

E-Commerce Business Ethics Case Studies

Case 4

Introduction

In this case you'll explore ethical decision making and current issues in e-commerce as you follow the developments of E-Kin -- a company started by college students. As E-Kin grows and delves into the world of e-commerce, the founders and executives encounter some tough decision making.

To begin working on this case, review the following sections:

- **Company Background Update**
- **Employee Biographies**
- **Case Scenario**

Next, review the **Case Questions**. Your instructor will assign you to one or more questions. Your instructor will also let you know how to submit your work.

Company Background

(Note: See Case 1 or Case 2 for information about the founding of E-Kin.)

E-Kin's Recent Developments

It has been two years since E-Kin's Initial Public Offering (IPO) and its launch into e-commerce. E-kin has been very successful. Brick-and-mortar storefronts are now located at several universities in the United States. E-business from across the world has soared.

Web design issues have become essential to E-Kin and a new Vice-President of Market Revenue and Web Design has been hired. The VP has control over the final E-Kin web design but uses WebRUs to actually plan, build and host the E-Kin sites.

Other new positions include a Vice-President of Human Resources, Corporate Counsel, Promotions Marketing Associate, Controller, CFO's secretary, Market Researchers, Computer support staff, and other regular employees.

E-Commerce Business Ethics Case Studies

Case 4

Employee Biographies

ORIGINAL FOUNDERS

CEO: Slim Pickens Age: 46	
Awards:	Honorable Mention Ribbon "Cutest Dimple Contest"
Education:	B.A. International School of Music, Oslo Norway. B.S. Stamford University, Stamford CT. MBA Place University
Work History:	Playwright for the production of "I am no stranger than the next guy". U.S. Dept of Transportation, Originator of luminous print for Road signs. Bar and Grille owner, opened the first Road-Kill Café in Butte, Montana. Creative writer, coined the phrase "You know you're a red neck when...".
Notable experience:	Slim Pickens is an entrepreneur, having developed a number of businesses over the years in a variety of industries. He is independently wealthy and works because he enjoys start up operations. He generally moves away from the business once it is up, running and self-sustaining. He enjoys mentoring younger associates, a selfless man seldom taking any credit himself for his contributions to their success. Slim is an experienced performer having worked his way through school as a member of the barbershop quartet, Holy Moses, playing such memorable tunes as, "Please help us part the sea" and "I'd rather be an angel". Slim suggested the formation of the E-Kin operation while at a basement party with his future partners, while in a meditative state and enjoying Bob Marley tunes.

Sales/Marketing Director: Ken E. Sellit Age: 33	
Vices:	Compulsive-perfectionist who does everything to the extreme
Hobbies:	Avid golfer and extreme skier
Awards:	Toastmasters Most Improved Award Zig Ziglar Most Improved Award Dale Carnegie Most Valuable Student Kiwans Citizen of the Year Rotary Man of the Year
Education:	Undergraduate degree from the University of Colorado MBA – Place University
Marital Status:	Married with 7 children (11, 9, 7, 5, 3, twins – 18 months)
Work History:	Front Range Auto – Boulder, CO Part/time Car Salesman Republic Software – Boulder, CO Software Salesman Grade A Heifer, mail order steak and liver shop, Omaha, NE, Director of Sales & Marketing. Currently is Sales/Marketing Director for E-Kin: 2 full/time sales people located in Omaha, NE; and Lincoln, NE and 5 part/time sales people located in Ann Arbor, MI; Iowa City, IA; Ames, IA; Austin, TX; and Miami, FL.

Vice President of Production: Jennifer Valley Age: 27	
Hobbies:	Golf, volleyball, bicycling
Education:	B.S. University of Iowa, emphasis in Management Information Systems MBA, Place University
Work History:	Systems Analyst, Mutual of Perkins When E-Kin started Jennifer was in charge of both Production and Information Technology. These tasks became an overwhelming responsibility, so 9 months ago E-Kin hired Cam as the new CIO. Jennifer is currently still responsible for all of the production decisions that are made, but is no longer the key player with regards to Information Technology at E-Kin.

