Development of a Framework on Ethical Issues Based on Complaint Data about Electronic Commerce

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VITA

Ashhan Nasir was born on January 23rd, 1973 in Istanbul. She has graduated from Özel Bilgi Lisesi in 1990 and has attended the Economics (English) Department of Istanbul University between 1990-1994. She began to her MBA at Istanbul University, and graduated from the International Management department in 1997 after completing her master thesis about "İş Hayatında ve Yönetimde Kadınlar: Banka Sektöründe Çalışan Kadınlar Üzerine Bir Araştırma" (Women in Business and Management: A Research on Women Working in the Bank Industry). In 2000, she started her doctoral studies in the field of marketing at the Management Department of Boğaziçi University. She has worked as a research assistant at the Management Department between 1998-2001.

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ABSTRACT

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Ethical business practices of a company create a relationship, which depends on
trust and confidence, between the consumers and the company, and provides
mutually rewarding consequences. However, since the electronic commerce (e-
commerce) is a new business model it does not have adequate ethical standards.
Consumer complaints about on-line stores are an effective tool for exploring and
analysing the ethical risk areas of e-commerce. Therefore, in this dissertation, it is
aimed to develop an ethical framework by exploring the potential ethical issues about
on-line stores based on the consumer complaints in United States of America (USA)
and in Turkey.

In this study, first an in-depth literature review about business ethics, and the
basic literature about consumer complaint behavior are presented. The objectives of
the empirical research are:

• to find out the complaining tendency of American and Turkish consumers,

• to find out the frequency distribution of complaints among on-line businesses
  and among on-line stores,

• to identify the major complaint areas about on-line stores, and to explore
  whether there are any differences among on-line stores regarding the type of
  complaints that they receive,

• to classify the complaint areas, and
• to describe the feelings and attitudes of complainants.

This is an exploratory research, which collects secondary data from the complaint web sites both in USA and Turkey. From USA 4019 complaint letters, and from Turkey 80 letters have been content analysed in order to detect the potential ethical risk areas. It is found that the Turkish complaints show an increasing tendency, while US complaints exhibit a peak point at 2001. There are differences between USA and Turkey about the distribution of complaints among on-line businesses and about the variety of on-line stores. In USA, complaints about Internet service providers constitute majority of total complaints, while in Turkey complaints about on-line stores compound the majority of complaints. In USA, there are 18 different store types, whereas in Turkey, there are only nine store types. It is found that there are 96 different complaint areas; and they are classified under 11 complaint categories through the content analysis process. After describing the feelings and attitudes of consumers through a series of research proposals, an ethical framework for e-commerce is presented. The study ends with the implications for consumers, for business managers, for legal and governmental entities, and for academia.

This dissertation contributes to the literature in multiple ways. First of all, this study is unique, since it employs all the available on-line complaints as a tool to develop an ethical framework. Secondly, this thesis is one of the initial studies in the field of business ethics and electronic commerce. Finally, this is an interdisciplinary study, which contributes to business ethics literature as well as to literature on complaint behavior and electronic commerce.
KISA ÖZET

Elektronik Ticaret ile İlgili Şikayet Verilerini Baz Alarak Etki Sorunları Hakkında Bir Çerçeve Geliştirilmesi

Aslıhan Nasır

Bir firmanın etik iş prensipleriyle çalışması, firma ve müşteri arasında güven dayalı bir bağ oluşturur, ve her iki taraf için tatmin ötesi yararlı sonuçlar sağlar. Ancak elektronik ticaret (e-ticaret), henüz yeni bir iş modeli olduğundan yeterli etik standartlardan yoksundur. Türk tüketicilerin on-line mağazalar hakkındaki şikayetleri, e-ticarette etik risk taşıyan alanların saptanıp, analiz edilmesinde etkin bir araç olarak kullanılabilir. Bu bakımdan, Türkiye ve Amerika Birleşik Devletler’indeki tüketicici şikayetlerinden yola çıkarak, on-line mağazalara yönelik potansiyel sorunlarla ilgili etik bir çerçeve geliştirmek hedeflenmiştir.

Bu tez çalışmasında, önce iş ahlakı ile ilgili derinlemesine, sonra tüketicici şikayet davranışları ile ilgili temel yazının taraması sunulmuştur. Ampirik araştırmanın amaçları ise:

- Amerikalı ve Türk tüketicilerin şikayet etme eğiliminin bulunması,
- Şikayetlerin, on-line iş alanları ve on-line mağaza türlerine göre frekans dağılımının belirlenmesi
- On-line mağazalar ile ilgili başlıca şikayet alanlarının saptanması, ve on-line mağazalar arasında karşılaştıkları şikayet türleri açısından bir farklılık olup olmadığını bulunması,
- Bulunan şikayet alanlarının sınıflandırılması, ve
• Şikayette bulunanların duyguları ve tutumlarının anlatılmasıdır.


Bu tezin literatüre çeşitli yönlerden katkıda bulunmaktadır. İlk olarak, etik bir çerçeve oluşturulmadık, ulaşılabilen tüm on-line tüketicilik şikayetlerini kullanması bakımından tek çalışmamıştır. İkinci olarak, e-ticarette etik iśl ahlaki hakkında yapılan ilk çalışmalardandır. Son olarak, iş ahlak, tüketicilik şikayet davranışları, ve e-ticaret literatürlerine katkılarından dolayı disiplinlerarası bir çalışmamıştır.
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I. INTRODUCTION

"The function within business firms most often charged with ethical abuse is marketing". (Murphy and Laczniak, 1981)

In the 21st century, the world is going through a series of developments in several different aspects of life, such as from business to genetics. The improvements in biotechnology and genetic engineering, the progression in space technology, technological innovations like the Internet, and the advances in electronic commerce and interactivity are among these developments. However, each of these developments contains ethical dilemmas. The emergence of powerful and complex technologies, globalisation, fierce competition and the sophisticated consumers are some of the major factors that are going to transform the whole business world. Moreover, these are the factors that lead to the increased importance of ethical issues in the business world. The absence of an ethical framework in most of the business fields, particularly in the newly emerging business areas such as electronic commerce and electronic business, genetic engineering, and biotechnology increases the crucial role of ethics and social responsibility.

In this introduction chapter, the contemporary developments in the 21st century, marketing in the 21st century, the ascension of business ethics and social responsibility, and the interaction of technology and business ethics are examined in order to have a general insight about the current situation. Finally, the objectives, research questions, and scope of the study are presented.

In the following section the contemporary developments in the 21st century is presented from different aspects of life; thus a general view can be obtained about the future trends awaiting the world as a whole.
1.1 The Contemporary Developments in the 21st Century

In this new age, the whole world is experiencing several developments in different aspects of life. Biotechnology, genetic engineering, micro-machines, space travel, interactivity and electronic commerce are among the developments which have been transforming our lives in fundamental ways. These contemporary developments have the capacity to alter entire industries and main composition of the society. But what make these developments more prevalent for the whole world are the following features of today’s dynamic environments:

- Deregulation
- Fierce Competition
- Globalisation
- Privatization
- Technological Revolution

According to George Washington University Forecast (Halal, 2000) the top 10 breakthroughs for the next decade are as follows:

1. Portable Information Devices
2. Fuel-Cell Powered Automobiles
3. Precision Farming
4. Mass Customization
5. Teleliving
6. Virtual Assistants
7. Genetically Altered Organisms
8. Computerised Health Care
9. Alternate Energy Sources
10. Smart Mobile Robots
The human beings are at a historical turning point where global and technological events are reshaping their lives. Feather (2000, p. 23) predicts that by 2005, homes will have home-page WWW addresses as well as street addresses, zip codes, and phone numbers. Halal (2000) believes that today's wave of technological change seems destined to transform life over the next 20 to 30 years. Moreover, Day and Schoemaker (2000, p. 8) assert that emerging technologies-such as gene therapy, interactivity and e-commerce, intelligent sensors, digital imaging, micro-machines, or superior conductivity, have the potential to obsolete established strategies.

It has to be noted that the genetic engineering and biotechnology are fraught with risk and social prohibitions (Halal, 2000). There is a resistance for genetically modified foods from several environmental organisations, and in some countries genetically modified foods are banned (Halal, 2000). But other trends such as the increase in the world population rate will necessitate this technology in the near future despite the attacks from environmental organisations.

According to Halal et al. (1997), computerised medical systems should be in common use by 2007; and two years later, holistic health practices will be well integrated into medicine. The authors also forecast that genetic engineering should allow the routine production of new strains of plants and animals by 2008. It can be clearly seen that this is a great power, and when it is misused it can cause several damages for the future of human beings.

According to George Washington University Forecast reports (Halal, 2000), portable information devices combining the computing power of the personal computer, the networking of the Internet, the vivid images of television, and the convenience of telephone are becoming more and more popular. Moreover, the institution estimates that these appliances will be used by 30% or more of the
population in industrialised nations by 2003 for making telephone calls, sending e-mail, watching video, transmitting documents and data, conferencing, and other forms of computation and communication in general (Halal, 2000). However, even this technology can be questioned from social and ethical dimensions, because these portable devices can be distracting in cars since they sometimes cause accidents. Moreover, the reliability problems persist, and the industry lacks technological standards.

As computers develop more sophisticated capabilities toward the end of this decade, it is also expected to see a lifestyle that emerges around the use of information devices and the Internet for shopping, working, learning, playing, healing, praying, and conducting all aspects of life jointly: “Teleliving” (Halal, 2000). In other words, as Feather (2000, p. 24) mentions “the web creates a global pathway for work, education, shopping, and recreation. Even now, homes, autos, and offices are being wired into intelligent networks that interact with one another. Electronic working, learning, shopping, and publishing will become a way of life, much as automobiles became a way of life a few decades ago”. Moreover, the network family will be very different from the family structure of Industrial Age. Feather (2000, p. 25-26) describes this as follows: “The so-called nuclear family provided clear-cut, often rigid boundaries between private and public lives, between home and the outside world...In the networked world, family must be seen as a network of people. As relatives disperse, the Web becomes the gathering place where extended families come together to celebrate births, catch up on relatives, organize weddings and re-unions, or mourn deaths...”.

The improvements in biotechnology and genetic engineering, and the combined effect of technology and globalisation are the factors that will affect social, cultural,
political and economic aspects of life for a long period of time. However, the impact of technology and globalisation will be felt much deeper in the 21st century. Technology can bring tremendous opportunities to our lives, and globalisation can make it prevalent for all nations. In other words, it is knowledge and its dissemination through globalisation that has revolutionised the business world.

Since globalisation and technological revolution are the primary drivers of today's business world, the following part examines these two topics in a more detailed way.

1.1.1 The Impact of Globalisation on the Business World

The unfolding globalisation process, centring on production and distribution networks and on financial institutions, products, and transactions, is having a profound impact on a wide range of policies and practices in both the public and private sectors (Asher and Rajan, 2001). Many new challenges and opportunities are awaiting global marketers in the early 2000s. There is little doubt that the business environment for international marketing is changing radically under the influences of globalisation, the information technology revolution and the emergence of the new economy.

According to Van Mesdag (2000, p. 76), a useful description of what drives globalisation of businesses is the following: “Globalization occurs because specific managers in specific companies make decisions that result in increased cross-border flows of capital, goods and/or know-how”. In fact, the process of globalisation intensified and solidified the role of business in society and has facilitated profound changes worldwide. Ali (2001) categorises the perspectives of academicians regarding the issue of globalisation into six: 1. world trade expansion, 2. world
market expansion, 3. world domination, 4. global manufacturing/marketing, 5. global
capitalism, and 6. global integration. Van Mesdag (2000, p. 74) presents the
definition of International Marketing and Global Marketing as follows: “International
marketing simply refers to a company operating in more than one country whose
marketing strategy in each can be assumed to have been chosen deliberately - from
being very diverse to being rigidly standardized between countries. Global marketing
is a particular form of international marketing, which - in its purest form - does not
exist. Its essence is that it covers a broad spread of the world's countries and that it
strives consciously to standardize its marketing strategy between those countries. The
majority of international marketing approaches today are still based predominantly
on culture-sensitive adaptation as each new foreign market is entered”.

1.1.2 The Impact of Technology on the Business World

This is the age of information, and information and communication technologies
(ICTs) have radically changed values and expectations of the business world. By
reducing the cost of information and communication, IT has helped globalise
production and capital markets; and in turn globalisation increases the economic
gains from IT (The Economist September 23rd, 2000). Today, distance is vanishing;
and time is collapsing. The increasing globalisation of industrial activities is virtually
dependent on accurate, up-to-date information on trends, for instance, in
consumption, the availability of resources such as labour, raw materials, transport
and distribution, and other environmental factors (Chisnall, 1999).

Wymbs (2000) states that the emergence of the Internet is eliminating the
boundaries that once separated corporations and countries; commerce that once took
place in local or regional markets now occurs seamlessly across most borders.
Together with globalisation and other developments, ICTs, and particularly Internet and WWW become the crucial elements of the 21st century.

The Internet has provided many benefits to consumers. The most often mentioned benefits are the ability to quickly acquire product information, and the convenience of purchasing goods and services without visiting a retail store. Another element of e-commerce is that it enhances the ability of consumers to express their feelings and opinions regarding products and companies to other consumers. This electronic flow of information from consumer-to-consumer gains considerable attention from both practitioners and academicians.

However, it is not always possible for the business world to adopt technological innovations. Day and Schoemaker (2000, p.15-20) identify four pitfalls that established businesses face while developing and managing emerging technologies:

1. **Delayed Participation**: Companies when faced with a new technology usually follow watch and wait strategy. This makes it easy to dismiss or underestimate the long-run possibilities.

2. **Sticking with the Familiar**: Previous choices about appropriate technology solutions may lead the firm to search in areas that are closely related to their current skills and technologies. Thus, their capabilities limit what they can perceive and develop effectively; and the firm lacks in-house capability to appraise the emerging technology fully. Hence, it may be underestimated.

3. **Reluctance to Fully Commit**: When firms from an established industry attempt to adopt a threatening technology, such as steam locomotive firms making diesel locomotives, they often enter reluctantly with token or staged commitments, and this gives the entrants from outside the established industry enough time to secure a strong market position.
4. **Lack of Persistence**: Missed forecasts and dashed hopes are commonly experienced during the gestation of new technologies that eventually do succeed. The firms that are overly committed to their core business are often too quick to pull the plug on investments in emerging technologies.

It is clear that the technology revolution seems to transform business world. However, there are still questions in the minds of business persons. How can established firms compete, survive, and succeed in industries that are being created or transformed by emerging technologies? According to Day and Schoemaker (2000), success requires continuing support from senior management, separation of the new venture from continuing activities, and a willingness to take risks and learn from experiments. Moreover, it is believed that there should be a diversity of viewpoints that can challenge prevailing mind-sets, misleading precedents, and potentially myopic views of new ventures.

There is a general consensus that Internet connectivity and digitalisation reshape the basic foundations of business, and new forms and methods of conducting business begin to emerge as time passes. Electronic business (e-business), electronic commerce (e-commerce), and mobile commerce (m-commerce) are some examples of new business methods due to these technological innovations.

"E-business connects critical business systems (e.i. web sites, intranets and extranets, etc.) directly to critical constituencies, such as customers, employees, stakeholders, suppliers, vendors and business partners utilising Internet-based technologies" (Freeman, 2000, p. 15). On the other hand, "e-commerce involves the use of Internet technology to automate business transactions, whether business-to-business (B2B) or business-to-consumer (B2C). From a service perspective
e-commerce is a tool that addresses the desire of enterprises and their customers to cut service delivery. From an on-line perspective, e-commerce provides the global capability to buy and sell products, services and information on the Internet or private networks" (Freeman, 2000, p. 15).

Up to now, the contemporary developments in the 21st century, and particularly the developments in the business world are reviewed. The next section is devoted to the emerging forms of marketing in light of the changes in business world that are described in this part.

1.2 Marketing in the 21st Century

In the first section the recent developments in the contemporary, and particularly in the business world are examined. In this part, the impact of those changes in marketing is briefly reviewed. Today many marketers, either academicians or practitioners, agree that changing social values, demographic trends (the increase in the number of aged population), globalisation and economic trends (including privatization) are the major drivers that shape the world economy (Bradford, 1998; Carson, 2001; Igbaria, 1999; The Economist, Nov. 3rd 2001; Olson and Mason, 2001).

Kotler (2003, p. 34) also adds four additional drivers that underpin the new economy as follows:

➢ Digitalization and Connectivity
➢ Disintermediation and Reintermediation
➢ Customization and Customerization
➢ Industry Convergence
The above factors are some of the initiators of a transition from traditional economy to a new economy. This transition is changing the ways, in which people live and work, changing the demands on national and local governments, and changing people's attitudes to work, leisure, economic development and the environment. However, it will not be appropriate to think those factors mutually exclusive. In other words, the driving factors of today's economy have intertwined relations; that is to say in the current phase of economy, globalisation, technology, and international flow of goods and services become increasingly inter-related. According to Kotler et al. (2002, p. 7) firms must take 9 major shifts in their business and marketing thinking if they are to operate successfully in the new economy, the following table shows these shifts:

<table>
<thead>
<tr>
<th>TRADITIONAL ECONOMY</th>
<th>NEW ECONOMY</th>
</tr>
</thead>
<tbody>
<tr>
<td>1. From asymmetry of information</td>
<td>1. To the democratization of information</td>
</tr>
<tr>
<td>2. From goods for elites</td>
<td>2. To goods for everyone</td>
</tr>
<tr>
<td>3. From make-and-sell</td>
<td>3. To sense-and-respond</td>
</tr>
<tr>
<td>4. From local economy</td>
<td>4. To global economy</td>
</tr>
<tr>
<td>5. From the economics of diminishing returns</td>
<td>5. To the economies of increasing returns</td>
</tr>
<tr>
<td>6. From owning assets</td>
<td>6. To gaining access</td>
</tr>
<tr>
<td>7. From corporate governance</td>
<td>7. To market governance</td>
</tr>
<tr>
<td>8. From mass markets</td>
<td>8. To markets of one</td>
</tr>
</tbody>
</table>

According to Good and Stone (2000), desirable rewards are offered to marketers when they implement and utilise information technologies in their organisations. The results of this study indicate that using these technologies to exploit opportunities and improve work quality and quantity have impacts on improving marketing operations. Information and communication technologies (ICTs), and particularly Internet and WWW, has a deep impact on marketing.

1.2.1 The Impact of Internet on Marketing

Today, the business world is experiencing a tremendous change in the way of conducting business due to the recent technological advancements and globalisation. Internet and electronic commerce are the two important tools of this information and telecommunication age. One of the big opportunities afforded by the Internet is its ability for business to reach out a global audience. According to Nua Survey (www.nua.ie), by September 2002, 605.60 million people were on-line in all around the world. The development of the Internet and the WWW has created a more efficient means for consumers to gather product information, sort through features, and make purchases 24 hours a day, seven days a week.

The changes in the business climate are driving fundamental changes in many markets. Technology, and in particular information technology, is having profound effects on how marketers relate to their markets (Roberts, 2000, p. 31). The Internet is revolutionising marketing and advertising. “Every user’s every movement is a piece of marketing information, and such information has almost limitless value as it can be passed from firm to firm, can be matched to numerous databases yielding infinite permutations of consumer profiles; and all this can be done at minimal cost” (Prabhaker, 2000, p.158). The Internet, as a marketing vehicle, takes the concept of
targeting to new levels. In addition, what makes this medium unique is that it can be far more affordable than any other medium, enabling anyone to establish a commercial presence in the form of a Web site (Richards, 1997). The shrinking cost of information processing capability in combination with the global reach of the Internet guarantees higher quality at a lower price over time (Guly, 1998).

Businesses achieve cost reductions, improved performance and streamlined value-chains via the Internet (Coulson, 1999). Because of this, the Internet has rewritten some commonly accepted rules of the marketplace (Prabhaker, 2000). In order to understand the growing size of Internet, the following table gives the total number of people who are on-line all over the world, and the second table shows the regional Internet usage levels.

Table 1.2 - How Many On-line?*

<table>
<thead>
<tr>
<th>Date</th>
<th>Country</th>
<th>Total Number</th>
<th>% of Population</th>
</tr>
</thead>
<tbody>
<tr>
<td>1995</td>
<td>Worldwide</td>
<td>16 million</td>
<td>0.39</td>
</tr>
<tr>
<td></td>
<td>US</td>
<td>10 million</td>
<td>6.70</td>
</tr>
<tr>
<td></td>
<td>Turkey</td>
<td>Not Available</td>
<td>Not Available</td>
</tr>
<tr>
<td>1998</td>
<td>Worldwide</td>
<td>150 million</td>
<td>3.67</td>
</tr>
<tr>
<td></td>
<td>US</td>
<td>73 million</td>
<td>27.80</td>
</tr>
<tr>
<td></td>
<td>Turkey</td>
<td>0.6 million</td>
<td>1.00</td>
</tr>
<tr>
<td>2002</td>
<td>Worldwide</td>
<td>580.78 million</td>
<td>9.57</td>
</tr>
<tr>
<td></td>
<td>US</td>
<td>165.75 million</td>
<td>59.10</td>
</tr>
<tr>
<td></td>
<td>Turkey</td>
<td>2.5 million</td>
<td>3.71</td>
</tr>
</tbody>
</table>

Table 1.3 - How Many On-line? - Regional (December, 2002)?*

<table>
<thead>
<tr>
<th>Regions</th>
<th>Population</th>
</tr>
</thead>
<tbody>
<tr>
<td>World Total</td>
<td>605.60 million</td>
</tr>
<tr>
<td>Africa</td>
<td>6.31 million</td>
</tr>
<tr>
<td>Asia/Pacific</td>
<td>187.24 million</td>
</tr>
<tr>
<td>Europe</td>
<td>190.91 million</td>
</tr>
<tr>
<td>Middle East</td>
<td>5.12 million</td>
</tr>
<tr>
<td>Canada and USA</td>
<td>182.67 million</td>
</tr>
<tr>
<td>Latin America</td>
<td>33.35 million</td>
</tr>
</tbody>
</table>


1.2.1.1 Demographics of On-line Consumers

In the early days of e-commerce, on-line shoppers were generally wealthier, younger, better educated, more affluent and more tech-savvy than the average offline shopper, and they were predominantly men (Totty, 2003; Kotler, 2003). However, this trend begins to change; according to a recent report by Forrester Research (July 25, 2003, p. 1), “as online consumers became the majority, their average age increased, their education level decreased, and their attitude toward technology relaxed considerably”. Table 1.4 shows this change for US consumers.

“Online consumers themselves didn’t change, they just came to resemble the overall US population as they absorbed more and more average people into their ranks” (Forrester Research, Technographics Research, July 25, 2003, p. 1).
Table 1.4 – Basic On-line US Consumer Statistics: 1998 to 2003

<table>
<thead>
<tr>
<th></th>
<th>1998</th>
<th>1999</th>
<th>2000</th>
<th>2001</th>
<th>2002</th>
<th>2003</th>
</tr>
</thead>
<tbody>
<tr>
<td>Total US Households (million)</td>
<td>100.0</td>
<td>101.0</td>
<td>102.1</td>
<td>103.2</td>
<td>104.3</td>
<td>105.5</td>
</tr>
<tr>
<td>Connected to Internet</td>
<td>25%</td>
<td>33%</td>
<td>43%</td>
<td>57%</td>
<td>61%</td>
<td>64%</td>
</tr>
<tr>
<td>Profile of on-line households</td>
<td>1998</td>
<td>1999</td>
<td>2000</td>
<td>2001</td>
<td>2002</td>
<td>2003</td>
</tr>
<tr>
<td>Average age</td>
<td>40.5</td>
<td>41.0</td>
<td>41.5</td>
<td>44.9</td>
<td>45.0</td>
<td>46.6</td>
</tr>
<tr>
<td>Male</td>
<td>57%</td>
<td>56%</td>
<td>53%</td>
<td>49%</td>
<td>50%</td>
<td>49%</td>
</tr>
<tr>
<td>College degree</td>
<td>49%</td>
<td>46%</td>
<td>44%</td>
<td>42%</td>
<td>42%</td>
<td>41%</td>
</tr>
<tr>
<td>Mean HH income (US $)</td>
<td>60,624</td>
<td>59,489</td>
<td>62,520</td>
<td>62,095</td>
<td>62,244</td>
<td>64,063</td>
</tr>
<tr>
<td>Agree with the statement: “Technology is important to me”</td>
<td>47%</td>
<td>43%</td>
<td>41%</td>
<td>33%</td>
<td>31%</td>
<td>30%</td>
</tr>
<tr>
<td>Hours on-line per week for personal reasons</td>
<td>N/A</td>
<td>7.2</td>
<td>9.9</td>
<td>9.5</td>
<td>9.0</td>
<td>8.5</td>
</tr>
<tr>
<td>Average years on-line</td>
<td>1.6</td>
<td>2.2</td>
<td>2.5</td>
<td>3.1</td>
<td>3.5</td>
<td>4.5</td>
</tr>
<tr>
<td>Have broadband at home</td>
<td>1%</td>
<td>2%</td>
<td>6%</td>
<td>10%</td>
<td>17%</td>
<td>23%</td>
</tr>
</tbody>
</table>


Taylor Nelson Sofres marketing research company ([www.tnssofres.com](http://www.tnssofres.com)) conducted a survey across 37 countries, and a total of 42,238 people have been interviewed. The results of the study indicate that between 2001 and 2002 the proportion of Internet users that are shopping on-line has not increased. However, an increase in number of people on-line has helped to ensure that e-commerce is growing. In the same survey, it is found that the percent of Internet users to the total population is 20% for Turkey in 2002; whereas the same figure is 62% for USA in 2002.
"Although in many countries Internet penetration levels have increased between 2001 and 2002, growth continues to slow and in some cases there is even a drop. This is the result of a continued maturing of the medium and adverse economic conditions across many countries" (Taylor Nelson Sofres Interactive). According to the report, the high penetration figures for younger age groups show that the future of the Internet is still strong. Older age groups are showing increasing signs of usage and this trend needs to continue if short-term growth is to be achieved (Taylor Nelson Sofres Interactive). In addition, the report indicates that most Internet usage occurs at home, with nearly a quarter of the total population (not just Internet users) doing so. It is interesting to note that 6% of the total population use the Internet from public access points such as Internet cafes and libraries.

According to Forrester Research (July 25, 2003), half of the Internet users regularly buy on-line, which means more than 33 million US homes spent $76 billion on-line in 2002."
Figure 1.2 – Worldwide On-line Shoppers and Demographics


Forrester Research (July 25, 2003) also reports that the number of product categories that an average on-line shopper buys has increased from a few to an average of eight. The following table, which is obtained from the global e-commerce report of Taylor Nelson Interactive group, shows the change among products purchased on-line between 2001 and 2002. According to the report, books and CDs continue to be the most popular items to purchase on-line for 2002. Only 3 categories of goods increased their popularity from year 2001, while 6 decreased.

