe the risk reduction in the process of transactions (Morgan and Hunt 1994). In addition, consumers prefer choice reduction (Sheth and Parvatiyar, 1995); and confidence benefits may be earned by facilitating decision-making and simplifying the choice-making process (Gwinner et al., 1998).

This study is mainly from the customer perspective, based on the theory of transaction cost, to investigate the confidence benefits which customers perceive from the elimination of opportunistic behaviour and reduction of the anxiety caused by uncertainty, and the effects of these benefits on the customer relationship. According to Gwinner et al. (1998), confidence benefits are feasible for high-contact, customized, and personal service sectors. In this study we examine the role of perceived confidence benefits as a mediator between online retailing ethics and customer satisfaction. According to the study of Gwinner et al. (1998) on relational benefits, customers will feel satisfied and develop loyalty if they perceive benefits from the service encounter

2.4 Buying frequency

The frequency dimension has received limited attention in the TCA literature. Prior researchers have been largely unsuccessful in confirming the positive association between transaction frequency and hierarchical governance structure or transaction costs (Rindfleisch & Heide 1997). For instance, Pilling et al. (1994) has found frequency is unrelated to transaction costs. Some researchers have considered frequency as a dichotomous phenomenon (one-time versus recurring transactions) and thereby control for frequency by examining only recurring exchanges (John & Weitz 1988; Klein, Frazier & Roth 1990; Rindfleisch & Heide 1997).

Noordewier et al. (1990) defines frequency as the frequency of order issued by the buyer in its study of industrial supplier and buyer relationship. In a similar study, Pilling et al. (1994) defines frequency as the volume of transactions processed.

In this study, the buying frequency refers to how often the consumers turn to the online channel for purchase. Recurrent transactions enable consumers to gain knowledge and experience which have the effect of mitigating the perceived transaction costs. Previous study by Teo and Yu (2005) has found a negative relationship between buying frequency and perceived transaction cost. If consumers have high online buying frequency, they are likely to continue adopting the online channel for purchase, reason being their knowledge and experience gained may have the effect of reducing the perceived transaction costs. In this study we examine the role of buying frequency as a mediator between online retailing ethics and customer satisfaction.

2.5 Customer satisfaction

Customer satisfaction refers to the consumers' post-purchase comparison between pre-purchase expectation and performance received (Oliver, 1980). In this research, consumer satisfaction is defined as the satisfaction of consumers with the web sites of online retailers.

We expect that the online retailing ethics will have a positive influence on consumer satisfaction. From a theoretical perspective, drawing on the expectancy disconfirmation paradigm (e.g., Oliver and DeSarbo, 1988), consumers make a comparison between product expectations and performance that will result in either confirmation or disconfirmation. Customers' expectations are confirmed when product performance exactly meet expectations. Positive disconfirmation occurs when product performance exceeds prior expectations, and negative disconfirmation occurs when expectations exceed performance. Confirmation and positive disconfirmation will be likely to result in satisfaction. Customer expectations regarding the product are highly dependent on the information displayed at the site (Coupey, 2001).The higher the ethics of the website, the more likely that it provides realistic expectations about the product. This may result in confirmation or even positive disconfirmation between expectations and product performance, thus resulting in customer satisfaction with the website.

2.6 Cost transaction theory

The basic concept of transaction cost theory was posed in Ronald Coase.s classic paper, "Nature of the Firm" (1937). He considered that the governance structure of both firm and open market are opposing alternatives, and that which alternative is chosen depends on the transaction cost. Transaction cost analysis is used to find the optimal governance structure. Williamson (1981) extended Coase.s study and pointed out that the assumption of transaction cost is based on the bounded rationality and opportunism. Bounded rationality implies that any individual in an organization has limited competence to solve complex problems and process information; hence, the uncertainty exerted from bounded rationality resulting in incomplete purchasing process and will increase costs (e.g information searching and monitoring).Opportunism implies that the other party will probably lie, steal, cheat, and play tricks for its self-interest; thus the related costs for such opportunistic behaviour will increase the transaction costs related to the information searching, wasted time, monitoring and the opportunity cost.

Uncertainty arises from the difficulty in predicting the actions of the other party in the transaction due to opportunism, bounded rationality, and asymmetry of information Williamson, O.E. (1981) and Williamson, O.E. (1985) A high level of uncertainty is likely to increase transaction cost because both parties in the transaction spend more time and effort in searching for products and vendor related information as well as in monitoring the transaction process.

Ganesan (1994) pointed out that hazards of opportunistic behaviour will occur, when a buyer-seller relationship cannot be easily terminated with an incomplete contract. But, if trust exists between the two parties, opportunistic behaviour would be eliminated. In other words, trust will reduce opportunistic behaviours and lower the risk due to opportunistic behaviour. Thus, the related