E-Commerce Business Ethics Case Studies

Case 4

EXPANSION TEAM

CFO: Won Dour Trump Age: 34	
Hobbies:	Gambling, prairie dog hunting, sailing with no moon, and body surfing
Awards:	Pine wood derby champion Voted most likely to fail – High School Class of 19xx, Entrepreneur of the Year (Business Magazine)
Education:	BS in Accounting from the University of Nevada Las Vegas MBA from Central Idaho State
Marital Status:	Currently single, divorced while in Cancun
Work History:	Founder of The Blooming Onion Machine Company (CEO/CFO), Boise, ID Sun Beach Resort, Cancun Mexico – Bartender, Returned to the states to pursue career. Current Position: CFO E-Kin

CIO: Cam Crawford Age: 27	
Vices:	None, I'm perfect.
Hobbies:	Baseball, golf, and playing the drums
Awards:	Named Texas Male Athlete of the Year Outstanding Drummer award from the Bammies Rookie of the Year Award from IBM Student of the Month
Marital Status:	Married, wife's name is Cindy.
Education:	BS Creighton University MBA Creighton University
Work History:	IBM Contractor Currently CIO for E-Kin

Customer Service/Distribution Manager: Maria Whinnor Age: 35	
Vices:	Perfectionist - Always trying to please to serve/deliver the product on time Determination - never a quitter (despite my last name) Dependable - you can always count on Maria to stay until the job is done - which explains why I'm still single (but I'm not whining)
Hobbies:	Bike Riding, Volunteer at Humane Society, cleaning up cat hair
Awards:	Community Service awards for Humane Society Service Award for Lack of Whining
Interests:	Cat Lover - own two cats or maybe they own me. Development of a line of custom T-shirts for dogs and cats - old college professor came up with the idea. Customer behavior during full moon phases (Why do calls increase at this time?) Time for "whiners" to come out.
Marital Status:	Single (still trying to balance work and play but I'm not whining)
Education:	BA in Marketing Pennsylvania State University (great mascot) MBA Creighton University
Work History:	Quality Assurance for "Foods are Us" specializing in consumer complaints (10-years experience with dealing with satisfied and dissatisfied customers). Current Position: Customer Service/Distribution Manager for E-Kin

E-Commerce Business Ethics Case Studies

Case 4

EXPANSION TEAM (continued)

Purchasing Director: Eric Zachary "EZ" Cash Age: 45	
Vices:	Meticulous, penny pincher. People call him "Cheap" behind his back. Wears outdated clothes and says no to almost everything, a true pessimist.
Hobbies:	Antique, stamp, and coin collector. Golfs when others pay his way. Computer "Geek".
Awards:	Regional "National Association of Purchasing Managers" Ethical award recipient Nebraska's Cheapest Man of the Year (given by his coworkers)
Education:	Undergraduate degree from Wayne State College MBA – University of Nebraska Omaha
Work History:	Buyer for AT & T Purchasing Manager at Computer World, Inc. Current Position: Purchasing Director for E-Kin, 1 purchasing clerk located in Omaha, NE, 1 full time buyer located in Omaha, NE.

External Consultant: Noah Tahle Age: 35	
Vices:	Mint chocolate-chip ice cream.
Hobbies:	Membership with an exclusive gym that he never uses. International travel.
Marital Status:	Divorced, two kids ages 4 and 6.
Education:	B.A., Dartmouth College, Hanover, NH M.A., Oxford University, Mansfield College, Oxford, England.
Work History:	Worked for large International public accounting firm providing business development and risk management services to clients. Worked in Strategy and Product Development department of large US retail company with traditional retail outlets and extensive catalog sales. 1998- present: Established partnership with Bob Talze and created business consulting firm (Tahle-Talze Consulting). Emphasis is on small/medium size business development and e-commerce.

CASES 3 & 4 – NEW EMPLOYEES

VP of Human Resources: Ken "Full of" Wisdom Age: 51	
Vices & Hobbies:	Ice cream, eating lobster, and sailing his boat. Is from the "old" school and likes doing things by the book
Awards:	3 time Dixon County miniature boat racing champ as a teenager 1st Runner Up at Big Lake's Annual Boat Race National HR director of the year while working at Cones-R-Us. Ken was recognized for his implementation of innovative hiring practices, a significant decrease in employee turnover rates, and overall improvements in employee relations.
Education:	Undergraduate degree - University of Texas MBA from Cal-Berkley
Work History:	Worked as insurance sales agent at Hope Insurance Company Manager of HR at StockWatch Investment Corporation Director of HR at Cones-R-Us where his hiring methods and high worker satisfaction levels received national attention. Director of HR at Kizo.com until its bankruptcy. Present VP of HR at E-Kin. Was hired for his ability to improve the quality of workers and that was his mission at E-Kin.