The biggest reasons for not purchasing on-line continue to be security related issues. In other words, on-line security remains the biggest single concern for those Internet users who have not yet shopped on-line. However, younger population seems less concerned with security issues. Although security in on-line shopping continues to be a major issue for all groups, it is less so for under the under 20s. Conversely, price is more of a barrier for younger people (probably with less disposable income).
In Turkey, the proportion of Internet users increased from 16% in 2001 to 20% in 2002, which shows a recovery after the economic crisis in 2001 (Taylor Nelson Sofres). In addition, it is found that the Internet usage is higher among the younger age group (<29 age group); and Internet cafes are the main places for Internet access (10% among whole population or 49% among Internet population) (Taylor Nelson Sofres). According to the same e-commerce report, in 2002 the ratio of on-line shopping in Turkey is 3% among Internet users, which has not changed significantly compared to previous years. On the other hand, it is found that difficulty / lack of knowledge and security are the main barriers for on-line shopping.
Internet usage in the U.S. exhibited growth from the year 2001; as of June 2002, 66% of U.S. adults have used the Internet (Taylor Nelson Sofres). The majority of Americans are accessing the web from home (54%), followed by work (23%). According to the global e-commerce report of Taylor Nelson Sofres Interactive, both males and females are accessing the web proportionately, however among the various age groups, adults 60+ years old are still less likely to be on-line. In addition, it is found that approximately one third of Internet users have bought items on-line during 2002. Moreover, books and clothing continue to be the most popular items purchased over the web among US consumers. Males and adults aged 30-39 are more likely to buy products on-line, and spend more on-line, compared to other segments. Among those who do not want to purchase on-line, credit card security continues to be the main barrier. While there has been an overall rise in usage rates and in the levels of consumer satisfaction across most activities, the report found that trust levels have fallen over the past year (NuaSurveys, Oct. 17th, 2002).

1.2.1.2 E-commerce Sales

Prabhaker (2000) refers to estimates of electronic commerce in the future depending on the statistical figures of different institutions. One of them is OECD, which estimates a figure of $1 trillion by 2003-2005 for e-commerce (Prabhaker, 2000, p. 158). E-commerce Times reports that on-line sales in the US surpassed 45 billion $ in 2002. CyberAtlas, a unit of Jupiter Research company, depending on the information gathered from Brand Keys, gives the on-line retail sales trends for the holiday season (4th quarter of the year) as follows:
Table 1.5 – USA On-line Retail Sales Trends for Holiday Season

<table>
<thead>
<tr>
<th>Quarter</th>
<th>2000</th>
<th>2001</th>
<th>2002</th>
<th>2000</th>
</tr>
</thead>
<tbody>
<tr>
<td>4th Q</td>
<td>$20.4 billion</td>
<td>$12.6 billion</td>
<td>$11.8 billion</td>
<td>$8.1 billion</td>
</tr>
</tbody>
</table>

Source: [www.cyberatlas.com](http://www.cyberatlas.com/internet.com/markets/retailing)

According to the 2002 UCLA Internet Report, which takes place on the CyberAtlas web page ([www.cyberatlas.com](http://www.cyberatlas.com)), there is a decline in on-line shopping behaviour:

Table 1.6 – USA On-line Shopping Trends

<table>
<thead>
<tr>
<th></th>
<th>2000</th>
<th>2001</th>
<th>2002</th>
</tr>
</thead>
<tbody>
<tr>
<td>Internet users who buy on-line</td>
<td>45.1%</td>
<td>50.9%</td>
<td>39.7%</td>
</tr>
<tr>
<td>Number of on-line purchases</td>
<td>N/A</td>
<td>10.81</td>
<td>28.32</td>
</tr>
<tr>
<td>Average dollars spent on-line</td>
<td>$113.43</td>
<td>$70.21</td>
<td>$100.70</td>
</tr>
</tbody>
</table>

Source: [www.cyberatlas.com](http://www.cyberatlas.com/internet.com/markets/retailing)

Table 1.7 – USA E-commerce Sales (millions of $USD)

<table>
<thead>
<tr>
<th></th>
<th>2000</th>
<th>2001</th>
<th>2002</th>
<th>2003*</th>
</tr>
</thead>
<tbody>
<tr>
<td>E-commerce sales</td>
<td>$28,299</td>
<td>$34,595</td>
<td>$43,466</td>
<td>$24,405</td>
</tr>
<tr>
<td>E-commerce as a percent of total sales</td>
<td>3.6%</td>
<td>4.4%</td>
<td>5.4%</td>
<td>3.0%</td>
</tr>
</tbody>
</table>

*Year 2003 includes only the first two quarters.

Source: US Department of Commerce News, [www.census.gov/estats](http://www.census.gov/estats)
According to the latest Yahoo/AC Nielsen Internet Confidence Index, US consumers are expected to spend $14.8 billion on-line in the first quarter of 2003 (NuaSurveys, Jan. 20th, 2003). All the tables presented above show that, there is an increase in on-line retail sales despite the decline in the on-line shoppers percentage. However, given that overall retail sales amount to more than half of total economic output, even a tiny percentage of overall retail sales is significant.

1.2.2 Changes in Marketing Management

The changes and developments in the business world, which are previously reviewed, also affect the marketing activities. The following table represents the major changes that occur in marketing due to changes in the economy.

Table 1.8 - Shifts in Strategic Marketing

<table>
<thead>
<tr>
<th>Old Strategic Marketing</th>
<th>New Strategic Marketing</th>
</tr>
</thead>
<tbody>
<tr>
<td>Marketing department does the marketing.</td>
<td>Marketing integrates the work of exploring, creating, and delivering customer value.</td>
</tr>
<tr>
<td>Marketing focuses on interruption marketing.</td>
<td>Marketing focuses on permission marketing.</td>
</tr>
<tr>
<td>Marketing focuses on acquiring new customers.</td>
<td>Marketing focuses on customer retention and loyalty building.</td>
</tr>
<tr>
<td>Marketing focuses on immediate transactions.</td>
<td>Marketing focuses on capturing customer lifetime value</td>
</tr>
<tr>
<td>Marketing expenditures are viewed as expenses.</td>
<td>Marketing expenditures are viewed as investments.</td>
</tr>
</tbody>
</table>

According to Roberts (2000, p. 32), "Marketing success in new markets (as in any market) depends on consumers finding the firm's offerings relevant to their needs. In new markets with undeveloped preference structures, the firm must establish this relationship between the capabilities of new technology and the existing needs of target consumers". The advances in the different aspects of life, and particularly in the business world, subsequently show its influence on marketing. The marketing mix is also affected by these changes.

The customer is surrounded by the controllable variables that is called the "marketing mix". A typical marketing mix includes some product, price, with some type of promotion, and a way to reach the customer; that is to say product, promotion, place, price. The marketing mix consists of the firm's internal marketing assets: product specifications, patents, and brand names; communication strategies and advertising, both current and planned; contracts and agreements with other companies to get products and services to the customer; and finally, ways of capturing the value created through the three previous elements through the pricing mechanism (Roberts, 2000). The digital economy shows its impact on the basic elements-marketing mix- of marketing. Digital technology and multimedia, because they provide comprehensive information, enrich the opportunities for all marketing activities. Now, let's look at the advances in each of these 4 marketing mix elements.

It is clear that the marketing mix elements have been have been influenced by CAD-CAM (computer aided design- computer aided manufacturing), which increasingly facilitate mass customization (Pine, 1993). The mass customization involves understanding individual customers and using a common core product to add modular components tailored to individual customers' needs (Roberts, 2000). The advent of information technology has made it much more cost effective to
address individual customers' needs. The Internet can also serve as a platform for new product innovations. E-commerce enables consumers to be self-producing consumers. The companies can use the direct access to consumers to collect information that will help them better develop products to meet the consumers' needs. Kotler (2003, p. 37) calls this as the emergence of "prosumers". An increasing number of sites allow customers to design and configure their own products (Kotler et al., p.43). Today, consumers can already design their own computers (e.g. Dell or Gateway), and jeans (e.g. Levi's -www.levi.com). Moreover, new product development and test of these products via Internet has facilitated the process and shortened the introduction phase. Competition today goes beyond products and groups of products and deals with the complete business models based on information technology which recreate the customer value proposition through an imaginative mix of computer, software and network technologies (Yoffie and Cusumano, 1999). Unlike physical goods that require production and consumption to be balanced, information goods can be replicated at zero marginal; so that every individual can consume all they want. Cisco systems, for instance, has dramatically transformed the cost and quality of interaction with its customers, who can now find prices, modify product configurations, and submit and track orders electronically (Wymbs, 2000).

More specifically, Cisco Systems uses the Internet as the foundation for product design coordinating activities from geographical disperse company research centres, as a platform for support services and sales, and to assist in efficiently managing its material management supply chain (Wymbs, 2000). As machines and components become more commodity-like, the real competitive advantage for firms will come in having the service capabilities, which are increasingly becoming information and
Internet-based, to make the products work more effectively (Nevens, 1999). Product, in terms of on-line sales, means a site is never out of stock on the widest assortment of top-quality products. Gateway has managed to create the right experience for computer sales - reinforcing on-line efficiency with the care it shows customers in the company’s offline stores (www.gateway.com). Procter and Gamble’s backing of www.Reflect.com illustrates the points well; the proposition: women can build their own line of beauty products, based on their own likes and dislikes—not the vision of ideal beauty sold by fashion models (Kotler et al., 2002). These are all capabilities, which can be actualised with the help of Internet and CAD-CAM technologies.

Companies are eager to accelerate the time it takes to bring new products to the market. A company that launches a product a few months earlier than its rivals will triple the lifetime profits of that product. Hence, Internet and other related technologies make on-line test of the product possible.

Pricing, another element of the marketing mix, is also changing. More one-to-one transactions between manufacturers and consumers over the Web ironically provide the manufacturer with the opportunity to return to a bartering arrangement with individual consumers, using differential pricing (Roberts, 2000). Several Internet firms of office supplies, for example, provide prices after the client has logged on. These prices are customised to the customer’s own demand curve, as estimated by the supplying firm. This ability to fine-tune prices increases the need to understand the economic value to the customer of the firm’s offering, building on the early work of Forbis and Mehta (1981). Reduced consumer search costs using electronic distribution may place downward pressure on prices, but the ability to differentially price may actually lead to higher average prices. The Internet allows consumers to move from being price takers to price makers (Kotler et al., 2002, p. 43). At
PriceLine.com, for instance, customers propose a price for specific items such as air travel, hotel room, and automobiles. In searching for an automobile, a PriceLine buyer specifies the price, model, options, pickup date, and distance they are willing to drive to complete the sale (Kotler et al., 2002). Buyers provide their own financing and their guarantee with a $200 security deposit charged to their credit card. PriceLine removes the contact information from the offer, and faxes it to all relevant dealers; PriceLine makes its money on completed deals only, buyers pay $25 and dealers pay $75. In addition, Brynjolfsson and Smith (2000) found that prices on the Internet are significantly lower (between 9-16% less) than prices for identical goods in conventional outlets. Even when accounting for shipping charges and other costs associated with purchasing either on-line or in stores (such as sales taxes), there is still a cost differential favouring Internet purchases. Moreover, depending on the measure used for price dispersion, it can be shown that the variance in prices is lower on the Internet than in conventional markets. Finally, the two valuable scholars Brynjolfsson and Smith (2000) found that Internet stores are far more sensitive to pricing changes than that of conventional stores in that Internet sellers exhibit far less “price-stickiness”, changing their advertised prices by significantly smaller margins than offline outlets. From these results, the authors conclude that the Internet does, in fact, help to create a world of “frictionless” commerce, and that as more consumers find their way on-line, conventional retailers will find it increasingly difficult to compete with on-line counterparts offering identical products. For example, “Amazon.com prices its books at an average of 9% higher than the lowest price Internet book vendors, yet Amazon continues to gain market share. This is because buyers don’t necessarily search for the best price, especially for the lower-cost items” (Kotler et al., 2002, p. 139). The Internet has facilitated more dynamic and real-time
pricing, with the growth of auctions, spot markets, bartering, and group purchase power.

Advertising communications have been influenced by the proliferation of media opportunities working against the need for a consistent direction dictated by the brand equity literature (Roberts, 2000). According to the author, the result has been the introduction of integrated communication strategies. Cheap and readily available customer information allows the firm's communication strategies to be customized to individual consumers (Roberts, 2000). Roberts (2000) believes, like other authors, that this will lead to the "age of addressability". Marketers have traditionally pushed their advertising at consumers, but the old broadcast model of advertising is increasingly being replaced by "narrowcasting" (Kotler et al., 2002). In narrowcasting, "a company uses direct mail or telemarketing to identify potential customers with a high probability of being interested in a particular product or service" (Kotler et al., 2002, p. 44). In the future, buyers will take the initiative in determining which ads they want to see. Permission marketing will be the future for advertisers. This is already effective with e-mail, whereby customers can subscribe or unsubscribe to receiving e-mailed advertising. Kotler et al. (2002) also mention "pointcasting" as a service that allows customers to click on ads that interest them; hence with pointcasting, advertising is customer initiated and pulled by customers. Today, with the emergence of the Internet, communications have become two-way, Hoffman and Novak (1996) call this as "Interactivity". That is to say, customers can know more about companies, and companies can accumulate fuller information about their customers. Interactive communication with the required infrastructure can be used for CRM-customer relationship marketing, IRM-internal resource management; and BPM-business partnership management operations. Banner ads,
sponsorship, microsites etc. are some forms of promotion in the new medium. Promotional and logistics alliances will gain increased significance in the Internet marketing. And to support these alliances companies have to develop their organizational structure. Customers now can solicit coupons and promotions through marketing intermediaries such as www.Netcentives.com and www.mySimon.com. They can also request specific offers through marketing intermediaries such as www.MyPoints.com, www.FreeRide.com, and so on. These intermediaries relay consumer requests to companies without necessarily disclosing personal information.

Distribution, also, has undergone a number of changes to meet new market conditions. In many industries the advent of the Web has led to more direct and less-indirect marketing channels (Roberts, 2000). That is, frequently the manufacturer is dealing with the end consumer directly, which is called disintermediation (Kotler, 2003). For example, in the personal computer market, Compaq has recently been forced to deal directly with consumers because of heavy price and feature competition from Dell and Gateway using direct distribution over the Internet. In other words, the channel intermediary's power may be diminished by the increased information that is available over the Internet. These trends do not automatically mean that channel intermediaries are a dying species (Roberts, 2000). They rather mean that the value they add has to change. With the advent of the Internet, much of the logistics and aggregating value of intermediaries disappears. However, intermediaries may add new value in terms of saving search costs, communicating trust, providing valuable solutions, and etc. It is clear that the Internet will have the most profound effect on distribution channels in the marketing mix. The navigational Web sites will allow small niche producers easier access to the markets. It is critical to quickly develop a large customer base in e-commerce. However, the main
disadvantage is that for established companies—brick and mortar stores—doing business on-line has the risk to give damage to brands and distribution relationships. Today, instead of travelling to a store to view clothing, customers view clothing in their own homes on the Internet (e.g. www.gap.com). “Pure click companies have no problem selling on-line, but established companies with dealer networks encounter strong objections to adding on-line. Established companies struggle with the question of how to conduct on-line sales without cannibalizing their stores, resellers, or agents’ sales” (Kotler et al., 2002, p. 127).

While on-line, customers can receive virtually instant responses to applications, questions, or suggestions; and they can also find real-time information or recommendations on products and services (Butler, 2000). But what happens when the customer who is accustomed to this kind of interaction, contacts the organisation through another channel? That is why Butler (2000) mentions the importance of consistency of the customer experience in meeting customer needs in different channels.

The advent of the Internet and globalisation have brought many new possibilities for handling classic marketing activities such as channel design, promotion, and pricing. Companies can now provide considerably more information to their customers, offer to sell goods directly, and build deeper customer relationships. Traditional businesses tend to move slowly into e-commerce because of channel relationships, sales force resistance, and current asset investments. However, this wait-and-see strategy is interpreted as being shortsighted (Kotler et al., 2002).

Today’s highly competitive environment, together with globalisation and information technologies, lead to more conscious and more demanding customers. Increasingly, relationships and interactions between suppliers, customers,
competitors, and others are being considered in marketing as well as in management. Emerging technologies have enabled companies to collect, store, and analyse customer information in ways that have greatly improved their ability to attract and retain customers (Butler, 2000). In the age of high technology companies can use ICTs in order to facilitate their customer relationship management (CRM) processes. Toll-free numbers, e-mail customer contact addresses in the web sites, and information giving on-line chat rooms can be some examples for the usage of technology in CRM.

Consumer information that was maintained by companies with their own computers now resides in giant databanks accessed by globally networked computers (Kakalik and Wright, 1996; Connon, 2002). Costs of data collection, data warehousing, data interpretation and data usage – by the help of Internet technology - can be spread over different companies and over multiple applications (Prabhaker, 2000). Shared technology results in enormous volumes of information being made available to firms at very low costs, without each firm having to collect its own.

Companies use the information that they gathered from consumers in multiple ways. “Dell Computer, for example, learns about customer preferences by studying which products and features customers select...Amazon.com, not only studies what individual users browse and buy, but it also integrates this data from users with similar patterns to make new recommendations to individual customers” (Kotler et al., 2002, p. 114). In order to gain such information, companies use data-mining and data warehousing techniques. Building and using a customer database will have profound opportunities for companies. For instance, “1-800-Flowers.com maximises its customer profitability and usage by automatically reminding individual customers of their important personal dates... Bank of America managers can access individual
customer profiles to cross-sell products while customers are still in bank" (Kotler et al., 2002, p. 116). All these implementations can cause the rise of "ethical and legal" issues, which are going to be reviewed under the topic of "The Interaction of Technology and Business Ethics" in the following sections.

The world economy, as described briefly in the above sections, is undergoing a series of changes in technologies, globalisation, and hyper-competition. Some people interpret this as a transition from an old economy to new economy. The digital economy provides huge opportunities for achieving both profits and growth. To exploit the digital economy's business opportunities, companies need to renew themselves in one of three ways: by creating a parallel e-business, by building a parallel model in-house, or by re-inventing themselves (Kotler et al., 2002). Today people, either academicians or practitioners, begin to discuss the ethical issues of these new technologies. All the developments in the marketing areas due to globalisation and advanced technologies can result in an increase of ethical issues. In the following part, the Ascension of Business Ethics and Social Responsibility will be briefly reviewed. Then the following section will focus on the Interaction of Technology and Business Ethics.

1.3 The Ascension of Business Ethics and Social Responsibility

In recent years there has been an increasing interest all around the world about the topics of social responsibility and ethical behaviour. Both academics and practitioners have shown a great attention to ethical issues. For example, "both the Journal of Business Ethics, and the Business and Professional Ethics Journal came into existence in the early 1980s" (Al-Khatib et al., 1997, p. 750). Nearly all business programs at both undergraduate and graduate levels now require some ethics study,
whether as a separate course or as something woven into the curriculum. And nearly all major corporations have by now adopted ethics statements or codes as well as procedures for employee ethics orientation and for resolving ethical dilemmas. Several forces have driven this process (Ferrell et al., 2002):

1. Various well-known public lapses and scandals (the Exxon Valdez oil spill, the Bhopal disaster, Enron, Worldcom, Arthur Anderson, Martha Stewart, Merrill Lynch, savings and loan mismanagement, insider trading, etc.)\(^1\) undermined the public trust in professional and business institutions and leadership. Business Ethics was needed to help rebuild trust and trustworthiness, in the absence of which business cannot long prosper.

2. The secularisation of public life combined with the growing cultural diversity has made it impossible to assume a traditional or broadly shared moral consensus on right and wrong. The unstoppable trend toward globalisation in business also contributes moral diversity, conflict, and uncertainty. Business ethics was needed to help navigate today’s cultural and ethical value diversity.

3. Third, and perhaps most important, the increase in litigation and costly court settlements for instances of racial discrimination, sexual harassment, and product safety has exposed a lack of clear moral guidance and restraint.

For at least these reasons, business ethics has become a booming growth industry in recent years. It is a good thing to inquire about the right thing to do in business and not just about the legal or profitable thing to do. In fact, some companies have started a number of actions that encourage employees to include ethics as a formal part of their decision-making processes. For example, “most companies have a written code of ethics and ethics officers are also becoming more and more commonplace; some

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\(^1\) Some of the scandals are added by the author of this dissertation.
firms such as Nynex have placed ethics officers within each division of the company” (Creyer and Ross, 1997, p. 421). “General Motor Corporation (GM) amended its policy on gifts and gratuities, and has taken a much tougher stance on lavish corporate entertainment” (Stevens, 1999, p. 114). GM applies some short instructional scenarios to describe that expensive gifts and payola are not part of doing business with GM (Stevens, 1999).

“Corporate training programs that teach employees how to deal more effectively with ethical issues have also become more common. Mechanisms, which make it easier for employees to report ethical violations and concerns, such as hotlines, are also in place in many corporations” (Creyer and Ross, 1997, p. 421).

Within all management fields, marketing raises several ethical issues. Misleading advertising, discriminatory pricing, dangerous products, pressure selling, and etc. are some of the unethical marketing practices, which are discussed below, related to the four P’s of marketing.

Product and services management, which constitutes an important activity for marketing people, can raise ethical problems. Laczniak and Murphy (1991) mention that some companies come up with products having a limited life span in order to be able to benefit from premature repurchasing. The same thing is valid for products, which are unable to satisfy the needs and expectations of consumers. Deceptive packaging specifications, planned obsolescence, arbitrary product elimination, lack of after-sales service are the most seen ethical issues about the product. It is also accepted that vulnerable consumers and harmful products are the issues related to ethics (Smith and Martin, 1997).

Advertising and promotion related strategies of companies are the most discussed topic from the ethical perspective of marketing, since advertising affects the decision
processes of consumers. This is the main reason of its high regulation among all marketing activities. “The understanding of the information processing mechanisms used by consumers permits the creation of messages which are sometimes dangerously effective. Consider, for example, the number of advertisements which make use of classical conditioning in order to transfer, to the advantage of their product, the emotional burden initially attributed to its spokesperson” (Nantel and Weeks, 1996, p. 10). Misleading and deceiving advertising, bait and switch tactics, and misrepresentation are among the most commonly seen unethical practices.

“Of all product attributes, the price of a product is the most important to consumers. It represents the objective norm, which should permit the consumer to infer a ratio of quality to price” (Nantel and Weeks, 1996, p. 10). Although the law on pricing is quite explicit in this matter, this does not prevent certain business practices from projecting an inaccurate perception of the price of a product.

Ethical issues can also be seen in the management of distribution channels. Smith (1995) states that stock shortages, and discriminatory issues such as “redlining”, and selective direct marketing channels are among the factors that lead to ethical issues. Grey marketing and anti-competitive trade promotions as in slotting allowances are among the ethical and legal issues encountered during distribution decisions.

International marketing practices also raise certain questions about matters of ethics. A well-known example is about Nike, a sports-shoe company, which employs small children in less-developed countries under bad conditions. Hence it is believed that the operations of multinational companies (MNCs) has to be regulated by international organisations (Payne, Raiborn and Askvik, 1997). Another example is about the tobacco companies, which were investing in developing countries due to the regulations in USA (Nantel and Weeks, 1996).
As it is seen business ethics gains considerable attention due to the specific marketing activities mentioned above. Business ethics gains significant attention, as well as social responsibility, from both scholars and practitioners. The following topics begin to play important roles in the business world:

- Corporate Social Responsibility and Reputation Management
- Environmentalism and Green Marketing

The societal marketing concept holds that the organisation’s task is to determine the needs, wants, and interests of target markets and to deliver the desired satisfactions more effectively and efficiently than competitors in a way that preserves or enhances the consumer’s and the society’s well-being (Kotler, 2003, p. 26). An important and general marketing objective is to develop and maintain goodwill of the company; however companies need to pay careful attention to the impact of marketing efforts not only on consumers but also on other parties, such as the society as a whole. Consumers awareness about the environmental degradation has been so intense that environmentalism has been identified as potentially “the biggest business issue of the 1990s” (Kirkpatrick, 1990). Consumers who support environmentalism, or “green orientation”, are growing in number (Donaton and Fitzgerald, 1992). This is the main reason that lies under companies’ attempts to reposition themselves as environmentally responsible organisations (Grove et al., 1996). In addition, socially responsible companies which have ethical codes of conduct enhance their reputation and image in the society.

The business ethics literature will be covered in a detailed way in the first section of the literature review chapter. The following section is devoted to the interaction of technology and business ethics.
1.4 The Interaction of Technology and Business Ethics

The widespread diffusion of information and communication technologies combined with globalisation has lead to a transition in the business world. Since technology transforms business world, it must necessarily transform the way that academicians and practitioners approach business ethics.

The Internet and other digital networks are the driving forces behind a dramatic change in the way business dealings are conducted. Nowadays, networks and information technologies are being widely used to electronically design, market, buy, sell, and deliver products and services. The developments in information and communication technologies, so called "digital revolution", has accordingly raised a number of moral and ethical issues in business. The Internet offers both freedom of speech and opportunity for irresponsible activity.

During 2000s, marketing begins to integrate information and communication technologies through the usage of databases and Internet marketing so that millions of potential consumers can now be reached this way. Nevertheless marketing practices on the Internet show that some companies use aggressive actions such as pop-ups, deceiving banners, and etc. which also invade personal privacy. Hence, companies that wish to differentiate themselves from their competitors will have to turn to marketing ethics in order to gain and keep consumers.

While Internet is no longer a newborn, it is still an industry that is in its infancy. The companies that are being born within this new technology are focusing on opportunities and possibilities; but, they are less concerned with moral and ethical features. According to a study, which is conducted by Jupiter Media Metrix (Nua Surveys), almost 70% of US consumers worry that their privacy is at risk on-line; however, despite their concern, only 40% of consumers read privacy statements
before handing over personal information to web sites. Moreover, it is also found that only 30% of on-line consumers find web site privacy statements easy to understand. According to the study findings, around 82% of on-line consumers in the US are willing to provide personal information to shopping web sites in exchange for small rewards or benefits. Just over 60% of consumers are willing to offer their e-mail addresses, while 49% will provide their full names; however, only 19% of consumers would offer their phone numbers, while 18% would provide information on household incomes (Nua Surveys). Jupiter indicates that as much as $24.5 billion worth of on-line sales will be lost by 2006 because web sites are not addressing consumer’s fears about privacy and security (Nua Surveys). The research firm suggests that many companies with poor on-line privacy practices will experience negative effects not only in relation to on-line sales, but also in offline sales. Another survey from Amarch Consulting (Nua Surveys) indicates that almost one in four Internet users in Ireland say that their use of the Internet in the workplace is restricted or monitored. Of those who did say their work access was monitored, 72% of respondents claimed that time spent surfing on the Net, or visiting web-sites is monitored.