transaction cost will be reduced in the exchange relationship, and when the confidence benefits are perceived, the possibility of long-term relationship will be raised. From the customer's perspective of confidence benefits, the costs related to information searching, negotiating, and monitoring will decrease while customer has confidence in the e-retailing ethical sales behaviour. Once customers perceive the confidences benefits from cost reduction, the positive effects on satisfaction would occur. Therefore, transaction cost theory could be used to explain the relationship in which e-retailing ethics is an antecedent of confidence benefits perceived by customers, and where customer satisfaction is its outcome variable.
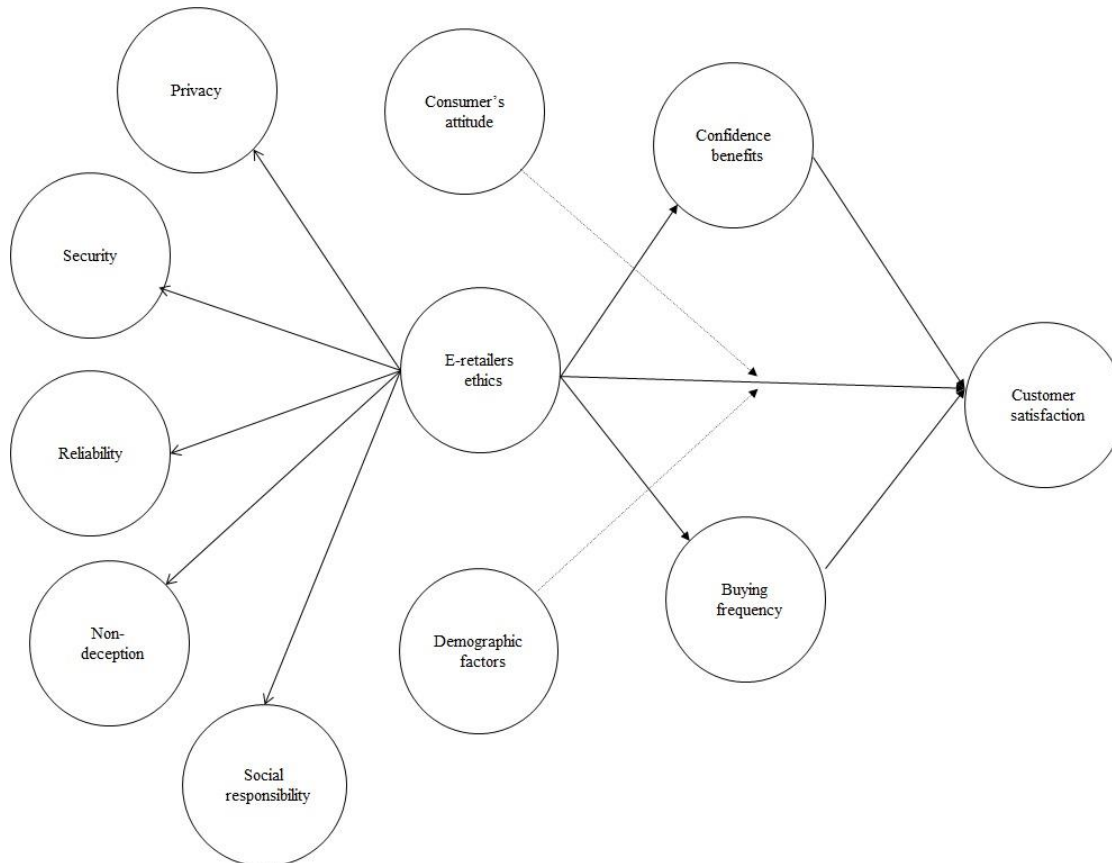

Figure 1. Research model

3. Research model

The online retailing ethics is still an under-researched area, and consequently, there are some models. In what follows, we review the general marketing/business ethics models developed in the literature. Then we summarize the results of the empirical studies that specifically address ethical issues related to marketing on the Internet. Finally, we focus on specifying this model as integrated model which enables the e-retailing stores to deal with these ethical issues related to marketing on the Internet. In this model we will indicate the effect of e-retailers ethics (privacy, security, non-deception, reliability and social responsibility) on customer satisfaction by the customer confidence benefits and customer perceived value as a mediator as in Figure 1.

4. Research methodology

This study is based on an intensive examination for the literature review to develop the research framework. The researches as well used observation for both B2B and B2C business to in order to develop and build a conceptual framework for ethics in e-business organisations.

5. Conclusion

This study investigates the effect of online retailing ethics on customer satisfaction, and the role of customer confidence benefits as a mediator. Based on the literature review most of prior studies focused on privacy and security and neglected others issues such as (reliability, non-deception, and social responsibility, as well as there is no empirical study has been found that examined the corporate social responsibility as an ethical issue in the context of the online retailing ethics (see table 1). Therefore we advise the online retailers to behave ethical with their customers and take into their account the social responsibility as an ethical issue, as well as to attempt to increase the impression of trustworthiness. This could increase consumer satisfaction.

6. Contributions

This study contributes to the field of online retailing ethics differently. Firstly, the current study presents an initial attempt to apply the transaction cost economy framework to the online retailing. Although a number of studies have applied TCE to explain the rise of e-commerce and cost savings in e-commerce (Malone *et al*, 1987; Morton, 2006), very few studies (Liang and Huang, 1998; Teo and Yu, 2005) have investigated empirically the consumer's acceptance of online shopping from a TCE perspective. No empirical study has been found that examined this issue in the context of the online retailing ethics. This study demonstrates that customers' satisfaction of online retailing can be measured using a TCE approach. Finally, we take a first step into the analysis of the influence of e-retailing ethics from the view point of organizational and environmental ethics on customer satisfaction and the role of customer's attitudes as a moderator between the e-retailing ethics and customer satisfaction.

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