E-Commerce Business Ethics Case Studies

Case 4

CASES 3 & 4 – NEW EMPLOYEES (Continued)

VP of Marketing Revenue & Web Design: Rich Monny Age: 41	
Birthplace:	Denver, Colorado
Awards:	Winner of "the real man" contest at Big Jims Steakhouse, for eating a 20 oz. Porterhouse in less than five minutes. Winner of the Gold Cup for most improved physique at Ron's Power Builder Gym.
Education:	B.S. MIT Boston, Massachusetts MBA Penn State University, Pennsylvania
Work History:	Vice President and Manager of Marketing Revenue, E-Kin Project Director, Macrosoft International Marketing Manager, BrightIdea Advertising MIS Operation Manager, BrightIdea Advertising Contract Analyst Computer Operation, State of Pennsylvania
Notable Experience:	As a marketing manager Monny closed an exclusive advertising deal with Macrosoft extending their relationship five more years. Monny developed a third party advertising scheme that resulted in substantial cost savings to E-Kin.

Corporate Counsel: Andy Lance Chaser Age: 36	
Vices:	Some say he is too cautious Wild Turkey
Hobbies:	Ice Skating, Gardening, Bird Watching, Magnum 44 Gun Club
Awards:	Won T-shirt for eating 64 oz steak in 1 hour Illinois State Penitentiary student/inmate of the year
Marital Status:	Married with three children
Education:	G.E.D. Peru State College Harvard MBA East Central Northern California University School Of Law
Work History:	Founder of several S&L's Professional Sports Agent Broker for Paine Webber Private Practice Attorney Present: Corporate Counsel for E-Kin

Controller: Beth Bleedingheart Age: 40	
Birthplace:	Chicago, IL
Hobbies:	Watching TV, Bowling, Playing softball with her two boys, Reading Egyptian mythology, and trading stocks over the Web.
Education:	Undergraduate from University of Iowa MBA from University Of Nebraska in Lincoln
Work History:	Been an independent accountant for 8 years. Beth is a very sharp accountant. She has had a accounting firm of her own. She sold her firm and joined E-Kin to lessen the pressure of being the owner of a company.
Awards:	Zap Award for the best accountant of the year

CFO's Secretary: Cathy Freeman Age: 52	
Hours:	Part Time

E-Commerce Business Ethics Case Studies

Case 4

Family Status:	Married, mother of three children
Education:	B. A. University of California at Berkeley (Elementary Education)
Professional Background:	Taught second grade in a classroom without walls Quit to raise a family Started on with E-Kin to keep busy after she and her husband became empty nesters.
Hobbies:	Watching HGTV (Yes -- my fav hobbie, too!) Worrying about her children Gossiping over Saturday brunches at Panera Bread Company Just took up golf
Membership:	Oprah's Book Club

Marketing Associate: William Whistle Age: 24	
Birthplace:	Mitchell, Nebraska
Awards:	Received the "Best Ride" award at the Sanders County Fair greased sow competition, 350 pound weight class. At the same fair, he achieved a new record for most natural casing wieners balanced on the forehead while singing the national anthem.
Education:	B.S. Agra-business, University of Agriculture at Mitchell SMAW certified Apprentice Plumber
Work History:	Head herdsman while working at Lonelyfellows ranch. Two year internship at the Mitchell, H&R Brick accounting firm, where he became the local expert on farm subsidies and estate taxes.
Notable Experience:	William is an avid square dancer who also tailors his own original costumes. His dream is to have E-Kin sponsor his tour on the national square dance circuit. He is a member of Toastminors National a renowned public speaking club where he attained the lofty status of Croissant Roll. This public speaking achievement is not usually awarded to one so young.

Promotion Marketing Manager: Shep Shearman Age: 35	
Birthplace:	Bloomberg, Colorado
Awards:	Won MVP and lead the USA to a Kickball World Championship against Canada
Education:	B.S. UCLA, California MBA University of Colorado, Colorado
Work History:	Promotional Marketing Manager, E-Kin Marketing Associate, Lidman & Lidman Advertising Promotional Manager for the Professional USA Kickball team Professional Kickball Player for the USA National team
Notable Experience:	As a first year associate with Lidman & Lidman Advertising, Shep landed the largest advertising contract in the company's history with AnythingGoes.com.