In the above paragraphs, some research and survey results are presented briefly. However, the research about the interaction of technology and ethics is not limited to these studies. In the following paragraphs, the academic research about this issue is presented concisely. Hence, it is aimed to have a general idea about the interaction of technology and ethics; and it will be easier to figure out the niche areas, which are in need of research. The following figure outlines the most studied issues about ethics and technology.
Even though the ethical and legal dimension of information technologies, particularly Internet and web related technologies, cause several crucial problems, they can be grouped under three major categories. The top three research areas under the topic of "Business Ethics and Technology Literature" are as follows: Information technology and ethical issues about the consumers, Information technology and ethical issues about the business in general, Information technology and ethical issues in the workplace.

Academicians examine information technology and business ethics related issues occasionally, from the viewpoint of consumers (Charters, 2002; Kraeuter, 2002; Menestrel et al., 2002; Patten, 2002; Stead and Gilbert, 2001; Caudill and Murphy, 2000; Culnan, 2000; Phelps et al., 2000; Sheehan and Hoy, 2000; Austin and Reed, 1999; Sheehan and Hoy, 1999; Strauss and Frost, 1999). Privacy, security,
information disclosure, spamming-unsolicited e-mails, flaming, controversial content (e.g. pornographic, violence, etc.), on-line marketing to vulnerables (e.g. children, elderly people, etc.) are among the widely studied research areas under this category.

Moreover, the ethical issues that are purely related with business ethics and technology are also investigated by several scholars (Patten, 2002; Delorme et al., 2001; Foer, 2001; Kopp and Suter, 2000; Whysall, 2000; Rowley, 1996). The research areas under this category includes trademarks, copyrights, patents, antitrust, conflict of interest, hoax mails about the company, and profession related issues (financial services, nutritionists, retailers, on-line research, etc.).

Finally, technology and ethics in the workplace is another scrutiny, which is explored by the academicians (Miller and Weckert, 2002; Block, 2001; Alder, 1998; Banerjee et al., 1998). Privacy in the workplace, stress and health related problems due to the usage of technology in the workplace, decrease in the job satisfaction, and dehumanisation, cyberslacking, employee monitoring and surveillance are the frequently examined issues under this research category. As it can be seen from the Figure 1.4 above, the privacy related ethical issues are the most prevalent study areas from the perspective of consumers, businesses, or employees.

Oddo (2002) mentions that computers, together with Internet access, make possible a magnitude of data collection (storage, retention, and exchange) never imagined before. Due in part to the proliferation of the Internet and other emerging technologies, privacy issues have come under close scrutiny in the last few years. Caudill and Murphy (2000) claim that privacy is valuable because it is necessary to develop intimacy and trust in relationships. Most recently, however, the debate has gone beyond privacy to specifically address the issue of consent (Gillin, 2001). In response to consumer concerns, legislators give more attention to the ability of
individuals to have a right about how information about them is collected, used, and disseminated. The privacy debate has now gone public as the widely accepted fair information privacy principles of notice, choice, access, and security have been incorporated into international laws (Gillin, 2001). Thus, some academicians offer the use of opt-in or opt-out technologies in order to protect privacy of consumers (Milne and Rohm, 2000; Tavani, 2000).

On the one hand, certain privacy advocates and consumer groups have argued that stronger privacy legislation is needed to protect the interests and rights of on-line users (Culnan, 2000). Many European nations, for example, have implemented strict data-protection principles designed to protect the privacy of their citizens. On the other hand, groups representing the e-commerce sector have lobbied for voluntary controls and industry self-regulation as an alternative to new privacy legislation (Prabhaker, 2000). Until quite recently, the respective solutions proposed by one camp have been unacceptable to the other. In response to concerns about the collection and exchange of personal information in on-line activities, some nations have recently passed strong privacy and data-protection legislation.

There are numerous other studies, which focus on the impact of technology, especially information technology on business general. The details of these studies will be presented under the literature review section. In the following part the objective and scope of this dissertation is presented.
1.5 The Objective and Scope of the Research

Since Internet shopping is still in its infancy, and since there is no time and geographic restrictions for the activities of on-line companies, it becomes necessary to generate an ethical model for companies. On-line companies have to explore and analyse potential ethical risk areas, and then develop programs that address these issues. Hence, consumer complaints about on-line shopping can be an effective tool for exploring and analysing the ethical risk areas. Therefore, it is aimed to develop an ethical framework by exploring the presents and potential ethical issues about e-commerce, which depends on the dissatisfactory situations encountered by the consumers.

The objective of this study is to explore the ethical issues about on-line business, and then design an ethical framework for on-line companies by using consumer complaints. This study reviews the consumer complaints, which are collected from the consumer complaint web sites both in USA and Turkey, about consumers’ experiences related to on-line shopping. It is easy and inexpensive for consumers to access these web sites at any time and place, and to write their complaints about the companies. Furthermore consumers, who willingly share their complaints with other consumers through web sites, tend to write in more detail. In addition, these web sites usually act as mediators between the complainants and companies. Once a complaint web site receives a complaint from a consumer, it sends this complaint to the company and asks for a resolution. It depends on the company whether to bring a resolution to the problem encountered by the consumer or to leave the problem as unresolved. Moreover, these complaint sites make it easier and quick for consumers to get a respond from the companies. Consumer organisations and governmental organisations are generally local institutions; therefore it is not always possible to
receive complaints from different states and cities of a country, which limits the
generalisation of a research. Furthermore, most people do not prefer to go
governmental agencies or consumer organisations. Hence, due to the aforementioned
reasons, complaint web sites are chosen as the data source of this study.

This study covers only on-line stores where products are bought and sold, and
excludes complaints about other on-line businesses such as on-line travel services or
Internet service providers. Therefore, it can be concluded that the scope of this study
is limited to the consumer complaints about on-line shopping stores.

In the light of the foregoing, the present study sought answers to the following
questions, which constitute the research objectives:

1. What is the tendency of complaining for US consumers (between January, 2000-
   April, 2003) and Turkish consumers (between June, 1999-April, 2003)?

2. What is the frequency distribution of complaints among on-line businesses?

3. What is the frequency distribution of complaints among on-line stores?

4. What are the major complaint areas about on-line stores, and are there any
differences among on-line stores regarding the type of complaints that they
   receive?

5. How can the complaint areas be classified?

6. What are the feelings and attitudes of complainants and how do they express their
   feelings?

In addition to the research questions given above, this study also:

- provides an update of business ethics literature, and

- detects the areas that are in need of research.
All the statistical figures show that both Internet usage and on-line shopping are increasing day by day. However, as the number of on-line shoppers increases, the number of complainants and dissatisfaction from on-line companies also increase. This can be attributable to the absence of both ethical and legal framework for e-commerce. As Ferrell et al. (2002) mention ethics contribute to the customer satisfaction. According to the authors, “an organization should try to provide products that satisfy customers’ needs through a coordinated effort that allows the company also to achieve its goals. It is generally accepted that customer satisfaction is one of the most important factors in successful business strategy” (p. 246).

Customer satisfaction is a necessity for the survival of companies, and since ethical business practices lead to increased customer satisfaction, it can be concluded that ethics contributes to customer satisfaction. Furthermore, in order to survive, a company must keep its customers buying its products and this necessitates a relationship that depends on trust and confidence.

Ferrell et al. (2002, p. 247) mention that “existing research and experience of many companies show a strong relationship between ethical behaviour and customer satisfaction. Customers are likely to keep buying from companies perceived as having a positive reputation because of their concern for customers and society. Ethical companies that are dedicated to treating customers fairly and that continuously improve product quality, as well as make customer information easily accessible and understandable, are more likely to have a competitive advantage and be profitable”. Hence providing customer satisfaction is one of the consequences of conducting ethical business.

Better Business Bureau is one of the most reputable organisations about developing guidelines for ethical and fair trade practices. With the emergence of e-
commerce, the organisation established a branch (Better Business Bureau OnLine), which solely is interested in e-commerce activities. Better Business Bureau OnLine (www.bbbonline.org) publishes the “Code of Online Business Practices” in order to guide ethical “business to customer” conduct in e-commerce. It is believed that these guidelines will boost customer trust and confidence in on-line commerce. According to the BBBOnLine, e-commerce is developing at a rapid pace, and this code may need to be modified over time to keep it current with developing technology, new business models, and customer needs. The Code is based on the following principles:

1. truthful and accurate communication,
2. disclosure,
3. information practices and security,
4. customer satisfaction, and
5. protecting children.

The 4th principle, customer satisfaction, means that on-line merchants should seek to ensure their customers are satisfied by (a) honoring their representations, (b) answering questions, and (c) resolving customer complaints and disputes in a timely and responsive manner. In other words, BBBOnLine states that in order to ensure customer trust and confidence with online transactions, online merchants need to resolve customer complaints. Even though “consumer complaint handling” is reviewed later on, in order to understand the reason why using consumer complaints for designing an ethical framework for e-commerce companies, the benefits of consumer complaint handling are presented as follows (Mitchell, 1993):
• use in strategic planning as well as operational decisions;
• reduced likelihood of legal proceedings;
• increased brand loyalty;
• increased ease of complaining;
• internal marketing benefits;
• reduced warranty and servicing bills;
• customer perception of quality;
• objective quality gains;
• cross-selling to satisfied complainants; and
• reduced negative word of mouth.

Figure 1.5 – The Relation between Business Ethics and Customer Satisfaction

Ethical business practices of a company create a relationship, which depends on trust and confidence, between the consumers and the company. Moreover, a relationship that depends on trust and confidence indicates a positive image of the company and increased reputation in the society. As a consequence of the ethical business practices, the satisfaction level of consumers increases which in turn leads
to brand loyalty, positive word of mouth, improved products and services, decreased costs in legal procedures and product development, etc. Moreover, in the long-run the profits of the company will show an inclining tendency.

The companies can also get a feedback from these consumer complaints, and change or adjust their lacking activities. Moreover, since the e-commerce is a new business model it does not have an adequate ethical standard. But being a new business model does not change the fact that there is an increase in consumer complaints about e-commerce. The concerns identified in opinion surveys have been accompanied by increases in consumer complaints to government agencies about Internet problems. In 2001, consumer complaints about on-line problems accounted for 41% of all fraud complaints received by Consumer Sentinel, a joint US-Canadian complaint database (OECD, Feb. 3rd, 2003). The percentage of Internet-related complaints in Consumer Sentinel has risen steadily: from 11% in 1998, to 26% in 1999, to 31% in 2000, to 41% in 2001.

Consumers of a company usually determine whether any of its behaviours is ethical or unethical. Even though this does not mean that consumers are always right, they have an influence on the society’s view about the activities of that company. While developing, pricing, promoting, and distributing products it is possible to cause unethical practices. However, unethical practices, such as deceptive/misleading advertising, discriminatory pricing, corruption and bribery, and etc. give severe damages to the company and to the sector it operates.

This Ph.D. thesis is expected to provide both theoretical and practical contributions to the Business Ethics literature. Furthermore, the findings of this study will be applicable to both ethical and e-commerce practices of companies, which are the value drivers in today’s highly competitive and digitalised environments.
In the next chapter, the literature review of business ethics and consumer complaining behaviour is presented. The following chapter gives the research design and methodology of this study. The subsequent chapter is devoted to the findings of the study, which is followed by summary, conclusions and implications chapter.
II. LITERATURE REVIEW

This chapter consists of two main parts, namely: literature review on business ethics, and literature review on consumer complaining behaviour. However, since it is aimed to design an ethical framework for e-commerce companies, the intensity of literature review is devoted to business ethics.

2.1 Business Ethics Literature

Since 1980s there has been a growing body of attention devoted to the place of ethics in business and particularly in marketing. The proliferation of a great number of books and articles on ethical problems in business, the emergence of business ethics journals-Journal of Business Ethics, Business and Professional Ethics Journal-, the foundation of business ethics centres, and the spread of business ethics courses in business schools are the primary forces that accelerate the growth of this attention. In recent years, with the increased importance of World Wide Web technologies, it becomes possible to reach business ethics institutions and centres via the Internet. Caux Round Table, Better Business Bureau, International Business Ethics (www.business-ethics.org), E-Business Ethics Centre (www.e-businessethics.com) are the most well-known examples of business institutions that give on-line services on this topic.

The existing ethics literature on business and marketing is extensive. A current computerised bibliographic search of the database-ProQuest, (The ProQuest online information service, provides access to thousands of current periodicals and newspapers, many updated daily and containing full-text articles) finds the following results when “Business Ethics” is given as the key research word on the date of February 15th, 2003:
Table 2.1 – Published Business Ethics Articles

<table>
<thead>
<tr>
<th>Time Interval</th>
<th>Number of Articles</th>
</tr>
</thead>
<tbody>
<tr>
<td>1999-Present</td>
<td>1529 articles</td>
</tr>
<tr>
<td>1986-1998 (backfile)</td>
<td>3112 articles</td>
</tr>
<tr>
<td>Prior to 1986 (deep backfile)</td>
<td>111 articles</td>
</tr>
</tbody>
</table>

Of the articles reviewed, seven major research areas about the Business Ethics are found. Each major research area has its own subtitles. It has to be noted that there is no recent literature review article under the topic of Business Ethics; and the last literature review article was published in the Journal of Business Ethics (Tsalkis and Fritzsche, 1989). The area of Business Ethics has also undergone a wave of changes due to the transformation in business and particularly in marketing. Hence, the contribution of this thesis is not limited to its empirical research, it also provides an update literature review. Moreover, through this update literature review, the areas that received scant attention will be detected for future research.

The following figure, which is developed by the author of the thesis, represents an overview of Business Ethics Literature.
Figure 2.1 - An Overview of the Business Ethics Literature

- Evolution of Business Ethics
  - Definition of Ethics and Business Ethics
  - Definition of Consumer Ethics
  - Philosophical Theories
  - Interaction of Law and Ethics
  - Interaction of Economics and Ethics

- Ethical Decision-Making Models
  - Global / Cultural Factors
  - Individual Factors
  - Situational Factors
  - Organisational Factors
  - Promotion/Adv. & Personal Selling
  - Marketing Research
  - Retailing
  - Environmentalism and Marketing

- Ethical Issues in Marketing
  - Product
  - Price
  - Place

- Ethical Issues and The Consumer Perspective
  - Consumer Abuse and Specific Behaviours
  - Ethical Decision Making of Consumers

- Ethical Issues in the Work Environment
  - Corporate and Ethics
  - Working Conditions
  - Whistle-blowing
  - Discrimination
  - Trade Related Issues

- Ethical Issues in International Business
  - Multinationals (MNCs)
  - Cross-Cultural Studies
  - Bribery and Corruption
  - Business Related Issues
  - Work Environment Related Issues

- Ethical Issues and The Technology
  - Consumer Related Issues
2.1.1 The Evolution of Business Ethics

The study of business ethics has gained a considerable attention in the last two decades; however, in order to have a general idea about its development it would be better to examine the evolution of business in ten year period intervals. Ferrell et al. (2002, p. 8-13) examine the evolution of business ethics in North America through five distinct stages:

1. **Before 1960: Ethics in Business** – Business ethics issues were often discussed from a religious perspective.

2. **The 1960s: The Rise of Social Issues in Business** – In this stage the rise of many social issues in business and emergence of a social conscious was seen. In 1962, President John F. Kennedy declared the “Consumers’ Bill of Rights” in which he spelled out four basic consumer rights as follows:
   - The right to safety,
   - The right to be informed,
   - The right to choose, and
   - The right to be heard.

3. **The 1970s: Business Ethics as an Emerging Field** – Business ethics began to develop as an independent research area, and academicians and practitioners explore business ethics from individual and organizational dimensions. Nixon administration’s Watergate scandal led to the increased attention toward ethics and government. The Foreign Corrupt Practices Act was passed during President Jimmy Carter’s administration, which makes it illegal for US businesses to bribe government officials of other countries. In addition, during the end of 1970s, some major ethical issues such as bribery, deceptive advertising, product safety were raised.

4. **The 1980s: Consolidation** – During 1980s, centres of business ethics provided publications, courses, conferences and seminars. The Defense Industry Initiative on Business Ethics and Conduct was developed to guide corporate support for ethical conduct; its principles had a major impact on corporate ethics in the USA. However, there was less government regulation during this stage, which led to the increase of new ethical issues, such as environmental degradation.


According to Ferrell et al. (2002, p. 23), “in the 21st century, organisations seem less bound by legal issues and more concerned with maintaining ethical organisational cultures”.

The ethical sensitivity of all professionals (lawyers, educators, business executives) has been closely inspected in recent years. Everyday, either in a daily newspaper or in a periodical or in a scholarly reviewed journal, it becomes possible to see news and/or researches about companies, which are accused of illegal
activities. Moreover, the professionals who work for these companies are also questioned in the eyes of the public. However, the situations that occur do not only consist of legal consequences, but also consist of matters, which carry an ethical/unethical dimension. This is the most confusing point, since it is hard to determine what’s ethical and what’s unethical. Tsalikis and Frizsche (1989, p. 695) describe this situation by quoting Kenneth Andrews: “if it’s black and white, and a man has normal courage and security, he’ll say no. It’s in the gray areas that the businessman may more likely flounder”. Hence, the answer to the question of “what is ethics?” has to be sought in order to generate the definition of business ethics.

2.1.1.1 The Definition of Ethics

According to Boatright (2003, pp. 22-23), “generally, morality and ethics, moral and ethical, and so on are interchangeable... Morality is generally used to describe a sociological phenomenon; namely the existence in a society of rules and standards of conduct... Ethics is roughly a synonym for morality, but it is often restricted to the rules and norms of specific kinds of conduct or the codes of conduct for specialized groups”. De George (1999, p. 19) argues that “Ethics studies morality. Morality is a term used to cover those practices and activities that are considered importantly right or wrong; the rules that govern those activities; and the values that are embedded, fostered, or pursued by those activities and practices”.

De George (1999, p. 20) derives the definition of ethics as follows: “ethics is a systematic attempt to make sense of our individual and social moral experience, in such a way as to determine the rules that ought to govern human conduct, the values worth pursuing, and the character traits deserving development in life”. Moreover, Boatright (2003, p. 23) mentions another use of ethics, as the field of moral
philosophy. The moral philosophy studies can be either descriptive or normative; “descriptive ethics may involve an empirical inquiry into the actual rules or standards of a particular group, or it could also consist of understanding the ethical reasoning process... Normative ethics is concerned largely with the possibility of justification... Normative ethics is concerned not with what people believe we ought to do, but with what we really ought to do, which is determined by reasoning or moral argument...” (Boatright, 2003, p. 23). In addition to, Descriptive and Normative ethics, De George (1999) introduces the term Metaethics as the third portion of general ethics. “Metaethics is the study of normative ethics, and to some extent, both normative and descriptive ethics involve some ethical metaethical activity. It is sometimes called analytical ethics. Metaethics deals with the meaning of moral terms” (De George, 1999, p. 22).

Most of the academicians cited Taylor’s (1975, p. 1) definition of ethics: “inquiry into the nature and grounds of morality where the term morality is taken to mean moral judgements, standard and rules of conduct” (Ferrell et al., 2002; Akaah and Riordan, 1990, p. 143; Fraedrich et al., 1989, p. 688; Tsalikis and Fritzsche, 1989, p. 695; Hunt and Vitell, 1986, p. 6).

2.1.1.2 The Definition of Business Ethics

In their research Muncy and Vitell (1992, p. 297) referred to the study of Ferrell and Fraedrich (1991) in which business ethics is defined as “moral principles and standards that guide behavior in the world of business”. “Business ethics requires that the organization or the individual behave in accordance with the carefully thought-out rules of moral philosophy” (Robin and Reidenbach, 1987, p. 45).
According to De George (1999, pp. 24-25), there are five kinds of activities that are involved in business ethics; these are:

1. The first is the applying of general ethical principles to particular cases or practices in business.
2. The second kind of activity is metaethical; here the applicability of individual moral terms to organizations, entities and businesses are investigated.
3. The third activity of business ethics is the analysis of the presuppositions of business, both for moral presuppositions and presuppositions from a moral point of view. In other words, the meaning and justification of such non-moral terms as exploitation and competition, and the presuppositions and uses of cost-benefit analyses, accounting procedures, and so on have to be analyzed.
4. Some business ethics problems lead academicians to go beyond the field of ethics into other areas of philosophy and other domains of knowledge, such as economics or organization theory. Macro-moral issues, such as whether rich countries have any moral obligations to poor countries is a good example for this activity.
5. The fifth activity is to describe the morally praiseworthy and exemplary actions, of either individuals in business or particular firms. Because business ethics is not only involved in the negative task of trying to clarify what actions are wrong, but also of presenting moral ideals to which business people and corporations can rise.

2.1.1.3 The Definition of Consumer Ethics

Even though there are lots of attempts to define ethics and business ethics, the definition of consumer ethics received the least attention. According to Muncy and Vitell (1992, p. 298) consumer ethics will be defined as “the moral principles and standards that guide behavior of individuals or groups as they obtain, use, and dispose of goods and service”.

2.1.1.4 Moral Philosophy and Ethical Theories

“When people talk about philosophy, they usually mean the system of values by which they live. Moral philosophy refers in particular to the principle or rules that people use to decide what is right or wrong” (Ferrell et al., 2002, p. 54). According to Ferrell et al. (2002, p. 54), “moral philosophies help explain why a person believes that one action is right whereas another is wrong; they are often cited to justify decisions or explain actions”.
What constitutes ethical and unethical behaviour can differ depending on the set of moral principles used as the basis for judgment. The most studied philosophical theories in the business ethics literature are teleological theories and deontological theories (Barnett et al., 1998; Hunt and Vitell, 1986; Ferrell and Gresham, 1985). However, Malhotra and Miller (1998) state that the most frequently considered theories are: ethical relativism, justice, objectivism, teleology, deontology, and hybrid. On the other hand, Tsalikis and Fritzche (1989) divide ethical theories into three groups: a) Consequential theories (teleological theories), b) Single rule non-consequential theories (deontological theories), and c) Multiple rule non-consequential theories (a hybrid of both teleological and deontological theories).

There are many moral philosophies, which are also very complex. Moreover, most of the academicians refer to different types of moral philosophies, while applying them to business ethics. However, in order to make it more comprehensive, this study illustrates all basic moral philosophies that are applicable to business ethics depending on the studies of different scholars. The figure below is derived from the studies of Tsalikis and Fritzche (1989), and Malhotra and Miller (1998). In addition, the business ethics books of Ferrell et al. (2002) and Boatright (2003) are also used by the author of the thesis in order to develop the Figure 2.2.
2.1.1.4.1 Ethical Relativism

According to Boatright (2003), ethical relativism describes the fact that people in different cultures or within a given culture, can hold different moral views on particular actions. In other words, moral principles cannot be valid for everyone in a society; and Tsalikis and Frtizsche (1989) state that each individual has to follow the conventions of his own group. Thus an action, which is right for one person/society, may be wrong for another person/society, and it is possible that both of the persons/societies can be correct. However, an alternative view to ethical relativism is
moral absolutism, which argues that “there are eternal values and eternal moral principles that are always and everywhere applicable” (Boattright, 2003, p. 46). According to Ferrell et al. (2002, p. 57) relativist perspective “evaluates ethicalness on the basis of individual and group differences”.

2.1.1.4.2 Justice

According to the theory of Justice, there are two main principles: a) the equal liberty principle, and b) the difference principle (Malhotra and Miller, 1998). “The equal liberty principle deals with the impartial and equitable administration and application of rules which define a practice... The difference principle, on the other hand, specifies the conditions under which the equal liberty principle may be violated and defines what kinds of inequalities are permissible” (Malhotra and Miller, 1998, p. 266). However, Hansen (1992) mentions the limitation of this theory as the application difficulty of these two principles in most ethical situations.

“Justice evaluations in business ethics relate to evaluations of fairness, or the disposition to deal with perceived injustice of others. Justice is fair treatment and due reward in accordance with ethical and legal standards. In business this means that decision rules used by an individual to determine justice could be based on the perceived rights of individuals and on the intentions associated with business interaction” (Ferrell et al., 2002, p. 65). There are three types of justice: distributive, procedural, justice, and interactional. “Distributive justice is based on the evaluations of outcomes or results of the business relationship... Procedural justice is based on the processes and activities that produce the outcome or results... Interactional justice is based on an evaluation of the communication processes used in the business environments” (Ferrell et al., 2002, p. 66).
2.1.1.4.3 Objectivism

This theory states that although ethics and completely ethical behaviour are nice, they can exist in a perfect world (Malhotra and Miller, 1998, p. 267). Hence it is necessary to use general guidelines when unethical behaviour exists. However, the major handicap of this theory is that ethical guidelines are difficult to enforce (Malhotra and Miller, 1998).

2.1.1.4.4 Teleology

According to Hunt and Vitell (1986, p. 6) teleologists propose that people should determine the consequences of various behaviors in a situation and evaluate the goodness and badness of all the consequences. In other words, if the consequences of an act are good, then the act is ethical; if the consequences are bad, the act is unethical. Hence, this theory is also known as Consequential Theory. The teleological perspective can be divided into two subcategories: egoism and utilitarianism.

- **Egoism.** Philosophers such as Hobbes and Nietzsche were ethical egoists (Hunt and Vitell, 1986), who believed that an act is ethical when it promotes the individual’s best long-term interests (Tsalkis and Fritzscche, 1989). Malhotra and Miller (1998) argued that this approach has two limitations: first, it takes no stand even against obtrusive violations, and second, egoism cannot resolve conflict of interests among two individuals or parties.

- **Utilitarianism.** It is sometimes called as ethical universalism, and holds that an act is right only if it produces a greater balance of good consequences than other available alternatives for all people (Hunt and Vitell, 1986, p. 7). “Utilitarian decision making relies on a systematic comparison of costs and benefits to all
affected parties” (Ferrell et al. 2002, p. 59). It emphasises the greatest good for the greatest number; and John S. Mill is often associated with this philosophy. This approach also has two limitations: first, it ignores actions that are wrong in themselves as the end justifies the means; and secondly, the principle of utility may come into conflict with that of justice (Malhotra and Miller, 1998).

According to Boatright (2003), the classical utilitarianism was created by Jeremy Bentham and John S. Mill. Boatright (2003, p. 35) refers to the utilitarian position of Mill as follows: “The creed which accepts as the foundation of morals. Utility, or the Greatest Happiness Principle, holds that actions are right in proportion as they tend to promote happiness, wrong as they tend to produce the reverse of happiness, pain, and the privation of pleasure”. Hence classical utilitarianism is stated as follows: “An action is right if and only if it produces the greatest balance of pleasure over pain for everyone”.

The utilitarianism has two versions: act-utilitarianism (AU) and rule-utilitarianism (RU). Boatright (2003, p. 37), gives the expressions of these two versions of utilitarianism in the following way:

“(AU) An action is right if and only if it produces the greatest balance of pleasure over pain for everyone.

(RU) An action is right if and only if it conforms to a set of rules the general acceptance of which would produce the greatest balance of pleasure over pain for everyone.”
2.1.1.4.5 Deontology

Opposed to teleological approach, deontological theories represent a non-consequential approach. Deontological views have a rich intellectual history dating back at least as far as Socrates (Hunt and Vitell, 1986, p. 6). Deontologists believe that “certain features of the act itself other than the value it brings into existence make an action or rule right” (Hunt and Vitell, 1986, p. 6). In other words, deontological approach focuses on the intentions and/or means behind an act, rather than the results of the act. The major limitation of deontological approach is its underestimation of the important consequences of an act.

Like utilitarianism, deontologists can be divided into those who emphasise moral rules and those who emphasise the nature of the acts themselves. According to Ferrell et al. (2002, p. 62), “rule deontologists believe that conformity to general moral principles determines ethicalness. Deontological philosophies use reason and logic to formulate rules for behaviour. Examples include Kant’s categorical imperative and the Golden Rule of Judeo-Christian tradition...”. These two philosophies are described below.

- **Golden Rule.** According to Tsalikis and Frtizsche (1989), the Golden Rule is most commonly interpreted as “Do unto others as you’d have them do unto you”. This means that treat others as the way you want to be treated.

- **Kant’s Categorical Imperative.** Kant’s Categorical Imperative states that the only ethical courses of action are those where the action taken could serve as a universal law (Malhotra and Miller, 1998). Kant’s approach stands as a purely deontological view. Kant’s Categorical Imperative says that people should act in such a way that they could wish the maxim or principle of their action to become a universal law (Tsalikis and Frtizsche, 1989, p. 698).
Boatright (2003, p. 53) refers to Kant's own statement of the categorical imperative in the following way:

“ACT ONLY ACCORDING TO THAT MAXIM BY WHICH YOU CAN AT THE SAME TIME WILL THAT IT SHOULD BECOME A UNIVERSAL LAW.”

This means that “act only on rules that you would be willing to see everyone follow” Boatright (2003, p. 53).

“Act deontologists, in contrast, hold that actions are the proper basis on which to judge morality or ethicalness. Act deontology requires that a person use equity, fairness, and impartiality in making and enforcing decisions...For act deontologists rules serve only as guidelines ” (Ferrell et al., 2002, p. 62).

Even though Kant, himself, did not give a significant attention to the concept of rights, other philosophers, who are his followers give considerable importance to the rights. According to Boatright (2003, p. 58), there are three kinds of rights:

1. Legal and Moral Rights. Legal rights are rights that are recognised and enforced as part of a legal system.... Moral rights, by contrast, are the rights that do not depend on the existence of a legal system. They are rights that we (morally) ought to have, regardless of whether they are explicitly recognized by law...

2. Specific and General Rights. Some rights are specific in that they involve identifiable individuals. A major source of specific rights is contracts...other rights are general rights, because they involve claims against everyone, or humanity in general...

3. Negative and Positive Rights. Generally, negative rights are correlated with obligations on the part of others to refrain from acting in certain ways that interfere with our own freedom of action. Positive rights, by contrast, impose
obligations on other people to provide us with some good or service and thereby to act positively on our behalf.”

Natural rights, or so-called human rights, on the other hand, are rights that belong to all people solely by virtue of their being human; and they are usually characterised as by two main features: universality and unconditionality (Boatright, 2003).

2.1.1.4.6 Hybrid Theories

The advocates of this approach argue that the ethical behaviour of people depends on the use of some of the above theories. For instance, teleology and deontology may seem opposed approaches but they can be both applicable. The biggest drawback of this theory is its normative or prescriptive nature. The most frequently used and referred hybrid approaches are as follows:

- **Ross’s Prima Facie.** This approach notes that “frequently imperatives conflict, and in order to make decisions one has to prioritize or determine which imperative is more crucial or important” (Malhotra and Miller, 1998). This theory is the one commonly incorporated into the more descriptive models proposed in the literature. Ross’s theory is seen as an attempt to join aspects of utilitarianism with those of Kantianism (Tsalikis and Frtizsche, 1989, p. 698).

- **Garrett’s Principle.** Another hybrid theory that has to be mentioned here, is Garrett’s Principle, which brings intention, means, and end to form a synthesis (Malhotra and Miller, 1998).
2.1.1.4.7 Virtue Ethics

Utilitarian and Kantian ethics both address the question “What actions are right?”; however, virtue ethics asks the question “What kind of person should we be?” (Boatright, 2003, p. 61). Aristotle described virtue as a character trait that manifests itself in habitual action (Boatright, 2003).

“A moral virtue represents an acquired disposition that is valued as a part of an individual’s character. As an individual develops socially, he or she may become disposed to behave habitually in the same way and with reasons, feelings, and desires that are characteristic of what may be considered a morally concerned person” (Ferrell et al., 2002, p. 63).

According to Boatright (2003), most often stated virtues are as follows: honesty, loyalty, courtesy, friendliness, moderation, self-control, and toleration. Aristotle also lists some surprising virtues such as pride and shame; moreover, Aristotle lists justice among virtues.

As Ferrell et al. (2002, p. 68) mentions “virtue ethics views every situation and defines alternatives according to a set of constants that do not change in response to dynamic cultural norms, rules, or other people”. The people who support virtue ethics do not believe that the end justifies the means in any situation.

In this section the moral philosophies and ethical theories which are applicable to business ethics are reviewed. The following part is devoted to the interaction of law and ethics.
2.1.1.5 The Interaction of Law and Ethics

There are four types of social responsibility: legal, ethical, economic, and philanthropic (Ferrell, et al., 2002). According to the authors, "the legal dimension of social responsibility refers to obeying laws and regulations to set minimum standards for responsible behavior-society's codification of what is right and wrong" (Ferrell, et al., 2002, p. 75). As it is seen, law and ethics are intertwined concepts. The freedoms enjoyed by all citizenry are safeguarded by the rule of law, as established by legislative enactments and judicial decisions (Ostapski et al., 1996). The rule of law, which is enforced by sanction, is based on ethical notions of right behaviour, which are unenforceable (Ostapski et al., 1996). Action, not subject to law, falls within the domain of ethics. Freedom within a civilisation is limited by both law and ethics. As Boatright (2003, p. 15) states business ethics place within an extensive framework of law, and it is believed that law is the only set of rules that applies to business activity.

Paine (1994) has provided the most extensive analysis of the relationship between law and ethics in the business law literature. The author provides an immoderate critique of two mistaken but commonly held views found among managers: (1) that law and ethics occupy entirely separate realms, not to be confused or intermixed; and (2) that there is a perfect congruence between law and ethics, so that if something is determined to be legal, it may be considered ethical (Dunfee, 1996).

Laws and regulations that control business activities can be grouped into five categories (Ferrell et al., 2002, p. 77):
“1. *Laws regulating competition*: Laws have been passed to prevent establishment of monopolies, inequitable pricing practices, and other practices that reduce and restrict competition among businesses.

2. *Laws protecting consumers*: Laws protecting consumers require businesses to provide accurate information about products and services and follow the safety standards.

3. *Laws protecting the environment*: Increases in toxic waste in the air and water, as well as noise pollution, have prompted the passage of a number of laws. Many environmental protection laws have resulted in the elimination or modification of products or services.

4. *Laws protecting equity and safety*: Laws promoting equity and safety in the workplace protect the rights of older persons, minorities, women, and persons with disabilities; other legislation sought to protect the safety of all workers.

5. *Incentives to encourage organisational compliance programs to deter misconduct*: laws that create an incentive for organisations to conscientiously develop and implement ethical compliance programs.”

From hiring workers to conducting business in international area, from advertising activities to pricing strategies, from product safety to new product development, in every stage of business it is inescapable to confront with legal boundaries. Stakeholder obligations and corporate governance, employee rights and the doctrine of employment-at-will, whistle-blowing, discrimination in the workplace, and deceptive or harmful advertising are other topics, which have to be analysed from the interaction point of ethical and legal issues. This area has an extensive literature, however, only some research areas will be presented. The
following researches are some examples to the interaction of law and business ethics in today's dynamic markets. Delener (1998) conducted a study, which tries to answer the question “is the selling of goods in another country at a price below their "fair value" ethical?”. This question probably is asked more these days because dumping or selling at too low a price in another country is a common accusation. It is believed that because the law is an expression of "a broad moral consensus", an organization's ethical climate will serve as a modifier of motive and opportunity, either prompting or discouraging organisations from engaging in illegal behaviour (McKendall et al., 2002). In his paper, Chan (2002) argues that with the application of various existing legislation, health maintenance organisations' (HMOs') violations of service fairness to each group: enrolers, physicians, and hospitals give rise to each group's lawsuits against the HMOs. Harshman and Chachere (2000) conducted a study about complex legal and ethical concerns, which employees who are asked to provide a reference for a former or departing employee, are confronted with. On the other hand, Trevino et al. (1999) argue about the ethics and legal compliance programs; according to the authors, a firm's approach to ethics and legal compliance has an enormous impact on employees' attitudes and behaviours.

Among the other study areas are sexual harassment and its legal and ethical consequences (Keyton and Rhodes, 1997), the changes in corporate whistle-blowing policies with regard to changes in laws (Near and Dworkin, 1998), the impact of punishment as a legal and ethical force in the case of environment protection (Poesche, 1996), ethical and legal dimension of environmental management (Stainer and Stainer, 1997), prevention and punishment of organisational misconduct (LeClair, Ferrell and Ferrell, 1997), and the legal and ethical issues of advertising (Attas, 1999).
The recent research stream about the interaction of legal and ethical issues is involved with the information technologies and their legal and ethical boundaries (Hodson et al., 1999; Walker, 2002; Caudill and Murphy, 2000). These studies examine privacy, security, marketing activities in on-line environments, technological monitoring of employees, etc. and the legal and ethical problems encountered in these areas. Pattison (1997) observes the extensive legal implications in conducting business on the Internet. This issue will be examined under the topic of Interaction of Technology and Ethics.

2.1.1.6 The Interaction of Economics and Ethics

Another crucial point in business ethics literature is the interaction of economics and ethics. The origins of capitalism in the form of commerce and free enterprise can be traced to a prehistoric era when people began trading with each other. Ethical issues in business arose simultaneously or soon after; as early as 1800 BC, for example, worries about the ethics of traders and merchants in the Code of Hammurabi are found (Werhane, 2000, p. 185). According to Werhane (2000), analyses of Smith's and Spencer's studies help us to envision democratic capitalism not as a static well-defined system but rather as an evolving set of political economies where a particular prevailing view is not, and should not be the sole model. Sorensen (2002) argues that the concept of value is central to many discussions in economy, philosophy and sociology; and to business ethics in particular the concept of value is of the utmost importance, being one of the conceptual nodes, which links ethics and economics.

Value is a basic concept in economics, ethics and sociology. Locke made labour the source of value, whereas Smith referred to an ideal exchange, and Kant specified
that commodities only have a market price, no intrinsic value (Sorensen, 2002). One can distinguish two modern concepts of value, an economic one trying to explain value in terms of utility, interest or preferences, and an ideal one considering values as ends in themselves (Sorensen, 2002). The author criticises neo-liberalism, big business and the effects of globalisation, while at the same time defending the moral value of business and giving an interpretation of the anti-globalization protests.

According to McMurtry (1997), contradictions of economics and ethics depends on: 1. the freedom to consume, 2. the freedom of the seller, 3. the freedom of the producer, 4. freedom from government interference, 5. lower costs, and 6. promotion of democracy.

Mayer (1998) questions whether economics has an ethical component. In this regard, Mayer (1998) finds that two distinct perspectives have unique and continuing significance: the instrumentalist and the personalist. The first, he says, traces its origins to the very beginnings of economics as a discipline, has dominated economic thought ever since, and denies there is a place for ethics in the science of economics. The second is of more recent origin, has been far less influential in shaping economic thought, and insists that economics indeed has an ethical component because economic affairs are human affairs. O’Boyle’s (1986) contribution to this field comes from his definition of economics as “economics is the study of man as a consumer and as a worker”. As it is seen from the definition, the human and therefore moral and ethical issues are embedded in the definition of economics.

O’Hara (1998, p. 43) discusses the question of how the concept of ethics generally accepted and operative in mainline economics influences the understanding of sustainability. One question pursued is whether this concept of ethics can lead to sustainability or whether other ethical concepts are necessary to achieve a more
compatible relationship between economic activity and sustainability. A utilitarian ethic leads to a perception of the links between economic activity and environmental context, which is not likely to yield sustainable outcomes beyond an economically defined notion of sustainability.

It can be concluded that, how businesses relate to competition, stockholders, consumers, employees, the community and the physical environment affects the economy (Ferrell et al., 2002).

Up to now, the evolution of business ethics has been examined and some crucial contributions to the field are reviewed from different perspectives. In the following part, the ethical decision models are examined.

2.1.2 The Ethical Decision-Making Models

Since there are a lot of factors that affect decision making in ethical dilemmas, ethical decision making is the most difficult task to deal with. Several ethical decision making frameworks for ethical decisions have developed, however, no model has been acknowledged as descriptive. The most extensive model, which captures almost all the aspects of ethical decision-making, was developed by Hunt and Vitell (1986). The authors developed a descriptive decision-making model, which is called the "General Theory of Marketing Ethics". Teleological and Deontological theories are taken as the base for the model, which analyses the decision-making behaviour (Hunt and Vitell, 1986). This model begins with the recognition of a decision, which contains an ethical dilemma; then the person must realise the different alternatives that are available to solve the ethical dilemma. The alternatives have to be evaluated by using teleological and deontological theories.
Finally, after the evaluation, ethical judgements will be achieved, which may or may not determine intentions. Hunt and Vitell (1986) propose that:

1. Personal Experiences,
2. Organisational Norms,
3. Industry Norms, and
4. Cultural Norms

affect perceived ethical situations, alternatives, and consequences. Finally situational constraints (such as opportunity, rewards, and punishments) can result in behaviours that are inconsistent with intentions and ethical judgements (Hunt and Vitell, 1986). Their “General Theory of Marketing Ethics” is taken as a basis in order to categorise the ethical decision-making models in the literature:

1. *The Models that concentrate on Global/Cultural Factors.* When people operating in different cultures face with an ethical dilemma, it can be concluded that, their decision will have a cultural/global dimension. Ferrell and Gresham (1985), and Hunt and Vitell (1986) recognise the importance of this factor. Ferrell and Gresham (1985), in their contingency framework, mention the influence of cultural norms on individual behaviour within a business context. Moreover, Hunt and Vitell (1986) show cultural norms as a crucial construct that affects the perceptions of people during an ethical situation. However, these two models cannot describe how culture influences ethics. But Vitell et al. (1993, p. 753) depending on Hofstede’s typology provide a conceptual framework in order to show “how culture influences one’s perceptions and ethical-decision making in
business”. On the other hand, the model proposed by Wines and Napier (1992) is a tentative one for conceptualising cross-cultural ethics, since it reviews four streams of research. Hunt and Vitell (1986) refer to the study of Bartels’ (1967), which stressed the role of culture in influencing ethics; and cultural factors are identified as law, religion, national identity and loyalty, and etc.

2. *The Models that concentrate on Individual Factors.* Kohlberg’s (1969) “Cognitive Moral Development Theory” (CMD) is the most known study in this area. His framework involves three broad levels of cognitive moral development, each composed of two stages. According to this theory, the profile of an individual represents a dominant stage the person is in, a stage the person is leaving, and a stage he is moving into. *Preconventional level* is the level where people are interested in consequences, such as external rewards and punishments. The second level is called *Conventional level*, and it leads to the conformity of expectations of good behaviour of society, family or peer groups. In this level, the motivation of ethical decisions fulfill the expectations of significant others. The final level is called as *Principled level*, in which “right” is determined by universal values or principles. Trevino (1986) uses a person-situation *Interactionist Perspective* (which uses CMD theory) for ethical decision-making in organisations. In this model, individual factors are broken into variables: ego strength, filed dependence, and locus of control (Trevino, 1986). The second factor of the model is situational factors, which will be given in the following parts. Another important contribution related to models that concentrate on individual factors comes from Ferrell and Gresham (1985). Their model is called as *Contingency Framework*. Ferrell and Gresham’s (1985) model also depends on CMD theory, however, it consists of three factors: individual factors
(knowledge, values, attitudes, and intentions), significant others (differential association and role setting configuration), and opportunity factors (professional codes, corporate policy and rewards/punishment). According to the model when an ethical issue arises, these three factors are used to explain how these factors influence decision-maker's ethical behaviour. It has to be noted that Hunt and Vitell (1986) also show individual factors as a crucial factor in determining one's ethical behaviour. Callahan (1988) contributes to the ethical decision-making literature by adding the role of emotions as a personal factor.

3. *The Models that concentrate on Situational Factors.* As it has been stated earlier in the individual factors, Trevino (1986) uses a model that depends on two factors: individual and situational factors. The situational factors in Trevino’s (1986) Interactionist model include variables related to the job, such as: immediate job context (reinforcement, other pressures), and organisational culture (normative structure, referent others, obedience to authority, and responsibility for consequences), and characteristics of the work (role taking, resolution of moral conflict). Hunt and Vitell (1986), in their general model describe situational constraints and state that “opportunity” is one such situational constraint. Mayo and Marks (1990) test the General Theory of Marketing Ethics, which is developed by Hunt and Vitell (1986), in the context of a marketing research ethical dilemma. The results of this empirical research support the theoretical findings of the Hunt and Vitell’s (1986) model. Another model that considers situational factors is conducted by Ferrell and Gresham (1985). Ferrell and Gresham (1985) use opportunity factors (which are accepted as situational factors in Hunt and Vitell’s model) in their model, in addition to individual factors described above.
4. *The Models that concentrate on Organisational Factors*. Fritzche (1991) models ethical decision-making as a combination of personal values and organisational influences in an attempt to address the gaps left by the three most comprehensive and descriptive models of ethical decision-making. Fritzche (1991) identifies these models as: Hunt and Vitell’s (1986) General Theory of Marketing Ethics, Trevino’s (1986) Interactionist Model, and Ferrell and Gresham’s (1985) Contingency Framework. Fritzche (1991) acknowledges that these three models are used as guidance in studying ethical decision-making process. Fritzche (1991) uses Organisational Culture as the organisational factor of his study; organisational culture has been further divided into two variables as: Organisational Climate (such as differential association, role-set configuration), and Organisational Goals (such as policy, reward structure). It has to be noted that Trevino (1986) uses organisational culture as a second factor that influences ethical decision-making; however, the author names this factor under the topic of situational moderators. In this part, it is again worth to note that Hunt and Vitell (1986) accept organisational norms as the major factor influencing ethical/unethical decisions. Finally, Laczniak and Murphy (1991) conducted a study about ethical marketing decisions, in which they discuss the role organisational factors as well as individual and societal factors.

Up to now, the crucial and most cited studies about the ethical decision-making models are reviewed; however, there is one more research, which includes almost all models that are described above. This study is conducted by Malhotra and Miller (1998), and known as an “Integrated Model for Ethical Decisions in Marketing Research”. Since this model incorporates the perspectives of all parties involved in
the process of ethical marketing research decisions, it includes all the factors
described earlier in the above paragraphs, except the narrow dimension of
global/cultural context. The proposed model represents a significant departure from
any existing decision-making model by including the various perspectives of
different role players in marketing research (i.e. the client, the researcher, the
respondent and the public). In their model Malhotra and Miller (1998) combine Hunt
Interactionist Model, and Ferrell and Gresham’s (1985) Contingency Framework. In
fact, this was already done by Ferrell et al. (1989); however, the proposed model of
Malhotra and Miller (1998) incorporates the perspectives of all parties involved in
the process of ethical decision-making. Therefore, Malhotra and Miller (1998)
improve the model of Ferrell et al. (1989), which is known as the Synthesis Model.

2.1.3 Ethical Issues in Marketing

Marketing “is a societal process by which individuals and groups obtain what
they need and want through creating, offering, and freely exchanging products and
services of value with others” (Kotler, 2003, p. 9). Within this broad definition, there
are a number of distinct functions, including product development, pricing,
distribution, promotion and sales. The business ethics literature gives an extensive
place to marketing activities, and it can be asserted that among all other management
fields, marketing is the most criticised one because of unethical practices. In the
following paragraphs the most frequently seen ethical issues related to marketing
activities are discussed.

Products and Services. Even though under the free market conditions, the
producers are free to produce and sell whatever they want, this freedom is limited
with the usual rules of fair market exchanges (Boatright, 2003). As presented in almost all business ethics books, Boatright (2003, p. 276) also submits consumers four-point bill of rights, which was proclaimed by President Kennedy (1962):

1. The right to be protected from harmful products,
2. The right to be provided with adequate information about products,
3. The right to be offered a choice that includes the products that consumers truly want,
4. The right to have a voice in the making of major marketing decisions.

The business ethics literature involves product and services related ethical issues of marketing practices. Goldstein and Rubin (1996) discuss an engineer’s duty to hold paramount the safety, health and welfare of the public; and questions the concept of reasonably safe design as an ethical dilemma. According to Meel and Saat (2002), product safety has always been one of the main problems in engineering ethics; however the right to safety is one of the four fundamental consumer rights and so it is an important theme also in business ethics. Meel and Saat (2002) state the steps of a product’s life cycle as following: from the idea through research and development to production and mass-production till withdrawing; then the authors present the development of the moral attitude towards the product during its life cycle and call it as Product Ethical Life Cycle:

(1) the stage of Ignorance;
(2) the stage of an Ethical Dilemma;
(3) the stage of Legal Regulations.

Curlo (1999) asserts that firms that wish to be morally responsible in providing products that meet a high standard of safety may face problems competing against firms that make unsafe products and sell these products at cheap prices. These
problems may be compounded when consumers do not accurately process
information about safety and risk. To strengthen the conceptual argument, Curlo
(1999) conducts an experimental study about the impact of negligence liability
information on consumer product safety evaluation. The results show that provision
of negligence information heightens consumer concern for safety and firms' ethical
behaviour, and increases the proportion of consumer choices in favour of the brands
sold by manufacturers with a favourable track record for quality (Curlo, 1999). More
importantly, they indicate that provision of negligence information reduces the
likelihood that brands, which conform to inferior safety standards, will be chosen by
consumers who care about safety standards. Piker (1998) examines the most
common objection to strict product liability - that it is unfair to manufacturers. In
response to this objection, it is argued that: there are, in fact, cases in which it is at
least somewhat unfair to manufacturers to impose compensation requirements upon
them in accordance with the strict product liability doctrine (Piker, 1998). The sales
of illegal products and protection of consumers from those products, and target
marketing and the role of product harm and consumer vulnerability (Smith and
Cooper-Martin, 1997), criticising marketers for the selection of target markets,
especially for targeting to disadvantaged segments of a society with harmful products
(Rittenburg and Parhasaratthy, 1997), the potential for exploitation of vulnerable
markets, and the tradeoff between protection of disadvantaged consumers and their
rights to make informed choices (Sautter and Oretskin, 1997) are among the most
studied areas of product related activities of marketing in business ethics.

Under the product subtitle, the issue of labeling and packing/packaging is also
examine the differences between business practitioners and consumers with respect
to ethical sensitivity, perceived consequences of business practices, and perceived
industry norms. It is found that business practitioners exhibit less ethical sensitivity;
and businesspeople also feel that the likelihood and severity of negative
consequences resulting from a packaging practice lower than do ethically-interested
consumers (Bone and Corey, 2000). Since existing "regulations" require that
manufacturers using environmental marketing claims do so in an accurate, non-
misleading fashion, Polonsky et al. (1998) examine the packaging of the
dishwashing liquid bottles available in grocery stores.

Product and product related issues, such as packing and labelling, and marketing
of illegal products are all examined from the ethical dimensions.

Price. Pricing is one of the crucial tools of marketing. The producers want to sell
their products/services at a profit. However, sometimes producers use price fixing
strategies in order to control competition. That is to say producers in a market may
agree on the prices to charge (De George, 1999). Overpricing, and markup and
markdown issues also involve some problems, because overpricing means yielding
an excessive profit, and markups mean that the producer of a good calculates the
markups for its middlemen and retailers and set a retail sales price (De George,
1999). Another area where excessive rates arise is the lending of money. In this
respect, an important contribution comes from Lewison (1999), who examines the
usury (charging of interest on loans higher than market levels) and business ethics.

The legal and ethical issues associated with contract pricing are explored with a
particular focus on a set of legal precedents that have addressed the enforceability of
supposedly "unfair" contract prices (Ostas, 1992). Traditionally, the common law has
emphasized the consent of the parties; if the parties consented to a given price, it is
presumed to be fair and enforceable (Ostas, 1992). A distinction is made between the
traditional legal conception of fairness and alternative moral conceptions; and the analysis shows that, the courts continue to employ the traditional legal notion of fairness, to the exclusion of alternative moral concerns such as unequal treatment, abuse of monopoly power, and price-in-excess-of-market (Ostas, 1992). Price based competition in retail stores and its ethical results due to decreased quality (Brennan, 1991), the ethical obligations of pharmaceutical companies to charge fair prices for essential medicine (Spinello, 1992) are also the areas examined under the topic of ethical issues related to pricing.

According to Gupta and Rominger (1996), retailers impose surcharges by charging higher unit prices for products packaged in a larger quantity than smaller quantity of the same goods and brand. The business ethics of such pricing strategy are examined in light of empirical findings, existing governmental regulations, factors that motivate quantity surcharges and prevailing consumer perceptions (Gupta and Rominger, 1996).

Place/Distribution. In recent years, there has been a general trend in business thought and practice towards focusing greater attention upon the parallel or intersecting interests of buyers and sellers within marketing interactions. The primary focus of research attempting to explain the relationship building and maintenance process has typically been on constructs such as commitment, shared values, and trust (e.g. Dwyer et al., 1987; Morgan and Hunt, 1994; Doney and Cannon, 1997; Smith and Barclay, 1997). As the evolution of economics, business processes, and technology has unfolded, the definitions and domains of ethical business practice have become more ambiguous and seemingly less categorical. Perceptions of ethical behaviour are important in at least two ways. First, there is the current focus on relationships within marketing channels (Weitz and Jap, 1995; Nevin, 1995). Weitz
and Jap (1995) cite two important criteria firms will likely consider when seeking out channel partners: (1) firms will wish to partner with other firms that share similar values, beliefs and practices; and (2) firms will wish to partner with other firms having a reputation and history of fairness and consideration. In other words, firms will wish to form relationships with other firms that have a history of treating organisational partners in an ethical manner, and may also prefer partners that share similar ethical values and evaluation approaches. The second case involves those firms that, for various reasons, have decided to switch channels or channel members often and thus forego long-term relationships (Frazier and Antia, 1995).