Marketing Researcher: Doug DePier Age: 28	
Hobbies:	Reading, hacking the Internet, gaming, and gourmet cooking
Marital Status:	Currently single, no prospects on the horizon
Education:	BS in Marketing from Coe College MS in Statistical Analysis from M.I.T.
Work History:	Market Researcher for Ford Motor Company Statistician at Northwestern Mutual Life Insurance. 6 mos. for computer trespassing in a minimum security prison

E-Commerce Business Ethics Case Studies

Case 4

CASES 3 & 4 – NEW EMPLOYEES (Continued)

Marketing Researcher: Numberg Cruncher Age: 29	
Vices:	Perfectionist and knows all career statistics for all professional baseball players.
Hobbies:	Computer and video games, computer equipment shopping
Marital Status:	Engaged to be married – but single for now
Education:	BS - Statistics and Mathematics – Counting College MS - Statistics – University of Nowhere (UN)
Work History:	Associate Statistician for AT&T Research Specialist for Yahoo!

Computer Support Staff: Lanette Ware Age: 24	
Vices:	Procrastinator, right down to the wire
Hobbies:	Scuba diver and pianist
Marital Status:	Engaged to be married in Hawaii in six months
Certifications:	Novell CNE Microsoft MCSE Microsoft Windows 2000/NT
Education:	Associates in Computer Electronics Currently working on Bachelor's in Computer Science
Work History:	Interned at local computer repair store Dell, built PC's and laptops

Employee: Ima S. Lacker Age: 27	
Vices:	Very hard worker, when he has to, otherwise he plays a lot of solitaire. Rarely uses his own initiative.
Marital Status:	Single (too lazy to go out)
Education:	BS in Computer Science, University of Nebraska at Kearney
Work History:	Free Software Foundation (FSF), Programmer Sitel, Customer Service Rep

E-Commerce Business Ethics Case Studies

Case 4

Case Scenario

When Marketing and Privacy Collide: Buying a Customer Database

Background:

E-Kin has expanded its businesses and is growing exponentially. Their process for delivering custom-designed team and individual sportswear over the Internet has allowed them to establish a niche in the market with a unique product marveled by the competition.

E-Kin wants to capitalize on this present position, so Ken E. Sellit, the Sales and Marketing Director, has decided to look for a way to obtain a new foundation of customers quickly so they can use this unique process and capitalize on consumer interests.

Ken E. Sellit discovers a relatively new company, Kobeer, Inc. They are an Internet startup company with a very similar market base. Ken E. Sellit convinces the Marketing department to purchase the customer database from Kobeer. This purchase requires the expense of 75% of E-kin's annual marketing budget. However, the team feels it is a good investment that allows E-kin to penetrate a new customer base quickly. They purchase the list.

Issue:

Within one week of the first mailing, E-kin begins to receive complaints from people wanting to be taken off of the list and wanting to know how they got on the list in the first place.

This issue is sidetracked by the excellent return they are seeing. The list alone has brought a 10% increase in new customers in the first week.

However, the complaints still keep coming. Now this has the attention of Ken E. Sellit. He decides to look into the problem and contact Kobeer. To his surprise Kobeer is now defunct. They have declared bankruptcy and the company assets have been sold off.

With no recourse on how the list was obtained by Kobeer, Ken and several of his top researchers begin their own investigation. The team sampled 2% of the database during the span of two weeks. They discovered that the consumers on the list never gave permission to have their personal information used for marketing or sales purposes.

Although he can not accurately confirm this, but Ken believes that Kobeer gathered the customer information through an illegal tracking mechanism. He suspects that Kobeer compiled the list by using customer financial transaction history and they illegally obtained credit reports in order to determine the financial health of each customer before marketing their specialize products. This was all done without customer consent.

E-Commerce Business Ethics Case Studies

Case 4

Case Questions

First read the Case Study Scenario and other materials located above. Then, think about the questions below. Your group should not attempt to answer each question. Your instructor has assigned each group one or more questions.

Discuss these issues with your group. Decide on your answers. Find a Web resource that supports your answer(s). Choose a group member to submit your group response (along with the URL of the Web resource).

1. Should E-kin continue to use the list of names knowing that permission was never granted to use the information? (Note: The list has proven to be of great business value, both in potential returns and in the money spent to obtain the list.) Is this an issue of security or privacy? Who is the responsible party? Defend your answer.
2. Is E-Kin ethically responsible for the use of the database, knowing that Kobeer outright deceived them? Is this an issue of security or privacy? Who is the responsible party? Defend your answer.