Pelton et al. (1999) adopted an Interactionist approach in order to introduce a dyadic perspective of ethical/unethical decision making. The dyadic model includes each channel member's individual, situational and decision process factors linked by relationalism, an emerging paradigm in marketing channels (Pelton et al., 1999). Relationalism is represented as a discriminating variable between perceived ethical dilemma and decision behaviour. According to Pelton et al. (1999), this study augments the extant models of ethics in the marketing literature by recommending a dyadic perspective in the investigation of issues related to ethics, especially in the context of the relationship between channel members. The relationship between channel members is particularly relevant to any inquiry into ethical/unethical decision making, because individuals and organisations do not operate in isolation from one another.

Another interesting study is conducted by Koehn (2001), who examines the multi-level marketing schemes (MLM). MLM means, "network marketing—the practice of distributing selling or supplying products or services through various levels of independent agencies" (Koehn, 2001, p.153). According to the author, such
schemes are illegal, because they are unethical in two respects: 1. they are fraudulent, and 2. they are recruitment-rather than product-centered.

Kurland (1991) examines the role of the straight-commissioned salesperson in the context of agency theory, and asserts that because the agent acts to benefit two principles, potential conflicts of interest arise. According to the author, the temporary differences in receipt of rewards create a major conflict, while the firm’s exhibition of both espoused and actual behaviours and information asymmetries intensify this conflict. Kurland (1995) also highlights one company’s attempt to temper the potentially negative effects, the conflict of interest inherent in the straight-commission compensation system (SCCS), has on insurance agents’ ethical intentions towards their clients.

In the next paragraphs, the ethical research about advertising, promotion and selling practices will be examined.

Promotion and Advertising and Sales. Although moral issues arise in other aspects of marketing, public and governmental concern has tended to focus on the advertising of consumer products to the general public (De George, 1999). According to Pratt and Lincoln (1994), the utilitarian theory of ethics in decision-making has traditionally been the preference of US advertising practitioners. The authors argue that the US advertising industry's de-emphasis of deontological ethics is a reason for its continuing struggle with unfavourable public perceptions of its ethics and credibility (Pratt and Lincoln, 1994).

The research about advertising and ethical issues has the most extensive one. The advertising to vulnerable people consists one major stream of research. The African-American children’s activities in TV commercials (Peterson, 2002), unfavourable portrayal of children’s scholastic roles in TV commercials (Peterson, 1998), tobacco
advertising and children (Wong, 1996) are the studies that deal with the ethical
dimension of advertising on children. On the other hand, there are plentiful studies,
which examine the role of women in advertising. For example, Cohan (2001)
identifies the ethical issues involved with women's advertising, and argues that ads
can be successful in generating sales without portraying women as things or as mere
sex objects, and without perpetuating various weakness stereotypes. In addition,
Henthorne and LaTour (1995) present a test of a hypothetical model of the role of
perceived ethical feelings about the use of female nudity/erotic stimuli in print
advertising. On the other hand, the images of native Americans in advertising also
raise ethical issues (Green, 1993).

Another group of research on ethicality of advertising focuses on the regulatory
issues; for instance autonomy of advertising (Sneddon, 2001), the role of codes of
conduct in improving the effectiveness of advertising self-regulatory frameworks
(Harker and Harker, 2000), how close advertisers, from all the continents, have been
to the natural law and other fundamental moral principles (de Arruda and de Arruda,
1999) can be given as examples to this group of research.

A third group of research stream deals with misleading and deceptive advertising
practices. According to Lord et al. (1997), consumer deceit from misleading
advertisements and strategies to counteract it are important issues in today's
marketplace; these strategies include educating consumers with informational
priming, giving them a cognitive frame of reference, and using attribute-oriented
copy. It was found that subjects exposed to these strategies perceive deceptive ads as
less credible, feel more negative about them, and develop more negative attitudes
and lower purchase intentions toward the advertised product (Lord et al., 1997).
Cognitive and affective products differ in terms of consumer susceptibility to
deception and the effectiveness of deception-prevention strategies (Lord et al., 1997). The direct effect of pharmaceutical advertising on the health of consumers (Chandra and Holt, 1999), the effect of the practice of deceptive advertising on the society (Attas, 1999), the effects of consumers' perceived self-efficacy on their perceptions of the ethicality of a fear appeal and subsequent attitudes toward the ad, the brand, and purchase intentions (Snipes et al. 1999) can be given as examples to misleading and deceptive advertising practices.

The comparative advertising (Ronald and Young, 1995), ethical attributions and response to environmental advertising (Davis, 1994), advertising of state run lotteries (Stearns and Shaheen, 1995), political advertising as an unethical behaviour (Waller, 2002) are also among the interesting contributions to the field of ethics and advertising.

The ethical issues related to selling practices, sales people and managers are also among the most studied topics. Supervisory reactions of sales managers to potentially unethical salesperson behaviour (Bellizzi and Hite, 1989), personal characteristics and salesperson's justifications as moderators of supervisory discipline (Bellizzi and Norvell, 1991), the information disclosure of salespersons to the potential buyers (Holley, 1998), organisational consequences and ethical issues in sales-force supervision (Hunt and Vasquez-Parraga, 1993), organisational consequences and ethical issues in sales-force supervision in Turkey (Mengüç, 1998), perceived unethical salesperson behaviour on intentions to choose a supplier (Trawick et al., 1991) are some of the research conducted under this topic.

*Marketing Research*. In their revised model of ethical decision making, Hunt and Vitell (1991) describe ethical sensitivity as a personal characteristic that enables people to recognise the presence of an ethical issue. For them, recognising an ethical
issue in a decision-making situation is a necessary precursor to perceiving the
conflict that constitutes an ethical problem, which in turn is the starting point for the
cognitive processing involved in ethical decision making.

Sparks and Hunt (1998) through the concept of ethical sensitivity, explore why
some marketing researchers and not others recognize and ascribe importance to the
ethical content in either decision situations. The results show that the ethical
sensitivity of marketing researchers is a positive function of organisational
socialisation and perspective taking, but a negative function of relativism and formal
training in ethics (Sparks and Hunt, 1998). According to Nelson and Kiecker (1996),
marketing research interviewers often feel that they must compromise their own
moral principles while executing work-related activities. Pallister et al. (1999) argue
that the quality of marketing research will be affected in the long term by how
successfully the industry is able to implement industry codes of conduct, in particular
the revised MRS Code of Conduct. Success will partly depend on understanding the
ethical decision-making process of individual researchers in order to tailor
educational programs (Pallister et al., 1999).

Akaah (1990) examines differences in research ethics' attitudes among marketing
professionals in Australia, Canada, USA, and UK; the results of this study indicate
the lack of significant differences between these countries. Ferrell et al. (1998)
examine how research organisations differ, and how they affect each other in the
conduct of ethical marketing research. Differences are examined among three typical
participant groups in the research process: corporate research departments, marketing
research firms, and data subcontractors (Ferrell et al., 1998). These organisations
were examined with respect to having and enforcing internal codes of conduct and
the awareness and enforcement of external codes of conduct.
Retailing. Retailing is a branch of marketing, which attracts both scholars and practitioners in terms of ethical related activities. The research conducted by Fraedrich (1993) suggests that retail managers exhibiting certain moral philosophy types tend to rank higher on the Ethical Behaviour (EB) construct than others. Based on the EB construct, rule deontologist managers rank higher than any other philosophy type tested; and in general, within organisations it appears that rule types rank higher than act types (Fraedrich, 1993). In addition, the study also supports the idea that people in business want to do what is right or ethical (Fraedrich, 1993). On the other hand, Piacentini et al. (2000) conducted a study that investigates the motivations of food retailers to engage in corporate socially responsible activities with focus on confectionery retailing and merchandising. According to Pearce and Hansson (2000), reflection upon risk has become an increasing corporate concern in recent times, partly because risk society provides a fertile environment for social criticism; the authors examine the genetically modified foods and their selling in retail stores. The authors believe that in certain circumstances retailers need to respond to customer perceptions of risk, rational or otherwise, this is the case in genetically modified food (Pearce and Hansson, 2000). Second, retailers cannot afford to involve themselves in the production of any authentic risk to their customers (Pearce and Hansson, 2000).

Other studies related to ethical issues in retailing are as follows: Whysall (2000) suggests that: 1. all companies are expected to meet ethical norms in dealings with their stakeholders, regardless of whether or not they have specifically set out to cultivate an ethical image, and 2. stakeholder groups tend not to stand in isolation, but to interact. According to Kirkup and Carrigan (2000) companies engaged in the use of new marketing and research methods to monitor customer behaviour should
be aware of any potential public concerns, and be seen to adhere rigorously to ethical practice; the authors examine the growing use of video surveillance within retail stores. DuPont and Craig (1996) try to determine if retail management experience in the form of a professional practice or internship, and entry level management training programs are critical factors in the formation of business ethics. Indications are that the critical point of ethics formation may be at the mid-management level and that internships and management training programs have little effect on the ethical perception of participants (DuPont and Craig, 1996).

*Environmentalism and Marketing.* Finally, under the topic of "Ethical Issues in Marketing", environmentalism will be covered, which involves a great deal of ethical dilemmas. Corporations have struggled to bring to market products positioned and advertised as addressing the needs of the environmentally conscious consumer. The magnitude of the "green" marketing movement is indeed enormous. Marketing Intelligence Service estimates that nearly 10% of all new products introduced in 1990 were identified by their manufacturer as "green" or otherwise "environmentally friendly." According to Davis (1992), ethical considerations have not yet been integrated into environmental marketing, and as a result, long-term harm on both the individual and societal level may result.

Davis (1992) proposes a framework for reversing this trend, which identifies the sequence of actions necessary for the development and communication of ethical environmental marketing claims. The sequence is based upon 2 aspects of ethical theory: moral style and normative behaviour. Polonsky et al. (1997) examine the differences in types of environmental claims used in advertisements in Australia, Canada, the UK and USA. The authors find that claims in advertisements may be a proxy for firm behaviour, and therefore firms using substantive claims in their
advertisements are more environmentally involved than firms using posturing claims in their advertisements. US advertisements use the most posturing claims and least substantive claims, with Australian advertisements using the most substantive claims and least posturing claims (Polonsky et al., 1997). This may suggest that US firms are less environmentally involved compared with firms in the three other countries examined claims (Polonsky et al., 1997). Miles and Covin (2000) explore the interrelationships between environmental marketing performance, reputation, competitive advantage, and financial performance. The most significant implication for marketing managers is that reputation is important in creating a high performing marketing firm, and that environmental marketing performance is a significant component of a firm's reputation in the 1990's (Miles and Covin, 2000).

Mendleson and Polonsky (1995) state that there are three problems that producers confront: a lack of credibility, consumer cynicism and consumer confusion over claims. According to the authors, strategic alliances with environmental groups can assist manufacturers of consumer goods to overcome these problems, as well as provide other advantages, including increased access to environmental information, increased access to new markets, publicity and reduced public criticism and education of consumers about key environmental issues relating to a firm's product. To achieve these benefits, producers need to follow a careful selection process when choosing an environmental strategic alliance partner (Mendleson and Polonsky, 1995).
2.1.4 The Ethical Issues and the Consumer Perspective

The earlier parts of this study deal with the ethical issues in business, and in this part the consumer perspective related to ethical issues will be reviewed. The consumer perspective about ethical issues can be divided into two broad research categories: Consumer Abuse and Specific Unethical Behaviours, and Consumer Ethical Decision-Making.

2.1.4.1 Consumer Abuse and Specific Unethical Behaviours

This stream of research deals with consumer abuse and some specific types of unethical consumer behaviours such as shoplifting, tax evasion, counterfeiting, etc.

Shoplifting is one of the most troubling aspect of consumer behaviour, which has an enormous impact on retail loses. Cox et al. (1990) examine how adolescent shoplifters differ from their non-shoplifter counterparts, and Babin and Babin (1996) discuss the relative effect of beliefs and emotions on shoplifting intentions. Babin and Griffin (1995) also study the issue of shoplifting. And finally, Kallis et al. (1986) researched the image of the shoplifter.

Counterfeiting is another area, which is examined from the consumer's perspective. Bloch et al. (1993) reported a study on the consumer's role in the growth of trademark piracy. Wee et al. (1995) studied variables, other than price, such as age, income and product attributes, that influence the purchase of counterfeits. Both Cordell et al. (1996) and Wee et al. (1995) have researched the attitudes of the consumer. Tom et al. (1998) focus on counterfeiting, with emphasis on consumer demand for counterfeit goods.

Consumer fraud has also been examined in the consumer behavior literature. For example, Cole (1989) used deterrence theory to examine fraudulent consumer
behaviour; and Strutton et al. (1994) reported on the methods that consumers use to rationalize fraudulent behaviour.

Retail borrowing, another field that received academic attention, may have originated when retailers first accepted returned merchandise to gain a competitive edge and better satisfy their customers. Retail borrowing was recognised as a potentially significant shopper behaviour in both scholarly and practitioner studies (Burns and Brady, 1996; Piron and Young, 2000). According to Piron and Young (2000), retail borrowing occurs when a non-defective product is returned for a refund subsequent to its use for a specific purpose.

Illicit Purchase is also a concept, which is associated with consumer behaviour. An illicit purchase would be one where the product sold and purchased was offered illegally - being either illegally produced (counterfeit) or illegally obtained (stolen) (Albers-Miller, 1999). Additionally, these are purchases where the buyer can freely accept or reject the product offered; there is no physical or psychological need for the product (Albers-Miller, 1999).

Tax evasion (Robben et al., 1990; Eriksen and Fallon, 1996), and software piracy studies are other research areas (Wagner and Sanders, 2001; Glass and Wood, 1996; Gopal and Sanders, 1998) which are frequently investigated from the consumer perspective.

Finally, the research, which is conducted by Fukukawa (2002) covers all the details related to Ethically Questionable Consumer Behaviour. In light of the growing interest in ethically questionable consumer behaviour, the author explores possible explanations of the occurrence of such behaviour, and subsequently develops a theoretical framework.
2.1.4.2 Ethical Decision-Making of Consumers

The second stream of the research examines consumer ethical judgments of ethically questionable behaviour in all their variety. The relevant studies generally appear to be incorporated primarily within the areas of business and marketing ethics. In this research stream, it is possible to find papers that focus on developing a conceptual basis for understanding ethical decision-making by consumers, and that empirically study ethical decision-making of consumers.

Muncy and Vitell's (1992) research has been widely used in this area. Muncy and Vitell (1992) investigated consumer ethical judgments toward 27 different kinds of ethically questionable situations. Muncy and Vitell (1992) identified four dimensions of consumer ethical judgments: (1) "actively benefiting from an illegal activity", (2) "passively benefiting at the expense of the seller", (3) "actively benefiting from a questionable action", and (4) "no harm/no foul". The authors suggest that these four dimensions might be the causes of ethically questionable behaviour. The results of their study indicate that there are three factors that affect consumers’ perceptions regarding the ethical content of 27 situations: the locus of fault, the presence of deception on the part of the consumer, and the degree of harm (Muncy and Vitell, 1992). Moreover, the authors find out that consumers’ ethical decision-making can be related to certain demographic characteristics.

The majority of subsequent studies in this stream of research have investigated consumer ethical judgments towards situations with ethical content in different settings; for example, in Austria (Rawwas, 1996), in other EU countries (such as Greece, Italy, Portugal, Spain, Denmark, Germany, The Netherlands, and Scotland (Polonsky et al., 2001), in Australia (Rawwas et al., 1996), in Egypt (Al-Khatib et al., 1995; Al-Khatib et al., 1997), in Hong Kong (Chan et al., 1998; Rawwas et al.,
1995; Snell et al., 1999), in Ireland (Rawwas et al., 1995; Rawwas et al., 1998), in
Japan (Erffmeyer et al., 1999), in Lebanon (Rawwas et al., 1998) as well as the U.S.
(Rallapalli et al., 1994; Muncy and Eastman, 1998). These studies find that
consumers appear to hold differential concerns towards ethically questionable
situations, generally perceiving the "actively benefiting from an illegal activity" type
of behaviour most unethical and the "no harm/no foul" type of behaviour least
unethical. Yet, such consumer judgments can be seen to vary by the environmental
components - demographic factors, politic stability (Rawwas et al., 1998), economy
prosperity (Rawwas, 1996), and the degree of social influence to individuals (Al-
Khatib et al., 1997; Chan et al., 1998; Erffmeyer et al., 1999). It is further suggested
that consumer judgment is also influenced by individuals' ethical principles (idealism
and relativism, Rawwas, 1996), individuals' ideologies (Machiavellianism egoism,
Rawwas et al., 1995, Al-Khatib et al., 1997, Erffmeyer et al., 1999; materialism,
Muncy and Eastman, 1998), and personalities (Rallapalli et al., 1994, Van Kenhove
et al., 2001).

Among the studies in the second stream of research, only Vitell et al. (2001) have
explored why and how consumers engage in the variety of ethical situations
(intentions/behaviours). Vitell et al. applied the general theory of marketing ethics
(Hunt and Vitell, 1986) to explain intentions of ethical/unethical behaviours. They
found that consumers appear to take account of not only their ethical beliefs, but also
possible outcomes of given ethical situations in reaching judgments and, therefore,
intentions. This suggests an important aspect of consumer decision-making in ethical
situations. It is that ethical judgments are not the only determinant of intentions, and
therefore other factors are suspected to influence intentions and so the occurrence of
ethically questionable behavior. In another study Vitell et al. (1993) use Hofstede’s
typology in order to investigate the effects of culture on ethical decision-making.

The literature that deals with the consumer perspective of ethical issues is
reviewed, and major studies in this area are presented. In the next section, another
major research area—Ethical Issues in the Work Environment will be examined.

2.1.5 The Ethical Issues in the Work Environment

Although corporations are primarily business organisations, run for the benefit of
shareholders, they have a wide ranging set of responsibilities—to their own
employees, to customers and suppliers, to the communities in which they’re located,
and to society at large (Boatright, 2003). There are several ethical issues related to
work environment. Corporates and ethical issues, working conditions of employees,
whistle blowing, discrimination, and trade related issues are the topics, which are
covered under this title. The following paragraph deals with the first research stream,
namely Corporates and Ethical Issues.

2.1.5.1 Corporates and Ethical Issues

The literature about corporate related ethical issues have several different study
areas, such as corporate codes and corporate ethics programs, corporate culture,
moral and social responsibility of corporations, and etc. are the widely studied
subtitles.

Corporate Codes. Codes of ethics are now prevalent in large corporations around
the world. The prevalence of codes should continue to increase as governments,
industry associations, professional associations, and special interest groups
increasingly call for the establishment of corporate codes of ethics. Along with the
tremendous growth of corporate codes, researchers have begun to examine a number of code related issues. The role of corporate codes of ethics in corporate structure (Wulfson, 1998), the role of corporate codes of ethics in determining a person's ethical decision making behavior (Clark and Leonard, 1998), the inclusion of general liability prevention in corporate codes of ethics (Blodgett and Carlson, 1997), the effectiveness of corporate code of ethics (Weller, 1988), factors behind the heightened interest in corporate ethics (Brooks, 1989), the existence of conflict between corporate codes and professional codes (Kleyn and Kapelianis, 1999), importance of code provisions and teamwork (Benson, 1989), code of ethics as a potential factor influencing the behavior of corporate agents (Schwarz, 2001), and evaluation of codes of ethics (Schwarz, 2001) are the studies which are directly related to the role and efficiency of code of ethics in corporations. The interaction of ethical codes and organisational context (Somers, 2001; James, 2000), international dimension of ethical codes (Blodgett and Carlson, 1997; Robertson and Fadil, 1998), corporate ethical codes in different settings (e.g. in Canada, Lefebvre and Singh, 1992; in health care and energy companies, Montoya and Richard, 1994) are among the other study areas about corporate codes.

*Corporate Culture and Social Responsibility.* Corporations are experiencing external and internal pressures by various stakeholders to be socially responsible. Corporations that do not respond to these pressures and social expectations risk losing legitimacy. In order to respond to these pressures companies have to give attention to their corporate culture and behave in a socially responsible way. The literature about this topic covers the following areas: organizational culture/structure (Key, 1999; Gerde, 2001; James, 2000), managerial issues (Key, 2002; Sims, 2000), different cultural settings and corporate culture (in New Zealand, Alam, 1999; in

The corporate dimension of ethical issues in the work environment has been widely studied by different academicians, and has been followed by most of the corporations at the practitioner level. The following part examines the research, which is related to the working conditions of employees.

2.1.5.2 Working Conditions and the Ethical Issues

The second major research stream related to ethical issues in work environments is the working conditions. This research area includes a wide range of studies from job satisfaction to electronic monitoring, from dismissals to occupational health and safety. Each of these issues are reviewed from an ethical perspective, as follows:

Rights in the Workplace. The development of human resource management policies occurs within the context of dynamic organisations pursuing a variety of objectives (Schwoerer et al., 1995). Schwoerer et al. (1995) investigate a contextual view of the management of two major categories of rights protection policies: employee rights and employer rights, and also investigate the major underlying dimension of these policies. The authors propose the protection of employee rights through human resources policies. In addition, Schwoerer et al. (1995) discuss the unionisation of employees. Rowan (2000) presents the moral foundations of employee rights, whereas Cranford (1998) argues that drug testing in workplace is an invasion of employee’s right to privacy. Another interesting contribution comes from Green (1992), who discusses fairness in hiring, pay, and due process. In addition, Arvey and Renz (1992) argue about the fairness in the selection of employees.
Dismissal. Even though this issue can be covered under the Rights in the Workplace topic, it has received so much attention from the scholars that it is found appropriate to give a separate place to "dismissal of workers". Hatfield et al. (1999) investigate the influence of prior performance, board director characteristics, stockholders diffusion, firm size, and firm age on key executive dismissals. It is found that the firings of key executives were proceeded prior to poor financial performance, and it was more likely for a firm to fire its key executives when a smaller proportion of directors were officers of the firm, and when the board of directors had a large number of members (Hatfield et al., 1999). Flinn (1997) develops an equilibrium model for wage and dismissal process; whereas, Goodman et al. (1998) discuss the factors influencing unfair dismissal cases. According to Eby and Buch (1998), the treatment of employees during the downsizing process raises many ethical issues. So, the authors propose three criteria in order to manage the dismissal process within the ethical boundaries: 1) advance warning of job loss, 2) open communication, and 3) institutionalized support service. There are also cross-cultural studies about the ethical issues in employee dismissal; for instance, Schregle (1993) investigates the legal protection of Japanese workers against the dismissal; Lamsa and Takala (2000) examine the Finnish managers' ethical decision-making of personnel dismissals in downsizing organizations; and Kieselbach and Mader (2002) compare justice and fairness in dismissals across European countries.

Job Satisfaction. Job satisfaction is another area, which is largely investigated in the academic literature. Job satisfaction and organizational culture (Koh, 2001), overtime and overwork and job satisfaction (Tubbs, 1993), person-organization fit in terms of ethical issues and its impact on the job satisfaction (Sims, 1994) are among the most studies areas. Vitell and Davis (1990) examine the relationship between job
satisfaction and ethics; the results of this study indicate that MIS professionals are more satisfied with the various dimensions of their job when top management stresses ethical behavior. Deshpande (1994) investigate the impact of ethical climate types (professionalism, caring roles, instrumental, efficiency, and dependence) on various facets of job satisfaction (pay, promotions, co-workers, supervision, and work itself). Viswesvaran and Deshpande (1996) assert that the unethical behavior of managers decreases job satisfaction. The findings of Viswesvaran et al. (1998) support this idea; according to Viswesvaran et al. (1998), there is a positive correlation between top management support to ethical behaviours and job satisfaction facets (pay, promotions, co-workers, supervision, and work itself). Sims (1998) finds out that as the perceived difference between formal and informal expectations increases, the intention to turnover also increases, and the job satisfaction decreases.

conversations, and taping voice-messages) and fairness issue in employee monitoring.

*Occupational Health and Safety.* The pressure to increase profitability, improve performance and enhance quality is constant in today's workplace. This emphasis is accompanied by a call for safety, health and environmental staff to be more proactive and create programs and processes to help companies avoid liability and unfavorable press (Walker, 2001). In addition, according to the author, more businesses are scrutinising workgroups to determine how each impacts the bottom line. To these ends, new methods are being considered and old processes and tools are modified. One such time-tested tool is the job hazard assessment (JHA) (Walker, 2001).

According to Rinefort and Fleet (1998), decreases in employee turnover rate can contribute to decreases in employee work injuries. Finally, Burke (2002) gives attention to the workplace stress and its affect on women. Since the occupational health and safety of workers are usually regulated by government institutions in almost all countries, the research about regulations will not be reviewed here.

The following section examines the whistle-blowing and its ethical dimension which is also related to the ethical issues in the work environment.

### 2.1.5.3 Whistle-blowing

An area of significant concern to business professionals everywhere is that of whistle-blowing, defined as "the disclosure by organisation members (former or current) of illegal, immoral, or illegitimate practices under the control of their employers, to persons or organizations that may be able to effect action" (Brody et al., 1998).
External whistle-blowing is defined as “present or former organisation members reporting illegal, unethical, or illegitimate activities under the control of organisation leaders to parties outside the organisation who are willing and able to take action to correct the wrongdoing” (Sims and Keenan, 1998). Whistleblowers have usually been treated as outcasts by private-sector employers. However, internal whistle-blowing also gains importance, because legal, ethical, and practical considerations increasingly compel companies to encourage employees to disclose suspected illegal and/or unethical activities through internal communication channels (Barnett et al., 1993). Whistle-blowing by employees to regulatory agencies and other parties external to the organisation can have serious consequences both for the whistleblower and the company involved (Barnett, 1992). The research on whistle-blowing consists of several issues. The corporate whistle-blowing policies (Near and Dworkin, 1998), comparison of internal and external whistle-blowing processes (Dworkin and Baucus, 1998), cross-cultural differences and whistle-blowing (Brody et al., 1998), predictors of external whistle-blowing (Sims and Keenan, 1998), academic cheating and wrongdoing (Burton and Near, 1995), internal whistle-blowing disclosure policies (Barnett et al., 1993), external whistle-blowing (Barnett, 1992), employee attitudes towards whistle-blowing (Callahan and Collins, 1992), and whistle-blowing and employee loyalty (Larmer, 1992), are the issues investigated under the topic whistle-blowing.
2.1.5.4 Discrimination

This research stream examines socio-demographic differences in the workplace from an ethical viewpoint. Current trends indicate that women are now making inroads into areas of employment once considered to be strictly male preserves (Lane and Crane, 2002).

According to Block (1992), discrimination has been created by large parts of the academic community as though it were not responsive to logical analysis, be it economic, ethical or political; as though the very consideration of alternative viewpoints were somehow unpleasant. "The philosophy of "feminism," "human rights," "multiculturalism," and "political correctness" have so permeated intellectual discussion that criticisms of the mainstream view take on an aura of illegitimacy at the outset, even before arguments are heard in their behalf" (Block, 1992). There is a huge body of literature about the discriminatory ethical issues in the workplace. Some of these research, that is scrutinised, are as follows: gender role stereotyping in sales profession (Lane and Crane, 2002), discrimination against overweight employees (Roehling, 2002), the relationship between sex discrimination and glass ceiling (Bell et al., 2002), gender differences in managerial careers (Kirchmeyer, 2002), the most and the least common discriminatory variables in New Zealand (Harcourt and Harcourt, 2002; the authors found that gender, age, rationality, and disability are the most common, whereas, political opinions, ethical beliefs, religious beliefs, and sexual orientation are the least common discriminatory variables), institutional affirmative action against race and sex discrimination (Himma, 2001), age discrimination in the workplace (Ferris and King, 1992), discriminatory action against employees with health problem (e.g. HIV virus, Mello, 1999), discrimination due to genetic screening (Murry, 2001), differences in wages and discrimination
(Kalantari, 1995), discrimination against minorities and women (Fryxell and Lerner, 1989). And finally, the study of Serwinek (1992) examines the effects of all demographic characteristics on ethical perceptions. There is one more interesting study about discrimination, which argues that while discrimination on the basis of race, sex, religion or other factors is often morally wrong, such behavior should not be prohibited by law (Block, 1992).

2.1.5.5 Trade Related Issues

The ethical dimension of trade related issues are investigated from different dimensions, such as insider trading, intellectual property, corporate disclosure, and espionage.

*Insider Trading.* Insider trading is defined as trading by corporate officers with decision-making authority and with fiduciary obligations to the shareholders; however, not all trading by insiders is illegal (Abdolmohammadi and Sultan, 2002). What constitutes illegal insider trading is that these trades are information driven - because of access to "material information." Material information is defined as private information that an investor could utilize to enhance personal wealth by trading the firm's security ahead of the release of corporate events such as merger announcements or earnings surprises (Abdolmohammadi and Sultan, 2002). Abdolmohammadi and Sultan (2002) investigate the ethical behavior of individuals when they engage in personal stock trading in a simulated competitive stock trading market. Specifically, the authors investigate whether ethical reasoning has any effect on choosing to use insider information, which is illegal and unethical, or not to use insider information, which is legal and ethical, for personal stock trading.
Bettis et al. (1998) evaluate the effectiveness of the courts and regulators in achieving a fair and honest market; and identify evidence of regulatory failure. Bettis et al. (1998) also discuss the advantages and disadvantages of four possible policy changes including new disclosure standards, a bar on insider trading, corporate fines for insider trading, and a new market based standard. Cinar (1999) argues that the question of insider trading in developing markets can be resolved by the extent stock markets generate externalities and are public goods. Ma and Sun (1998) intend to establish and examine the relationship between the ethical issue and economic issue of insider trading. It is argued that the ethics of insider trading is in essence an economic rather than a moral issue; it is so far not clear to what extent insider trading may increase or decrease shareholders wealth (Ma and Sun, 1998). Until then, care must be taken to avoid over-regulating insider trading (Ma and Sun, 1998). The legal dimension of insider trading (Shaw, 1990), and predictors of ethical decisions regarding insider trading (Terpstra et al., 1991) are among the other research areas. On the other hand, the research conducted by Werhane (1991) supports the idea that insider trading is neither unethical nor economically inefficient. Moore (1990) also thinks in the same way as Werhane (1991) did. Moore (1990) examines the principal ethical arguments against insider trading: the claim that insider trading is unfair, the claim that it involves a misappropriation of information, and the claim that it harms ordinary investors. Then the author concludes that each of these arguments has some serious deficiencies, and none of them provides sufficient reason for outlawing insider trading.

*Intellectual Property/Trademarks/Patents/Trade secrets/Industrial Espionage.* In the international arena today, intellectual property rights are a focal point of debate. The term intellectual property generally covers, patents, copyrights, trademarks and
trade secrets (Steidlmeier, 1993). Steidlmeier (1993) examines the moral legitimacy of intellectual property claims from the perspective of developing countries. According to Sutin and Goldberg (1999), the recent shortage in skilled high-tech workers has created a marketplace in which employees who have access to a company's valuable trade secrets and proprietary information often leave to work for competitors. This creates the danger that companies will lose valuable intellectual property and proprietary business information when their employees resign. Another danger is that employers may become liable for infringement and theft of trade secrets if they hire employees who had access to the trade secrets of competitors (Sutin and Goldberg, 1999). The authors offer strategies for protecting patents and copyrights. According to Pooley and Bratic (1999), trade secrets differ from patents in other ways that affect their value. That is to say, they can be (relatively) free and easy to obtain; and establishing a protectable secret requires no application or negotiation with a bureaucrat (Pooley and Bratic, 1999). It is evidenced not by a certificate, but by the records of the business which demonstrate the investment that produced it and the continuing efforts to protect its confidentiality; moreover the front end investments typical of a patent application - attorneys' fees and filing fees - are avoided (Pooley and Bratic, 1999). Iandiorio (1997) examines the protection of intellectual property for consultancy firms; whereas, Ortego and Kardish (1993) investigate the protection of trade secrets during the litigation process.

Corporate disclosure is also an important issue within the boundaries of ethical trade. According to Estes (2002), a performance measurement system that reports benefits and costs to all those who are significantly affected by a corporation's actions instead of a system that reports only the effects on financial investors is
needed (such as environmental damage, statistics on workplace safety and health, consumer product safety and community impacts).

Another area of investigation about ethical dimension of trade related issues is the Industrial Espionage. Shapiro (1998) examines the impact of Economic Espionage Act (1996) on trade secrets theft. The new, intense business climate has sparked a growth in economic espionage and spying against and among companies. The most common items stolen include technical data, marketing information, and customer lists (Schweizer, 1998). According to Schweizer (1998), the economic espionage breaks down into 3 major styles: agents from China, Taiwan, and South Korea are aggressively targeting present and former nationals working for US companies and research institutions. The second category is headed by France, which prefers classical Cold War recruitment and technical operations, and generally includes bribery, discreet theft, combing through other people's garbage, and aggressive wiretapping (Schweizer, 1998). In the third category, Japan uses its industrial and private organizations to gather economic intelligence, occasionally including classified proprietary documents and data (Schweizer, 1998).

2.1.6 The Ethical Issues in the International Business

The literature about the ethical issues in International Business can be divided into three basic subfields: multinational companies (MNCs), cross-cultural studies, and the place of bribery and corruption in international business.

*Multinational Companies.* Ethical issues of international business have been of great significance in recent years due to the publicity and controversy generated from certain international events and legislation occurring in the 1970s and 1980s. In the 1970s, the role of multinational enterprises, and the negative social and
environmental implications of large-scale foreign investment, became controversial for the first time (Kolk and van Tulder, 2002). This debate, which is re-emerged in the 1990s, has centred around the relocation of production to developing countries with lower social and environmental standards, where an appropriate regulatory framework to protect child workers and the environment was either missing or not implemented, and multinationals' cooperation with or implicit support for oppressive regimes (Kolk and van Tulder, 2002). In their study, Kolk and van Tulder (2002) examine the way in which multinationals, business associations, governmental and non-governmental organisations deal with child labour in their codes. Their study helps to identify the main issues related to child labour, and the use of voluntary instruments such as codes of conduct. A corporation operating within the boundaries of a particular country has to comply with the legal and social norms of that country. In other words, it has a number of social and environmental responsibilities, which are determined by the laws, customs, and business practices of the country within which it operates. But, while this is the case for national business firms - operating solely within the boundaries of a single country - this is not the case for multinationals. The social and environmental responsibilities of a multinational operating in a specific country also depend on the laws, customs and business practices it has to face in all the other countries it operates in (Zyglidopoulos, 2002). The author argues that multinational corporations face levels of environmental and social responsibility higher than their national counterparts. Zyglidopoulos (2002) concludes that there are, at least, two kinds of managerial implications, which can be identified as a result of the fact that multinationals have to function under higher levels of social and environmental responsibilities because of international corporate reputation side effects and foreign stakeholder salience. First, given the potential
salience that foreign stakeholders can exert on the operations of a particular
multinational subsidiary, answering the question "Who are the stakeholders of a
Multinational Subsidiary?" becomes a rather complicated matter (Zyglidopoulos,
2002). Second, given the "higher" levels of social and environmental responsibility
levels, under which multinationals operate, the risk of reputation side effects
increases if matters potentially impacting the firm's reputation, such as social and
environmental issues, are left at the discretion of national subsidiaries
(Zyglidopoulos, 2002).

The international operations of firms have substantial impact on the formulation
and implementation of business ethical principles such as codes of conduct. Kolk and
Van Tulder (2002) find that different sourcing strategies, degrees of multinationality
and national backgrounds affect the contents of codes. Kolk and Van Tulder (2002)
show that international organisations prove equally effective in triggering
sophisticated codes. Berg and Holtbrugge (2001) examine the importance of public
affairs management in multinational corporations in India.

Recent changes in international markets have led to an explosion of corporations
with global operations, and the need for a global code of ethics has grown
 correspondently. Asgary and Mitschow (2002) examine the topic of business ethics
and attempts to suggest a code of ethics for multinational firms. According to Asgary
and Mitschow (2002), while most companies have basic policies on employee
integrity, confidentiality and sexual harassment, relatively few have established
policies regarding bribery, exploitive child labour, human rights violations and other
issues they may encounter in the global market place. The authors explore the issue
of global business ethics and examine some of the unique difficulties surrounding the
development of any set of global business standards. Key among these difficulties is
the issue of competing ethical values in home and host countries (Asgary and Mitschow, 2002). Beyer and Nino (1999) discuss how the issues posed by ethics are intertwined with those of managing corporate cultures of MNCs. Then the authors identify various groups and organisations that have the explicit purpose of improving the ethics of international business and describe their activities. Skubik (1995) made an attempt to explicate the normative role of international codes of conduct for guiding the decision making of managers involved in multinational operations. The author clarifies what ethical frameworks are available to the international manager for taking decisions which require selecting actions inconsistent with either home or host country demands.

Cross-cultural Studies. Armstrong (1992) conducted an empirical study, which identifies and categorises ethical problems in terms of frequency of occurrence and importance to a sample of Australian international business managers from 60 major Australian exporters. According to the author, this problem may be related to the culture where the international business is being conducted, and the most important ethical problem is large-scale bribery. Bigoness and Blakely (1996) investigated national differences in managerial values. Specifically, the present investigation involved managers from twelve nations, the populations sampled were highly comparable, and they represented managers from many different companies. Collapsing across the twelve nations in the sample, the value dimension that was ranked as the most important included the broad-minded, capable and courageous instrumental values (Bigoness and Blakely, 1996). The second most highly ranked value dimension included the imaginative, independent and intellectual instrumental values; the third highest ranked value dimension included the clean, obedient, polite, responsible, and self-control instrumental values (Bigoness and Blakely, 1996).
Finally, the lowest ranked value dimension included cheerful, forgiving, helpful, and loving instrumental values (Bigoness and Blakely, 1996).

Chan and Armstrong (1999) identify and categorise international marketing ethical problems that confront business managers in Australia and Canada. Managers from both countries indicate that the most frequently cited ethical problem is gifts/favours/entertainment and the most important ethical problem is large-scale bribery (Chan and Armstrong, 1999). Another valuable contribution about cross-cultural research comes from Robertson et al. (2002), who examine the ethical beliefs of managers from four different countries. In their study, 210 financial services managers from Australia, Chile, Ecuador and the United States were queried about their ethical beliefs when faced with four diverse dilemmas. In addition, the situational context was altered so the respondent viewed each dilemma from a top management position and from a position of economic hardship (Robertson et al., 2002). The results suggest a complex interaction of situation, culture and issue when individuals make ethical judgments; specifically, Chileans were found to have different beliefs about sex discrimination and child labour dilemmas when compared to their colleagues from the other three nations (Robertson et al., 2002). Chileans and Australians also disagreed on the bribery dilemma. Anglo managers were more likely than Latin American managers to change their ethical responses when the situation was altered. For multinational firms interested in maintaining healthy ethical climates, the findings suggest that culturally contingent ethical guidelines, or policies adapted to the local customs, must be considered (Robertson et al., 2002).

Dubinsky et al. (1991) examine the ethical perceptions of industrial salespeople in the US, Japan, and South Korea. The authors report a cross-national comparison of business ethics of industrial salespeople across the three countries. The findings
indicate that nationality influences salespeople's beliefs about the ethics of selling practices and the need for company policies to guide those practices (Dubinsky et al., 1991). A typical cross-cultural study, which examines the managers' ethical behaviour from 9 EU countries, is conducted by Jeurissen and Van Luijk (1998). The authors measure the mutual perceptions of ethical behaviour among managers in nine EU countries, and it is related to perceptions concerning ease of cooperation. A strong positive correlation obtains: the more ethical a country is perceived to be, the higher it is valued as an international business partner (Jeurissen and Van Luijk, 1998). Germany, however, is a typical exception to this rule: German managers are perceived as the most ethical, but are considered relatively difficult to cooperate with partners (Jeurissen and Van Luijk, 1998).

Buller and Kohls (1997) also conducted a cross-cultural study in which, a model for assisting decision makers in selecting appropriate strategies for addressing cross-cultural ethical conflict is presented.

Grunbaum (1997) presents a cross-cultural survey, which examines the attitudes towards business ethics of Finnish and American business students from the Southern states. The findings indicate that the differences between the attitudes of these groups are small, and essentially linked to the strength of their position (Grunbaum, 1997). Both see deliberation on moral issues as part of a business manager's job and believe that managers should participate in the solving of social problems; both Finns and Americans make a distinction between acting legally and ethically, and both endorse cultural relativism (Grunbaum, 1997). Sarwono and Armstrong (2001) examine the importance of microcultural differences on perceived ethical problems. This study also sought to identify the relationship between perceived ethical problems and value orientations as shown in the Hunt and Vitell's
General Theory of Marketing Ethics (Sarwono and Armstrong, 2001). The results of this study indicate that: 1. Religious Value Orientation is positively related to the perceived ethical problems scores, and 2. There are significant differences among the three ethnic microcultural groups relative to their perceived ethical problems scores (Sarwono and Armstrong, 2001). According to the authors, these results imply that acculturation training program for expatriates should include aspects of microcultures and ethical perceptions held by local managers. The establishment of ethical corporate culture and formalised codes of conduct are recommended for future ethics training (Sarwono and Armstrong, 2001).

_Bribery and Corruption._ As national borders become less of an obstacle to trade, businesses engaging in international transactions still face a number of challenges. Besides differences in currencies, language and laws, each country has its own distinct business practices; the culture, economics and social structures of a region shape how individuals conduct negotiations, and their attitudes concerning what they are entitled to receive (Pacini et al., 2002). In some localities, government officials expect gratuities to facilitate the issuance of necessary documents and assure the timely handling of goods or transactions; in other words, bribes are an ordinary and necessary cost of doing business in those jurisdictions (Pacini et al., 2002). Pacini et al. (2002) describe the nature and consequences of bribery, outline the major provisions of the OECD Convention, and analyze its role in promoting transparency and accountability in international business. While the OECD Convention is not expected to totally eliminate the seeking or taking of bribes, there are hopes that a uniform set of rules will curtail corrupt behavior, as long as those rules are both enforceable and enforced (Pacini et al., 2002).
Tsalkis and LaTour (1995) conduct a cross-cultural comparison between the Greek and American cultures by exposing respondents to a series of "bribery" scenarios and recording the multiple dimensions of their ethical perceptions. When the focus was on the businessman offering a bribe, both cultures viewed bribery as unethical, but not as much if it was done somewhere else. On the other hand, both cultures reacted strongly to an outsider attempting to bribe a native official Tsalkis and LaTour (1995). Steidlmeier (1999) assesses the cultural and moral differences between gift giving, bribery and corruption and sets forth guidelines for managing business relations in China. Another interesting study is conducted by Aalberts and Jennings (1999) about the ethics of slotting fees, which are non-uniform and often paid in cash, creating an atmosphere that has already spawned illegal activity on the part of retail executives. On the other hand, Gordon and Miyake (2001) look at corporate approaches to anti-bribery commitment and compliance management using an inventory of 246 codes of conduct. It is suggested that, while bribery is often mentioned in the codes of conduct, there is considerable diversity in the language and concepts adopted in anti-bribery commitments (Gordon and Miyake, 2001).

According to the authors, this diversity is a feature of the language used in describing parties to bribery and in defining which activities are prohibited (e.g. promising bribes vs. actually giving them, gifts and entertainment and solicitation). Longenecker et al. (1988) find that moralism, pragmatism, cultural relativism, and legalism are four distinct underlying assumptions apparent in the attitudes of US business professionals on the issue of questionable international payments.

In this part an overview of ethical issues in international business is presented. In the following part, Ethical Issues and the Technology topic will be summarized.
2.1.7 The Ethical Issues and the Technology

With the increased use of Internet as a commercial tool, the barriers of time and distance are minimised. Today the Internet serves a widespread number of markets. The Internet and other digital networks are the driving forces behind a dramatic change in the way business dealings are conducted. Increasingly, networks and information technology are being used to electronically design, market, buy, sell, and deliver products and services worldwide. The companies that are being born within this new technology are focusing on the opportunities and possibilities; but they give less attention to the legal and ethical problems. On the one hand there are traditional businesses, which are highly regulated; on the other hand there are e-businesses, which are in need of a regulation. However, some e-business companies have noticed this lack of regulation as an opportunity to conduct activities that raises serious ethical questions. The Internet not only offers freedom of speech, but also widens opportunities for irresponsible activity, with low barriers to entry. Thus tensions exist between rights and freedom, on the one hand, and abuses of freedoms, provoking calls for regulation, on the other. The impact of unethical practices in this new medium can be divided into three broad categories: consumers, business, and work environment related issues. However, it has to be noted that there may be unethical and illegal practices, which do not fall any of these three categories. But, since the objective is to figure out the ethical and legal questions related to the on-line business activities, particularly to marketing, it will be adequate to examine the topic from these three dimensions.
2.1.7.1 Consumer Related Ethical and Legal Issues

The Internet is revolutionising business, particularly marketing and advertising. Internet technology has made it very easy to collect vast amount of individual information, and this information can be stored, updated and used when necessary. However, as Prabhaker (2000, p. 159) mentions "there is a dark side of this technology. Every time an individual interacts with the Web, she leaves behind a trail of extraordinarily detailed information about who she is, her buying habits, financial status, maybe her medical records and other intimate personal details. She has very little control over who can have access to this information, and what they do with it....". The legal and ethical problems related to consumers are given shortly in the following paragraphs.

1. Privacy. An interesting study from Jupiter Media Metrix indicates that almost 70% of US consumers worry that their privacy is at risk on-line; however, despite their concern, only 40% of consumers read privacy statements before handing over personal information to web sites (NuaSurveys, Jan. 4th, 2002). Moreover, only 30% of on-line consumers find web site privacy statements easy to understand. The latest Yahoo/AC Nielsen Internet Confidence Index reveals that during the fourth quarter of 2002, confidence in the Internet fell to 111, compared to 115 in the fourth quarter of 2001 (NuaSurveys, Jan. 23rd, 2003).

Oddo (2002) mentions that computers, together with Internet access, make possible a magnitude of data collection (storage, retention, and exchange) never imagined before. Caudill and Murphy (2000) claim that privacy is instrumentally valuable because it is necessary to develop intimacy and trust in relationships. According to Boatright (2003, p.164), the reason why privacy is so highly valued is
that “people desire to have a sphere of their life in which others do not possess certain information about them”.

Charters (2002, p. 245) notes that there are three general approaches on privacy definition and these are:

- Privacy as a right to be left alone.
- Privacy as the right to control access to one’s personal information.
- Privacy as the right to withhold certain facts from public knowledge.

According to US Federal Trade Commission (FTC), there are five fair information practice principles that would protect consumers in the collection, use, and dissemination of their information (Caudill and Murphy, 2000, p. 11):

- **Notice/Awareness**: covers the disclosure of information practices, including a comprehensive statement of information use (storage, manipulation, and dissemination)
- **Choice/Consent**: includes both opt-in and opt-out options, and allows consumers the choice to trade information for benefits.
- **Access/Participation**: allows for confirmation of the accuracy of information
- **Integrity/Security**: controls for theft or tampering, and
- **Enforcement/Redress**: provides a mechanism to ensure compliance by participating companies; this mechanism is an important credibility cue for online companies, but is extremely difficult to accomplish effectively.
Information gathering methods of companies has been also questioned. One basic approach is through registration. Individuals are asked for demographic information and how they can be contacted (Prabhaker, 2000, p. 166). Another common approach used by firms is to capture the electronic addresses of the Web users; these addresses are recorded and stored in a database that also tracks the specific pages viewed, and the sequence in which these pages are viewed (Prabhaker, 2000, p. 166). This provides yet another perspective of the uniqueness of the customer; however, the primary limitation of electronic addresses is that they are not in any way linked to descriptive characteristics of the customer. A third method of gathering information on customers is by the use of cookies; data are written to a file on the user's hard disk, and the user's Web preferences are tracked and stored in this file which can then be accessed by the cookie owner (Prabhaker, 2000, p. 168). This provides powerful information that allows an extremely close-up view of the customer's traits and preferences, allowing for customization. This technology has instantly created better, faster and cheaper ways for businesses to meet the needs of their customers; that same technological power has also instantly created better, faster and cheaper ways for customers to satisfy their needs (Prabhaker, 2000). However, the capability to leverage this technology is far higher for companies than for individual consumers.

Marketers employ a variety of on-line data collection techniques, including mining e-mail addresses from list servers, chat rooms, and news groups. A particular advantage of the Internet, however, is its ability to collect real-time behavioural data, which are accessed through the use of cookies (Caudill and Murphy, 2000). This collection method, called "profiling", updates a consumer's profile after every Web site visit with information such as the home pages that were visited, the information that was downloaded, etc. (Caudill and Murphy, 2000). These increasingly
sophisticated data collection methods have raised concerns about consumer privacy, and considerable interest has emerged in developing some type of regulatory structure to ensure privacy on the Internet.

*The Legal Dimension.* The first Internet privacy case was about the activities of Geocities, one of the most popular sites on World Wide Web. According to Federal Trade Commission Enforcement Actions Report (04/17/2002), Geocities misrepresented the purposes for which it was collecting personal identifying information from children and adults. And under the settlement, Geocities has agreed to post on its site a clear and prominent Privacy Notice, telling consumers what information is being collected and for what purposes, to whom it will be disclosed, and how consumers can access and remove the information. Moreover, to ensure parental control, Geocities also will have to obtain parental consent before collecting information from children 12 and under.

"In response to consumer concerns, lawmakers have focused greater attention on the ability of individuals to have a say in who contacts them, and how information about them is collected, used, and disseminated" (Gillin, 2001). The privacy debate has now gone public as the widely accepted fair information privacy principles of notice, choice, access, and security have been incorporated into international laws (Gillin, 2001). These laws include (Gillin, 2001, p. 6):

- the European Community Directive on Data Protection (EU Directive),
- the Personal Information Protection and Electronic Documents Act (the new Canadian privacy law), as well as U.S. law and proposed legislation.
Self-Regulation versus Government Involvement. Several arguments have been done whether government involvement would hurt rather than help consumers, and on-line businesses. “First, consumers might get a false sense of privacy if laws were passed that could not be enforced because of the dynamic nature of Web site creation. Second, government regulation would interfere with the flow of consumer information that enables companies to provide products and services that cater to the needs and wants of their customers, which would result in decreased consumer choice and diminished competition. Third, consumers would lose their right to choose their desired level of privacy” (Caudill and Murphy, 2000, p. 12). Self-regulation advocates argue that consumer information is the foundation on which businesses can succeed, and allows them to develop markets based on their customers. Furthermore, these advocates contend that the collection and use of this information harms consumers only by being an annoyance, which is not considered enough reason to call for stricter regulatory measures.

Of great interest in the privacy debate are the recent actions taken by the European Union (EU), which has just tightened its privacy laws. It passed a treaty-like directive in 1995, which should have gone into effect October 24, 1998, intending to harmonise privacy protection in all of its 15 member countries (Caudill and Murphy, 2000). This directive requires adequate privacy protection from the countries of businesses exporting personal information from these 15 countries. “The upshot of the directive is that U.S. companies such as hotels, airlines, and banks doing business in Europe cannot transfer information from Europe to the United States” (Caudill and Murphy, 2000, p. 13). Today, this directive is valid for all member countries.
"The EU directive, which takes a more consumer-oriented focus than U.S. companies do, is structured in when and how a company can collect and use consumer information. First, a company should have a legitimate and clearly defined purpose to collect information. Second, that purpose must be disclosed to the person from whom the company is collecting information. Third, permission to use information is specific to the original purpose. Fourth, the company can keep the data only to satisfy that reason; if the company wants to use the information for another purpose, it needs to initiate a new information collection and use process" (Caudill and Murphy, 2000, p. 13).

The subject of consent has generated the most attention on the U.S. legislative and regulatory front; specifically, the debate has centered on the appropriate consent standard to adequately allow individuals the ability to express their consent (Gillin, 2001). One proposed standard is the "opt-out" standard; in which, individuals are given the chance to point their preference not to be contacted again and/or to limit the manner in which their information is used, collected, or disseminated (Gillin, 2001).

The alternative proposed standard is the "opt-in" standard, which requires individuals to specifically and affirmatively consent to a specified activity (Gillin, 2001, p. 6). Privacy advocates and some lawmakers have asserted that the opt-in standard, is more appropriate because it allows individuals full control over their information and future contacts (Gillin, 2001, p. 6). Meanwhile, some of the legal authorities and many local businesses have taken a different approach. "They contend that "opt out" or allowing an individual to request a specific action not be taken or their information not be used in a specific way confers a more than adequate amount of control to an individual" (Gillin, 2001, p. 6).
According to Prabhaker (2000), legislation will not provide a solution to the privacy problem. "Either the restriction on the collection and use of personal data is so severe as to hobble industry and commerce, or else industry will retain the ability to collect personal data and the problem will largely remain. Policing such a regime becomes a nightmare - doubtless an expensive and bureaucratic nightmare - which doesn't solve the privacy problem and is likely to raise more concerns than it addresses" (Prabhaker, 2000, p. 169).

2. **Security.** In a research consumers gave the following reasons for not buying on-line: fear of hackers (21%), must reveal personal information (13%), afraid of money and merchandise getting lost (6%) and etc. (Strauss and Frost, 1999). The list goes on, but what is interesting is that 40% of all respondents mentioned the importance of security and security related issues. Therefore, security becomes a very crucial concern for on-line marketers. As Strauss and Frost (1999) mention, connecting to the Internet is a two-way position; that is to say, just as the user can browse other sites, so too can others browse user's computer if proper security is not in place (Strauss and Frost, 1999). According to IDC Research, Denmark may have one of the highest household Internet penetration rates in the world, but consumers are somewhat reluctant when it comes to buying on-line. Approximately 2.3 million Danish adults households have Internet access; however, just 23 percent of Danish Internet users, or 700,000 people in total, are regular on-line shoppers (IDC Research, on September 20, [www.nua.ie](http://www.nua.ie)). On January 15th 2003, eMarketer reports that credit cardholders in Canada spent $ 772 million on-line during the 2002 holiday season; however the credit card company reports that only 15% of its on-line cardholders were planning to engage in Internet shopping during the holiday period. Around 85% of on-line Visa cardholders stated that they had no intention of making
on-line gift purchases (www.nua.ie). Visa’s survey also reveals that 25% of cardholders who were not planning on making purchases via the Internet were afraid to do so because of on-line security and fraud concerns.

Since it is the duty of a company to provide a secure transaction as consumers order products or services or request information on-line, providing alternative payment methods also becomes a duty of on-line companies. When dealing with e-commerce, oftentimes sensitive information such as credit card numbers, social security numbers, and phone numbers and addresses are dealt with. According to Reedy et al. (2000), companies have to provide a written policy to let the customer know that the site is collecting sensitive information and they are dealing with security issues. There are many types of security measures (Reedy et al., 2000), some of them are as follows: Secure Sockets Layer (SSL), Secure Electronic Transactions (SET), and Firewalls.

Most Internet retailers use Secure Sockets Layer (SSL) software to encrypt personal information for credit card transactions. Walgreens, L. L. Bean, Lands End, and Amazon are among those that help customers feel comfortable using their credit cards by stating that they will cover the cardholder’s $50 liability in the case of fraud as a result of using the card on their site (Peeples, 2002). The security issues, across the network and at both ends fall into a number of categories. Whiteley (2000, p. 206-207), identified four pillars of secure e-commerce:

- **Authentication**: The sender of a document must be identified precisely and without any possibility of fraud,
- **Confidentiality**: The contents of a message may not be scanned by unauthorised parties,
• **Integrity**: Changes made in messages without remarks must be impossible,

• **Non-Repudiation**: The sender of a message is directly connected to the contents of the message (and the recipient can not deny that the message was received).

These four pillars tend to emphasise network security, but with appropriate interpretation can cover all of the issues involved. Some of the solutions to these issues are offered by Whiteley (2000, p. 207-208):

• **Encryption**: It is the conversion of data into a code so that it cannot be read by unauthorised users.

• **Digital Signatures**: A digital signature is used to authenticate the sender of the message and to check the integrity of the message, i.e. that it has not been in transit.

• **Trusted Third Parties**: If authentication, confidentiality and integrity have been dealt with, that leaves non-repudiation. The way to deal with this issue is to also transmit a copy of the transaction to a third party, trusted by both sides, and where the record of the transaction could be used to settle any disputes.

According to Peeples (2002) security is a complicating factor for any e-commerce venture for customer information, such as credit card numbers and personal data that most customers do not wish to have shared. Guarantees, seals of approval, testimonials, etc., can help ease consumer worries since most sites lack track records (Peeples, 2002).

3. **Information Disclosure**. Another crucial topic about ethical issues concerning customers is information disclosure of companies. Since this part is almost covered in the privacy section, only the information disclosure of companies is described in
this section. According to Patten (2002, p. 247) "theories of corporate social responsibility suggest that there ought to be a balance between what business takes from society and what it gives back in return". In other words, a common overriding theme is that business have a responsibility not just take from society but to give back in return. There are a number of potential benefits both to the firm and to its stakeholders to either financial or social reporting on the Internet. According to Ashbaugh et al. (1999) the benefits of financial reporting on the Internet are as follows:

- A reduction in information dissemination or gathering costs,
- The ability to communicate with previously unidentified information consumers,
- The ability to provide more timely financial information.

The Internet, as a new medium, may have potential for providing relevant information on companies' societial relations (Patten, 2002). Patten (2002) suggests that the website might be a valuable tool for promoting company efforts at improving community relations and projecting an image of social responsibility. However, in his research, Patten (2002) indicates that the level of financial disclosure is only moderate, and that social responsibility disclosure levels tend to be very low. To assist consumers and web sites in developing trust an independent, nonprofit, privacy can be initiated. One of them is TRUSTe seal; and according to TRUSTe, sites must publish the following information right on the Web site to gain TRUSTe seal (www.truste.org):
• What type information your site gathers
• How the information will be used
• Who the information will be shared with (if anyone).

Furthermore, the site must agree to:

• Disclose information management practices in privacy statements
• Display the trust-mark
• Adhere to stated privacy policies
• Cooperate with all reviews.

4. Spamming. Another issue about customer related ethical problems is spamming. Spamming means “the practice of sending unsolicited commercial e-mail messages in bulk, or making similar postings to news groups” (Reedy et al., 2000, p. 226). Spamming also refers to the unkind act of purposely overloading someone’s mailbox or server with messages. Netizens (the term used for Internet citizens) do not like unsolicited e-mail. The Net culture still views it as an unwelcome commercialisation of the medium (Strauss and Frost, 1999). Recipients of e-mail perceived as spam can vent their opposition to thousands of users in public newsgroup forums, thereby quickly generating negative publicity for the organisation (Strauss and Frost, 1999). On ethical level, spam raises several issues. “Although there may be some question as to the Internet’s overall capacity to handle large quantities of e-mail, there appears to be substantial evidence to suggest spam can cause damage to network operation, and thus constitutes a potential misuse of common resources” (Strauss and Frost, 1999, p. 247). In addition to system wide
damage, the burdens placed upon individuals to sort and dispose of unrequested material is fast becoming significant in terms of time and effort (Stead and Gilbert, 2001). Another related ethical as well as legal concern involves how target e-mail addresses are collected. In some instances, lists of addresses are obtained through the use of programs that record user names from Usenet postings, web pages, and bulletin board messages (Strauss and Frost, 1999). These lists are frequently sold, traded or combined; hence such activities may be problematic in the sense that they are accomplished without the knowledge or express permission of the user, and may involve an impermissible intrusion upon an individual’s privacy (Stead and Gilbert, 2001).

5. **Flaming.** Flaming occurs when irate e-mail recipients respond to the unsolicited message (Stead and Gilbert, 2001). Reedy et al. (2000) recommends avoiding “flaming” (inflammatory or antagonistic criticism) or sending insulting, abusive or threatening remarks. According to the authors, “a flame war is the back-and-forth volley of insulting e-mail and is considered a waste of network resources (Reedy et al., 2000, p. 226)”.

6. **Controversial Content.** There is a trend toward rising pressure on business to assume responsibility for social consequences of commercial activities. Since business ethics is an effort to understand the social responsibility of firms beyond the simple respect of legal constraints, it becomes even more crucial for either Web site owners or for Internet Service Providers (ISPs) to give attention to the content in their sites. Menestrel et al. (2002, p. 135) describe the case of Yahoo! Inc., in which “the company and its French subsidiary are faced with a Paris-based activist media and judicial attack on its business practices-specifically the sale of Nazi items on auction sites”. Yahoo! Inc. was also denounced for hosting an entire category of
“White Pride and Racialism” clubs (Menestrel et al., 2002, p. 136). According to the authors, Yahoo! Inc. views itself and the Internet as media freely created by users, and this is what American Free Speech doctrine tells; however, European Free Speech doctrine incorporates the beliefs and experiences that certain ideas can destroy public order, and they must therefore be banned. Therefore another problem arises: the compliance of local rights and laws in international e-commerce. At the end of the last decade, the appearance of objects with a Nazi provenance in e-commerce sites became an object of outraged protest. Thus on-line booksellers, www.Barnesandnoble.com and www.amazon.com stopped selling Adolf Hitler’s Mein Kampf to German consumers (source: www.associatedpress.com ). At the societal level, the Internet has been also criticised for pornographic content (Bush et al., 2000). Particularly, “Feminist” activists organised several protests. A company can neither respond to, nor give in to all pressures arising from society; but in practice failure to appreciate the character of specific social concerns have serious consequences.

7. On-line Marketing to Children. Since children lack the analytical abilities and judgment of adults (source: http://www.ftc.gov-b ), Internet advertising directed to children raises special concerns. Web sites use "one-to-one marketing" that permit companies to develop personal relationships with children and the sites are designed to hold children’s attention for long periods of time (source: http://www.cme.org ). Children are vulnerable to Internet advertising in a number of ways. They may be unable to (Austin and Reed, 1999):
• Evaluate the accuracy of information they view,

• Understand the nature of the information they provide to advertisers or that the "game" they are playing is really just data collection by an advertiser,

• Judge the difference in entertainment and marketing because the content and advertising are seamlessly integrated,

• Understand that product spokespersons or characters are used to develop interactive relationships with them,

• Understand the dangers of interacting with strangers on the Web,

• Judge the difference in advertising and the interactive game of the Web site.

Advertising directed to children on the Internet presents unique ethical issues for advertisers because of the open access of the Internet and children's ability to make decisions without the assistance of parents (Austin and Reed, 1999). Stead and Gilbert (2001, p. 81) state that a web site must notify a parent:

• That it wishes to collect personal information from the child,

• That the parent’s verifiable consent is required for the data collection,

• About the use and disclosure of the information,

• How the parent can provide consent.

The following section examines the second crucial dimension of ethical issues and the technology related subtitle; that is to say business related ethical and legal issues.
2.1.7.1 Business Related Ethical and Legal Issues

The Internet and other digital networks are the driving forces behind a dramatic change in the way business dealings are conducted. According to Maury and Kleiner (2002), the most precious property right with regard to the Internet is intellectual property: trademarks, copyrights and patents. Governments have long recognised these rights. Fraud, both by consumers and business, is still a major concern; so are espionage of company data and sabotage, e.g. massive assaults on web sites (Wijnholds and Little, 2001). Both are caused by unauthorised access or “hacking”.

**Trademarks.** “Trademark is concerned with images, symbols, words or other indicators that are registered with the government, and have become positively associated with a product’s identity in the market” (Strauss and Frost, 1999). The Internet has unique challenges for trademark infringement. Trademark law permits multiple parties to use the same name, provided it is for different goods and services and does not cause marketplace confusion. However, on the Internet only one party can use a domain name, because a domain name is actually an address and only one registrant can occupy a particular address (Maury and Kleiner, 2002). “Unless bricks and mortar business immediately reserved their names as dot-coms, it provided a chance for opportunistic entrepreneurs, who eventually were referred to as “Cyber pirates”, to register these well known names as dot-coms” (Maury and Kleiner, 2002, p .23). The reason for this action can be as follows:

- Some used well-known company names or products to attract unwary consumers to their web sites (Maury and Kleiner, 2002, p. 23); and

- The other reason someone other than the owner of a trademark to register a famous mark as a domain name is for the purpose of “Cyber Squatting” (Stead
and Gilbert, 2001). "Cyber-squatters register familiar names including those of companies, organizations, and celebrities so as to own the domain address; then that particular company, organization or celebrity has to pay a fee for using the address" (Stead and Gilbert, 2001, p. 80).

For the solution of first problem, it can be advised that companies not only register their names as dot-coms but also register the same name under .org or .net. However, the second problem represents a more ethical challenge. Because a large trademark holder with substantial financial resources uses its power to wrest a domain name from a current holder who has a legitimate interest and right to use the name (Maury and Kleiner, 2002). That is to say, even though the law protects the holders of famous trademarks, it can not yet protect the interest of smaller businesses effectively.

Copyrights. Copyright addresses the realm of ideas-specifically, the right to publish or duplicate the expressions of these ideas (Strauss and Frost, 1999). It appears that copyright has been established as the primary means of protecting most written material on the Internet, including text or other data. The Internet has presented special challenges to copyright holders. "One problem is unauthorised practices regarding hyperlinks, such as "deep-linking", "framing", "in-line linking" and 'meta-tagging'" (Maury and Kleiner, 2002, p. 24). The other problem is the downloading of music and films through the Internet. A meta-tag is a software parameter that introduces keywords onto the site in a manner that is not visible to a user of the web (Reedy et al., 2000). These tags can be easily abused by web site creators anxious to bait search engines and bring scores of visitors to their sites. The law about metatags is far from settled, and many legal scholars are uncomfortable
with the conclusion that the unauthorized use of a trademark in a metatag represents infringement (Spinello, 2002). These words, typically be used in a search on an Internet search engine, and the searchers are directed to sites that have little or nothing to do with the subject. So not only this practice illegitimately use another’s copyrighted information, but it also costs users time and money by diverting them to irrelevant sites (Maury and Kleiner, 2002). The hot topic today in copyright infringement litigation is the downloading and distribution of copyrighted music and films over the Internet (www.associatedpress.com). MP3.com and Napster.com are companies being sued for the exchange of music and/or films.

*Patents.* Patent law is centered upon inventions and the ability to reproduce or manufacture an inventor's product (Strauss and Frost, 1999). Patents are awarded for inventions that are new, useful and non-obvious. The subject matter includes machines, processes, compositions of matter, foregoing improvements, designs for an article of manufacture, and living material invented by man (Strauss and Frost, 1999). Patent protection has become an important consideration for website owners, because it has been granted to give patents for new processes on the Internet (Maury and Kleiner, 2002). "In other words, these patents are referred to as "business model processes". For example, www.priceline.com has a patent on the name-your-price shopping method, and www.amazon.com was awarded a patent on its One-Click shopping method" (Maury and Kleiner, 2002, p. 81). However, this also raises some ethical concerns. If the purpose behind patent protection is to enhance and encourage innovation, these patents actually do the opposite. Because they grant monopolies on marketing mechanisms that give the holders unfair competitive advantages. In addition, as Strauss and Frost (1999) stated, there is currently no consensus as to
whether programs or software presentations have to be granted patents. Hence, patent law has to be revised in a manner to cover both of these ethical and legal problems.

*Advertising.* Most commercial web sites carry no label indicating that they are the creation of advertising departments and agencies, while TV and print media do (Stead and Gilbert, 2001). Every nation has its own laws that protect consumers from fraudulent advertising. When advertising a product on the Web, a company should be as specific as possible about warranties, including what is covered and for how long, and give the specific terms of the guarantee. The compensation that the buyer will receive must be stated on the web clearly, when he can not receive his product on time (Sheldon and Strader, 2002). Advertising claims must be accurately stated in order to prevent any confusion and possible legal action. A company should also consider the target consumers addressed by the ad. Sweden, for example, has tough regulations against marketing to children (Sheldon and Strader, 2002). Mitchener (1999) identifies a number of laws that affect promotional messages on web sites; for example Germany bans lifetime guarantees, rebates and other forms of sales promotion, Greece bans ads for toys, and Finland bans speed as a feature in advertising cars.

*Pricing.* Walker (2002) gives an example from France, where book prices are regulated, as well as other European countries. Depending on the article of Barrett (2000), Walker (2002) states that the discount permitted on book prices in France is limited to 5%; when Amazon.com launched its site in France in August 2000, it had to find a way to compete on grounds other than price. In Japan, publishers are allowed to dictate to booksellers the price at which they must sell books and magazines. Since on-line retailers need to charge a shipping fee, their total price is higher than that of the brick and mortar stores (Walker, 2000). Another example is a
pharmaceutical company that shipped some of its American-made drugs to its distributor in a Central American country, intending to sell at a substantial discount because the local market could not afford to pay American-level prices (Yang et al., 1998). However, the pharmaceuticals did not stay in the Central American country; instead, they were shipped back to the US to be sold through drug channels that were not part of the American company's plans, and at prices lower than the previously set American prices (Yang et al., 1998).

Conflict of Interest. An example of an on-line conflict of interest relates alliances that are formed. When forming such alliances two points must be carefully thought (Maury and Kleiner, 2002): a) giving the public full disclosure of ownership and b) being a credible source of information. Some companies will sell their products/services on-line and compete directly with their own intermediaries. Hence, the intermediary will have a diminishing role that will lead to future extinction.

Content Regulation. Some countries have laws to regulate what content may be displayed on Web sites in their nation. For example, some Middle East countries have policies on what religious material can be shown and accessed in their nation. Australia has several laws regulating the display of sexual material on Web sites hosted in Australia (Sheldon and Strader, 2002). In Singapore, it is illegal to include an advertisement for Viagra on a Web site (Sheldon and Strader, 2002). Some countries, like China and Vietnam, filter content at the ISP level for everyone, adults as well as children (Strauss and Frost 2001). Chinese law monitors consumer use of the Internet in Internet bars (or cyber cafes). Internet bars in China are required to install a software manager which informs the government about who is using the computers and for what purpose (www.nua.ie). In September 2000, Chinese police
planned to close more than half of the Internet cafes in Shanghai; almost 525 of
Shanghai's 1,000 cafes had already been shut down (www.nua.ie).

**Taxation.** Taxation is treated differently in the U.S and the EU. "The U.S. has
declared a moratorium on the imposition of new and discriminatory taxes on Internet
purchases until October 2001; this is often incorrectly perceived as meaning that no
sales taxes can be levied on e-commerce transactions. Such taxes may indeed be
imposed, just as they may be applied to other direct marketing transactions such as
catalogue sales. However, due to a Supreme Court decision, enforcement of tax
collections outside the firm's home state, are unenforceable" (Wijnholds and Little,
2001, p. 2). By contrast, the EU does allow, apply and enforce such taxes through its
value added (VAT) system; this presents a number of problems since tax rates differ
between the member states as do product and service categories. "For American e-
tailers the ultimate question is whether they are liable for these European taxes.
Ultimately this boils down to whether such firms have a permanent establishment
(presence) or "nexus" within the EU, something which is not always easy to
determine" (Wijnholds and Little, 2001, p. 2). The legal differences between US and
EU related to e-commerce is shown in the following table.
Table 2.2 – The Legal Differences between USA and EU about E-commerce

<table>
<thead>
<tr>
<th>Specific Areas</th>
<th>Positions</th>
</tr>
</thead>
<tbody>
<tr>
<td>Privacy</td>
<td>U.S.</td>
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<td></td>
<td>self regulation</td>
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<td></td>
<td>safe harbor</td>
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<td>EU</td>
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<td></td>
<td>regulation</td>
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<td>regulation for non-compliant</td>
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<td></td>
<td>countries</td>
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<td>Tax - sales</td>
<td>moratorium</td>
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<tr>
<td></td>
<td>VAT - differs between states</td>
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<tr>
<td>Tax - income</td>
<td>existing tax principles with modifications</td>
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<tr>
<td></td>
<td>permanent establishment</td>
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<td></td>
<td>under EU review permanent</td>
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<tr>
<td></td>
<td>establishment</td>
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<tr>
<td>Security</td>
<td>mainly traditional law plus new</td>
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<td></td>
<td>regulations</td>
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<tr>
<td></td>
<td>uncertainty, varies, state of flux</td>
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<tr>
<td>Liability</td>
<td>tentative standard for jurisdiction: degree</td>
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<td></td>
<td>of interaction</td>
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<td></td>
<td>EU directive: consumer</td>
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<td></td>
<td>home state (some</td>
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<tr>
<td></td>
<td>interpretation problems)</td>
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<tr>
<td>Marketing practices</td>
<td>consumer state regulations.</td>
</tr>
<tr>
<td></td>
<td>uncertainty, controversy</td>
</tr>
</tbody>
</table>


2.1.7.1 Work Environment Related Ethical and Legal Issues

The new communication and information technologies have created a host of ethical problems, and some of the more pressing concern has been given to privacy. The threat of privacy posed by monitoring and surveillance also causes several ethical problems. For example, telephone taping, interception of e-mail messages, and virtually undetectable listening and recording devices cause access to private conversations and other private interactions.

The greatest challenge is posed by the possibility of combining these new technologies and particularly the use of monitoring and surveillance devices with certain computer software and computer networks, including the Internet. Miller and Weckert (2000) examine the question of employee monitoring and surveillance from a philosophical point of view. The authors question the benefits of employee monitoring and surveillance, and state that from one point of view monitoring
"improves quality of goods and services; and so is good for customers; it makes business more efficient, so profits rise, which benefits employers; and it helps employees get higher pay and promotion, and assist them in doing their jobs better" (Miller and Weckert, 2000, p. 260). On the other hand, Miller and Weckert (2000) ask the reason why those benefits are questioned in the literature. According to the authors, there are two types of reasons: one type based on the unacceptable consequences to the organisation of monitoring and surveillance, such consequences include ill health, stress and lowering of morale. According to Miller and Weckert (2000, p. 261) employee monitoring can be justified for three reasons:

- This monitoring will help get rid of “dead wood” workers, who are not doing their fair share of the work.
- Surveillance can be used as the control of crime in the workplace, especially theft and financial fraud.
- If it is properly used, employees can be assessed on purely objective criteria, say number and accuracy of keystrokes.

Block (2001, p. 225) introduces the term “cyberslacking”, “which involves visiting pornographic and news sites, shopping, stock trading, vacation planning, gaming chatting, in other words, engaging in general non-business Internet activities on company time and using company resources”. In addition, this practice includes looking for a new job on the Internet, comparing present salaries and working conditions with that available elsewhere purely as a matter of curiosity, doing homework on company time, exchanging e-mail with friends etc. According to the author, there is nothing on this list of activities which was unknown before the
advent of personal computers, e-mail, the web and all the rest. Block (2001) also compares two views about the morality of cyberslacking: on the one hand, cyberslacking is assumed immoral because of the time employees' misuse as well as the monetary value of Internet access privileges via company equipment. On the other hand, it is assumed moral if Internet addict somehow renders value to the company. However, the author asserts that both options can be possible.

Privacy in the workplace, stress and health related problems due to the usage of information technology in the workplace, decrease in the job satisfaction, and dehumanisation, cyberslacking, employee monitoring and surveillance are the frequently examined subjects that cause ethical issues in the workplace (Alder, 1998; Banerjee et al., 1998; Block, 2001; Miller and Weckert, 2002). The privacy related ethical issues are the most prevalent study area; moreover, it has been either studied from the perspective of consumers, or businesses, or employees.

In this part of the literature review chapter, business ethics literature has been overviewed in order to gain a general insight about the mainstream research areas, and figure out the areas, which receive scant attention from the academic environments. The followings are the topics that are in need of investigation:

- The ethical issues about technology have been examined from three dimensions; namely, consumer, business, and work environment related issues. However, some potential pitfalls of technology have been undermined. For instance, consumers who do not have Internet access can be disadvantaged when compared to consumers who have Internet access. The same thing is valid for the consumers who are not familiar with computers and Internet technologies.
• Another uninvestigated point is the situation of employees who are not familiar with computers due to several factors (such as age), this issue can cause discrimination in the workplace against these people.

• In addition, even though the content of websites has been investigated from different perspectives, it is rare to find research, which examines the quality of the content, particularly the quality of information gathered from Internet.

• The usage of information and communication technologies by the workers of the company for the purposes of whistle blowing or espionage is another area, which has both ethical and legal magnitudes. Some of the large companies either banned or limited the usage of cellular phones, which have the photography feature, in the workplace.

• A comparison of developing and developed countries on the basis of technological piracy related issues would also be beneficial for the future of the academic research about this topic.

• The impact of product review, rating, and complaint websites on the image and reputation of companies have to be examined. The impact of word of mouth (web of mouth) is also connected to this subject, and it may vary from one country to another. Hence, a cross cultural investigation of negative web of mouth on the reputation of companies becomes a significant research area.

• Impulse buying, a widely studied subject in the consumer behaviour literature, has to be reconsidered for on-line shoppers. Free shipping for the orders that exceed a certain limit and its impact on consumers, or discounted products attached to the main products are some examples which encourage people to buy products even though they do not think and/or want to buy.
• The unethical behaviour of consumers in the high-tech environments, such as hacking, piracy, and etc., has to be also explored.

• There is also a need for theoretical studies, which constitutes the ethical decision-making models for high-tech environments for both businesses and for consumers.

• Consumer complaining behaviour, and consumer satisfaction/dissatisfaction about on-line companies due to unethical practices of companies, which is the research area of this thesis are other fertile areas.

In this part, business ethics literature has been reviewed, the following part of this chapter examines the past research about consumer complaining behaviour.
2.2 Consumer Complaint Behaviour Literature

The interest of academicians to the topic of consumer complaining behaviour begins during 1970s, and shows an increasing tendency during 1980s; however, by 1990s this tendency slows down. Nevertheless as of today both academicians and practitioners, as well as consumers, rediscover its importance due to increased competition, globalisation, and new forms of conducting business-such as electronic commerce and mobile commerce- in the business world. In other words, consumer satisfaction is still the impetus for the survival of companies. The following parts are devoted to the past research about the consumer complaining behaviour.

2.2.1 The Conceptualisation of Consumer Complaint Behaviour

The theoretical background of consumer complaint behaviour, starting from the 1970s is briefly discussed in the following paragraphs in order to understand the road that goes to the conceptualisation of consumer complaint behaviour. Anderson (1973, p. 38) considers four psychological theories in order to predict the effects of disconfirmed expectations on perceived product performance and consumer satisfaction; and these theories are 1. cognitive dissonance (assimilation), 2. contrast, 3. generalised negativity, and 4. assimilation-contrast. The results of the study indicate that “too great a gap between high consumer expectations and actual product performance may cause a less favorable evaluation of a product than a somewhat lower level of disparity” (Anderson, 1973, p. 38).

LaTour and Peat (1979) examine all expectation-based theories that have been applied to consumer satisfaction/dissatisfaction and criticise these studies prior to them. LaTour and Peat (1979) generalise and apply a comparison level theory to product attributes, which is borrowed from psychology. However, the authors fail to
test their theory. On the other hand, Krishnan and Valle (1979) apply attribution theory to examine the impact of attributions about responsibility for post purchase dissatisfaction in consumer satisfaction/dissatisfaction literature. The authors find that consumers who blame themselves for dissatisfaction about a product are less likely to complain. In other words, “attributions are found to be an important mediator in explanation of complaint behaviour” (Krishnan and Valle, 1979, p. 445).

Consumer expectations regarding a product or service play a crucial role in determining consumers’ satisfaction or dissatisfaction. Oliver (1980) applies disconfirmation model to explain consumer satisfaction and dissatisfaction. According to this model, consumers have pre-purchase expectations, and consumers compare their expectations with the performance of the product/service. If the actual performance exceeds expectations, then there is a positive disconfirmation; however, if performance fails to meet expectations, then a negative disconfirmation occurs (Oliver, 1980). According to disconfirmation hypothesis, “consumer satisfaction or dissatisfaction results from a positive or negative discrepancy between the outcome and the expectations regarding a purchase” (Antonides and van Raaij, 1998, p. 481). In other words, the disconfirmation leads to the determination of a level of satisfaction. In turn, this satisfaction level will determine the future intentions of the consumers related to the product. The disconfirmation model of Oliver (1980) has been used by Swan and Trawick (1981) in a retail store context. Swan and Trawick (1981, p. 51) summarise Oliver’s model (1980) in the following way:

\[ \text{Disconfirmation} \rightarrow \text{Satisfaction} \rightarrow \text{Intentions} \]
Swan and Trawick (1981, p. 51) add that "...an expectation effect has less impact on satisfaction than does disconfirmation". The authors (1981, p. 52) extends the model of Oliver (1980), and design it in the following way:

\[
\text{Expectations} \rightarrow \text{Inferred disconfirmation} \rightarrow \text{Perceived disconfirmation} \rightarrow \text{Satisfaction} \rightarrow \text{Intentions}
\]

According to Swan and Trawick (1981, p. 59), "expectation was virtually independent of inferred disconfirmation...". Moreover, it is found that "expectation is an input to, but not an integral part of, the satisfaction process" (p. 59); this finding shows congruency with Oliver's (1980) study. In addition, perceived disconfirmation is found to be a function of inferred disconfirmation; but overall expectation is found to be a significant predictor. The results of the study also show that the main predictor of satisfaction is inferred disconfirmation; in addition, expectations are also found to be a predictor of satisfaction, however, inferred disconfirmation is more important than expectation in explaining satisfaction (Swan and Trawick, 1981).

Finally, it is concluded that "intentions were predicted most strongly by satisfaction, followed by inferred disconfirmation, and then by the expectations" (Swan and Trawick, 1981, p. 62).

Wilkie (1990, p. 622), depending on the previous research about the topic, gives the following definition about satisfaction: "Satisfaction/dissatisfaction refers to an emotional response to an evaluation of product or service consumption experience". Hence, consumer dissatisfaction can emerge as the consequence of the discrepancy between expected and actualised performance about an attribute.

The study conducted by Bearden and Teel (1983, p. 26) also agrees with prior research, and concludes that "expectations and disconfirmation appear to be plausible
determinants of satisfaction...Moreover, satisfaction is related negatively to complaint activity...”. Bearden and Teel (1983, p. 22) also state that “Satisfaction/dissatisfaction is, in turn, presumed to influence subsequent attitudes, intentions, and complaint behavior”.

Jacoby and Jaccard (1981, p. 6) define complaint behaviour as “the action taken by an individual which involves communicating something negative regarding a product or service to either the firm manufacturing or marketing that product or service, or to some third-party organizational entity.”

Singh (1988, p. 94) gives the conceptualisation of consumer complaining behaviour (CCB) as follows: “CCB, then, is conceptualised as a set of multiple (behavioral and nonbehavioral) responses, some or all of which are triggered by perceived dissatisfaction with a purchase episode”. By nonbehavioural responses, the author implies taking no action; while by behavioral responses the author means taking action (Singh, 1988). This will be discussed in the “consumer reactions to dissatisfaction” part of this study.

A final study that is worth to note is conducted by Morel et al. (1997), who are inspired by the models of the consumer information processing, use a model called “Triad Model”. According to Morel et al. (1997) the main determinants of this model are motivation, capacity, and opportunity to complain. “The results provide some support for the hypothesis that complaint behaviour is a positive function of the mathematical product of the three determinants.” (Morel et al., 1997, p. 464).

In the light of the initial works, the conceptualisation of complaint behaviour is presented, and its relationship with satisfaction, expectation, and disconfirmation are also discussed. However, there are other factors that influence the propensity of a consumer to complain. These factors are given in the following parts.
2.2.2 The Nature and Extent of Complaints

Researchers in the area of consumer complaint behaviour report several studies about the nature and extent of consumer satisfaction/dissatisfaction. The most frequently cited studies about the nature and extent of the complaints are presented in this part. Andreasen and Best (1977) in a telephone survey, which is conducted on 2400 households, find that the consumers have dissatisfaction with one out of five purchases. But of these consumers less than 50% take any action regarding their complaints (Andreasen and Best, 1977). Consumer satisfaction/dissatisfaction about product/service categories has been also a widely studied topic by the researchers. One of them is conducted by Day and Bodur (1978) in the Indiana University and examines the consumers’ dissatisfaction with 73 categories of services and intangibles. According to this study, 58.4% of the consumers report dissatisfaction. “The 73 categories of services and intangible products are organised into four sections covering: 1. repair and general services, 2. professional and personal services, 3. financial services and insurance, 4. rentals, public transportation and utilities” (Day and Bodur, 1978, p. 264). The distribution of instances of dissatisfaction according to these subsections is as follows: 36.1% for repair and general services, 28.8% for rentals, public transportation and utilities, 19.5% professional and personal services, and finally 17.3% for rentals. Moreover, in the section of repair and general services, 80.8% of the respondents report that they use auto repairs and service, which is the highest usage in that section; and of those who use auto repairs and service also report the highest percent of dissatisfaction in this subsection that corresponds to 18.8% (Day and Bodur, 1978). On the other hand, in the professional and personal services section, respondents show the highest usage in dental services with a percentage of 86.4%; however, the highest dissatisfaction level
is seen for employment agencies with a rate of 21.1% (Day and Bodur, 1978). In the financial services subsection, 91.2% of the respondents mention that they use banks and trust companies, and the highest dissatisfaction ratio is seen in this branch with a rate of 6.1% (Day and Bodur, 1978). Mobile home rental is the category which has 33.3% of dissatisfaction in the rentals subsection, despite the fact that it is a service used only by the 4.8% of respondents (Day and Bodur, 1978). Another important contribution of this study is that “the great majority of the reasons given for dissatisfaction were directly related to the quality of the supplier’s performance” (Day and Bodur, 1978, p. 264). In addition, “the most frequently mentioned reason for dissatisfaction was “The service was rendered in a careless, unprofessional manner”” (Day and Bodur, 1978, p. 265). This item ranges from 58.3% for rentals, public transportation and utilities to 84.6% for professional and personal services (Day and Bodur, 1978, p. 265).

Another study employed by Day and Ash (1979) also shows some parallel findings with the study of Day and Bodur (1978). In this study, there is a wide variation in the proportion of the population using various products and also “a wide variation in the fractions of users who report dissatisfaction” (Day and Ash, 1979, p. 439). “The highest rates of dissatisfaction for categories in wide spread use were related to new and used automobiles” (Day and Ash, 1979, p. 439). In this study, the most frequently cited reason for dissatisfaction was “the quality of materials was inferior” statement.

Ash (1978) examines consumer satisfaction/dissatisfaction for 67 durable products in four sections: 1. housing and home furnishings, 2. appliances and personal care equipment, 3. durable items for entertainment, recreation, and education, 4. cars and other transportation durables. The results of this study show
“widely varying relationships between the percent of a sample reporting purchase of a product and the percent of users experiencing dissatisfaction with the item” (Ash, 1978, p. 257). For instance for the housing and home furnishings section, draperies, linens, and etc. is the category which has the highest purchase ration, 88%, however, the highset dissatisfaction ratio for this category is obtained from mobile home users with a ratio of 37.5%. moreover, among the four subsections, the used car purchase related dissatisfaction has the highest rate, which is 40.9%; however, this item has a usage ratio of 36.2%.

In another study, Grainer et al. (1979, p. 498), direct a national survey on 2513 households and find that “32 percent of the national sample experienced one or more consumer problem during the year preceding the study.” In addition, Grainer et al. (1979, p. 498) find that “an average of 1.9 problems was experienced by these problem households”. On the other hand, Bolfing (1989) reports that around 20% of dissatisfied product consumers complained to stores, while 44% did so to service providers. As it is seen different studies find differences in complaint incidences between dissatisfied product and service customers.

Dolinsky (1994, p. 33) conducts a study on undergraduate students of a university, and finds that “the most frequently reported complaint pertained to quality of professors. Such complaints accounted for roughly 18 percent of the total number of complaints”. “In contrast, the least frequently reported complaints pertained to the quality of library services, quality of computer facilities and athletic facilities. Complaints related to each of these attributes accounted for two to three percent of the total number of complaints” (Dolinsky, 1994, p. 33). Moreover it is also found that regarding the degree of importance which students attached to their
complaints, those pertaining to the quality of athletic facilities were found to be the highest.

The literature shows great differences about the incidences and extent of complaints. However, most of the cornerstone studies about this topic are presented in this section. The following part examines with the determinants of complaint behaviour from different viewpoints.

2.2.3 The Determinants of Complaint Behaviour

Besides expectation, satisfaction, and disconfirmation, the consumer complaint behaviour literature also examines the influence of some other factors on complaining behaviour. Day et al. (1981, p. 94) mention that “the factors that influence a dissatisfied individual’s propensity to complain can be grouped into three categories: (1) circumstances which determine what is at stake in the situation and what the likely costs and benefits of redress seeking or other actions will be; (2) the characteristics of the individual and the situation which determine the purely psychological costs and benefits of alternative actions and mediate action tendencies; and (3) the market conditions, legal climate, and other circumstances which determine the probability of a successful outcome if the action is taken”. In the light of the suggestions of Day et al. (1981), the determinants of the complaint behaviour are submitted in the following paragraphs.

Grounhaug and Zaltman (1981, p. 85) conclude that “active complainers are:

- higher in experience (i.e., buying experience);
- higher in income;
- higher in education; and
- they tend to be younger than do the noncomplainers”.
The propensity to complain has been found to vary according to the demographic and psychological characteristics of consumers. Complainers have typically been found to be younger, well educated, and have professional jobs and higher income (Warland et al., 1975; Singh, 1990a). They have also been found to be more assertive and self-confident compared to non-complainers (Singh, 1990a). Warland et al. (1984) investigate the relationship between consumer complaining behaviour and political and citizen participation. According to Warland et al. (1984), complaining behaviour is significantly related to community involvement; that is to say those who complain are also active in political and community affairs.

Morganosky and Buckley (1986, p. 224) find that “complainers tend to be the most highly and financially successful segments in the marketplace. Due to their relatively high educational levels, they may be more aware of alternative modes for gaining satisfaction such as the calling the Better Business Bureau, etc.” In addition, Morganosky and Buckley (1986, p. 225) report that “complainer values uniqueness, individuality or a sense of independence”. Kolodinsky (1993) finds that older persons and women are less likely to have complaints resolved; and even if their complaints are resolved, women are less likely to repurchase the same service when they are dissatisfied. In addition, the study conducted by Kolodinsky (1993) finds that women who are not satisfied about medical services have a higher probability of complaining to the provider of the service. According to Kolodinsky (1993), the presence of young children in the home decreases the likelihood of complaining publicly about medical services; however, the increased hours of work lead to an increase in the number of complaints made. Kolodinsky (1995) identifies constraints (availability of time, and availability of resources) and learning (previous complaining experiences) as factors influencing consumer complaining behaviours.
Keng et al. (1995, p. 59) conduct a study in Singapore and find that “complainers who resorted to public actions were older, better educated, and earned higher incomes”. “They were also found to be more assertive and exhibited greater self-confidence and individualistic traits; on the other hand, non-complainers were more conservative and possessed negative attitudes toward complaining” (Keng et al. 1995, p. 59). As it is seen, demographic variables related results of various studies show a consistency, except the age variable, which shows differentiating results among various studies.

In addition to demographic and psychological variables, cost/benefit variables such as income and price also have an impact on a consumer’s propensity to complain. Kolodinsky (1993) asserts that increased dissatisfaction with higher priced items leads to an increase in the probability of making a public complaint directly to the seller. Kolodinsky (1995, p. 39) find that “the higher the price of a service, the higher the cost of not complaining. Price should positively influence complaints”. Oster (1980, p. 603) finds that “the number of reported complaints increases with: 1. the price of the offending good, 2. the probability of winning the complaint, and 3. changes in the overall price level of the good”. Moreover, “complaints are expected less often for 1. frequently purchased goods, 2. goods bought from a sector dominated by large firms, 3. goods purchased from sectors characterised by high local advertising, 4. convenience goods, and 5. goods purchased by high income groups” (Oster, 1980, p. 603).

The industry type and structure also have an impact on the consumer complaining behaviour. For example some industry types such as the medical services industry, which are also called as "loose monopolies", can cause consumers to show different complaining behaviours when compared to more competitive
markets (Day et al. 1981; Kolodinsky, 1993). Oster (1980, p. 603) also mentions that “the tendency of consumer to complain about certain products is assumed to depend on characteristics of both the industry producing the product and the people consuming it”. In addition, Morganosky and Buckley (1986, p. 225) mention that “for the product category of apparel, complainers tended to value functionality of practicality over aesthetics, and aesthetics over fashion or product newness”.

Another valuable study, which is conducted by Cornwell et al. (1991), try to identify ethnic-based differences and similarities in consumer complaint behaviour. Cornwell et al. (1991) find that Mexican-Americans have distinct complaint profiles; that is to say, Mexican-American complainants are found to have a relatively higher income but have similar or lower education level than their neighbours. In addition, it is found that equal numbers of men and women report complaints, however, “males tended to complain about higher dollar items such as automobiles while females complained lower dollar amount related to consumer goods and coupons” (Cornwell et al., 1991, p. 16).

In the following part, the consumer reaction to dissatisfaction issue is investigated through the literature review about the topic.
2.2.4 Consumer Reaction to Dissatisfaction

The consumer complaint literature mostly cited to the study of Day and Landon (1977), which shows consumer complaint behaviour as a two step process (Day and Bodur, 1978; Day and Ash, 1979; Bearden and Teel, 1983; Singh, 1988; Broadbridge and Marshall, 1995; Keng et al., 1995). All these studies show the dissatisfied consumer’s reaction as action or non-action at the first step. Some authors (such as Singh, 1988) refer this as behavioural or non-behavioural responses. That is to say consumers either take action (behavioural) or no action (nonbehavioural) at the initial step. On the other hand, at the second step, consumers who prefer to take action have two options: public or private action. The following figure, which shows dissatisfied consumers’ reaction options, is taken from the study of Broadbridge and Marshall (1995, p. 10).

**Figure 2.3 – Consumer Complaint Behaviour**

```
Dissatisfaction
  /\                                      /\
 No action                             Action
   /\                                    /\    \
  Public action                         Private action
     /\                                    /\   \\
Seek redress from firm or manufacturer Complain to business or government agency
     /\                                    /\
Take legal action to obtain redress Warn family and friends about seller/product
     /\                                    /\   \\
Decide to stop buying product and/or boycott product
```

For public actions, consumers can seek redress directly from the firm or manufacturer, take legal action to obtain redress or complain to business, private or governmental agencies. On the other hand, consumers can seek private actions such as stop buying product or brand, or boycott seller, warn family and friends about the product and/or seller.

Day and Bodur (1978, p. 265) apply the aforementioned classification of complaint responses, and find that “in more than 20% of the instances of expressed dissatisfaction, no action was taken, and that 46.5% of reported actions were of a private nature, such as boycotting the supplier or warning friends.”

Day and Ash (1979) find that consumers who are dissatisfied with durable goods show an equal response of public and private action; that is to say 50% of the dissatisfied consumers take private action, and 50% take public action. According to the findings of the study, “65% of the private actions involved decisions to switch brands or warning others about the unsatisfactory consumption experience. Over 80% of public actions involved asking the seller for repairs, replacement, or refund or otherwise complaining to the seller” (Day and Ash, 1979, p. 439).

Agbonifoh and Edoreh (1986) examine awareness level of consumers, and find out that 53.04% of the consumers who report dissatisfaction merely complain to friends while 31.74% complain either to the seller or the manufacturer, and 15.22% take their complaints to either a government agency or a consumers’ association. 81.2% of the consumers who do not seek redress reveal that they consider legal process as an expensive and time consuming avenue for seeking redress (Agbonifoh and Edoreh, 1986).

Over the years, some efforts have been done in order to make some modifications on the actions of dissatisfied consumers. For instance, Singh (1988, p. 104) shows
that “CCB is a three-faceted phenomenon consisting of voice, third party, and private actions”. The author (p. 104) continues “Voice CCB is directed to objects that are external to the consumer’s social circle (i.e. informal relationships) and are directly involved in the dissatisfying exchange (e.g. retailer, manufacturer). The no-action responses are included in this category tentatively because they appear to reflect feelings toward the seller”. Private actions involve negative word-of-mouth communication to friends and relatives and exit behaviours (switch brand/seller); and third party actions involve actions directed toward external agencies such as the Better Business Bureau and legal options (Singh, 1988).

Singh (1990a) takes a further step, and classifies consumer response styles into four clusters: “passives” (17%), “voicers” (37%), “irates” (21%), and “activits” (28%). Passives are the least likely to take any action, while voicers are the highest who actively complain to the service provider to obtain redress (Singh, 1990a). Irates represent angry consumers who “not only directly complain to the service provider but also switch patronage and/or engage in negative W-O-M. However these consumers are less likely to take third party action” (Singh, 1990a, p. 81). Singh (1990a, p. 81) concludes that activists are those “who belongs to a consumerist agency and actively utilize all channels of complaining, not only seek for individual redress but for social good” (Singh, 1990a, p. 81).

Singh (1990b) examines variations in voice behaviour across different service categories. According to the author, only 17.2 % of dissatisfied health care consumers complain to their physician. However, the incidence for auto repair service and grocery shopping problems was respectively 84.5% and 75.8%.

Broadbridge and Marshall (1995) investigate post purchase dissatisfaction levels of consumers of domestic and major electrical appliances. The findings show that
electrical goods generate a high ratio of public to private complaints. The nature, complexity, life expectancy and price of the product are factors causing a high public action ratio; smaller, inexpensive electrical goods generated the fewest complaints (Broadbridge and Marshall, 1995, p. 8). Furthermore, consumer dissatisfaction was seen to intensify as they sought redress, owing to poor customer service levels of electrical retailers.

Hogarth et al. (2001) conduct a recent study about complaining behaviours of consumers, using credit cards, and it is found that less than one out of six households reported a problem; of those, nearly all took some sort of private or public action. According to Hogarth et al. (2001) about 7% used third parties, 11% took private action and 82% voiced to seller; while over half of the consumers (55%) exited. Hogarth (2001, p. 106) concludes that “consumers in our study were much less likely to do nothing and much more likely to exit than those in other studies. We found that consumers tend to voice to the seller but that they often follow up with either exiting or using a third party. We found that a substantial proportion (63%) had resolved their problems and an additional 10% were still in the complaint-resolution process”.

Depending on the past research findings, the reasons of non-complaining behaviour of dissatisfied consumers can be given as: consumers’ perceptions that complaining is not worth their time, complaining would not result in a favorable outcome, and some consumers simply don’t know where and how to complain” (Dolinsky, 1994, p. 29).

In this part, the reactions of dissatisfied consumers are presented, in the following the responses of companies to consumer complaints, the benefits of complaint handling, and complaint resolution methods are reviewed under the topic of complaint handling management.
2.2.5 Complaint Handling Management

Consumer satisfaction has been always a crucial aim of companies; however, particularly in today's turbulent market conditions it gains a more important role. In today's increasingly competitive environment, consumers are becoming more discriminating in their purchases and making complaints about poor after-sales service, product quality and value for money. Consumer complaint behaviour literature heavily investigates the nature and extent of the problems encountered by the consumers, the antecedents and determinants of consumers' complaint behaviour, and the reactions of dissatisfied consumers. However, less emphasis is given to the area of how complaints are handled until the second half 1990s.

Consumer complaint handling can give companies the opportunity to make strategic decisions related to their marketing activities. According to Mitchell (1993, p. 9), some of the advantages companies can gain from effectively handling their complaints include:

- use in strategic planning as well as operational decisions;
- reduced likelihood of legal proceedings;
- increased brand loyalty;
- improved marketing intelligence;
- increased ease of complaining;
- internal marketing benefits;
- reduced warranty and servicing bills;
- customer perception of quality;
- objective quality gains;
- cross-selling to satisfied complainants; and
- reduced negative word of mouth.
Plymire (1991, p. 62) shows consumer complaints as opportunities and asserts that “... the surest road to a customer-focused culture is through increased complaints”. Plymire (1991, p. 62) According to the author “there are at least two benefits of increasing complaints:

1. Each complaint is a way to serve a customer differently and, as such, a potential new sales opportunity. The feedback we hear from customers may lead to the expansion of services or even the creation of new services.

2. Emphasising complaints as feedback tells employees that this is a customer-focused culture. It says, ‘We view our customers as partners; we want to build relationships with them’. On the other hand, if we tell employees to give good customer service and reduce complaints, we’re telling them something quite different. We’re suggesting that customer feedback can be detrimental to their jobs.”

Nyer (2000) finds that consumers who are encouraged to complain reported greater increases in satisfaction and product evaluation compared to consumers who are not explicitly asked to complain. Moreover, the changes in satisfaction and product evaluations are found to be related to the complaining intensity. The four major findings of this paper are as follows (Nyer, 2000, p. 15):

1. Unhappy customers who were explicitly asked to express their feelings and thoughts experienced greater increases in satisfaction and product evaluation than those who were not specifically asked to express their comments and complaints.

2. The complaining induced increases in satisfaction and product evaluation were greatest for subjects who were least satisfied initially, rather than for subjects
who were moderate or high on satisfaction initially. However, even subjects who were only moderately satisfied initially showed significant increases in satisfaction and product evaluation levels.

3. The result of the step-down analysis lends support to the hypothesis that complaining induced increases in satisfaction and product evaluation were influenced by the intensity of complaining.

4. Trial members who were encouraged to complain were 58.86 percent more likely (14.50 percent vs 9.13 percent) to sign up for regular membership than those who were not explicitly asked to express their feelings and opinions.

Good complaint handling is not only a must for good marketing but may also be construed as a legal requirement. The fundamental objective of consumer law is to protect the public from defective products and unscrupulous manufacturers, and as a means by which the consumer can obtain suitable compensation or redress (Mitchell, 1993).

"In dealing with complaints, truly marketing-oriented companies must examine not only the costs of the remedy, but also the cost of not settling the complaint" (Broadbridge and Marshall, 1995, p. 16). According to the authors (1995, p. 16), "these latter costs are, of course, more difficult to assess, but managers must be aware that they include the potential for negative word-of-mouth in addition to the potential lost repeat business". Moreover the authors mention that in order to decrease the impact of dissatisfaction that can occur, companies have to show that they are responsive to consumer complaints. In addition, the authors conclude that "the more quickly a complaint is resolved, the greater the chance of satisfaction".
Lam and Dale (1999, p. 849) discuss that “the company’s environment contribute to the number of complaints received and the lack of success of its complaint handling system”. Some of the elements, which have roots in environmental weaknesses, are as follows (Lam and Dale, p. 849):

- lack of management support;
- lack of employee motivation;
- poor internal and external communication;
- poor employee attitudes;
- inadequate quality culture

Schibrowsky and Lapidus (1994) mention that only recording and filing complaints is not enough for an effective complaint management. The authors recommend that these complaints must be analysed in a way that allows the firm to make the changes necessary to eliminate the causes of the complaints. According to Schibrowsky and Lapidus (1994), companies should attempt to concentrate the complaint process to increase the likelihood that a dissatisfied customer will make a complaint. “One approach is to develop complaint forms with predetermined categories. The benefit of using these precategorized complaint forms is that they make the complaining process easier and therefore increase the likelihood that a dissatisfied customer will make a complaint” (Schibrowsky and Lapidus, 1994, p. 24). Schibrowsky and Lapidus (1994, p. 24) assert that the complaint analysis has the following benefits:
• Aggregate complaint analysis affords the firm the opportunity to look at its business from the customer's point of view.

• An aggregate complaint analysis provides the firm with an objective look at the big picture, based on numbers, not supposition.

• Aggregate complaint analysis enables the firm to establish complaint benchmarks. These benchmarks can be used to monitor the effectiveness of the customer service department over time.”

Nyer (2000, p. 11) also gives “a strategy for handling complaints:

• Start with the fact that the customer is upset. It does not matter whether their anger is fair or justified - it is sufficient that they are cross.

• Listen to what the customer has to say. Do not have a mechanistic response to complaints or a rigid policy on redress - this may not be what the customer wants. And if all the experts in the world say you have got the right policy, that does not make a bit of difference to your customer. They are still upset.

• Say sorry. In so many cases an apology is all the customer wants and preferably an apology that is not followed by a catalogue of explanations, caveats and excuses. Just say you are sorry and leave it at that.

• Find out what you can do to repair the situation - a refund, exchange, redoing the work, free product. Remember that, if you get the response right, that customer will be satisfied and will return to buy again. Ask the customer what they want and, so far as is possible, give it to them.
• Record the details of the complaint and investigate why the product or service failed. You will never eliminate errors but, by addressing problems as they arise, you will avoid the disaster of a customer experiencing the same mistake twice.

• Be prepared to train staff in complaint handling and insist that dealing with customers' problems is a priority.”

In this chapter, the basics of consumer complaining behaviour literature have been summarized. This study is purely related with on-line complaints, therefore the literature in this part only presents the heart of complaining behaviour. Moreover, since Internet is a relatively new topic, particularly in Turkey, there is no study about on-line complaining behaviour of consumers. It is believed that the main stream research about the topic will shed light to the understanding of this thesis.

The following chapter presents the research design and methodology of this study.
III. RESEARCH DESIGN and METHODOLOGY

In this chapter, firstly information about the research questions, objectives, and scope are given. Then, the technical details of the study are discussed. The type of research design and investigation, method and procedures of data collection, and study setting are among the topics, which will be covered in this part.

3.1 Research Objectives and Questions

Consumers usually determine whether a company’s behaviour is ethical or unethical. Even though this does not mean that consumers are always right, they have an influence on the society’s view about the activities of that company. Once the “society judges a business unethical or wrong, whether correctly or not, that judgement directly affects the organisation’s ability to achieve its business goals” (Ferrell et al. 2002). Ethical issues can be seen in any step of marketing a product/service. While developing, pricing, promoting, and distributing products it is possible to induce unethical practices. However, unethical practices, such as deceptive/misleading advertising, discriminatory pricing, corruption and bribery, and etc. give severe damages to the company and to the sector it operates.

Today, many people who have little or no idea about managing an organisation, marketing its products/services, or taking necessary decisions begin to conduct their own businesses through the Internet. Internet is a newly emerging channel for conducting business, hence it does not have a clearly defined ethical framework. Since Internet shopping is still in its infancy, and since there is no time and geographic restrictions for the activities of on-line companies, it becomes necessary to generate an ethical model for companies. On-line companies have to explore and analyse potential ethical risk areas, and then develop programs that address to these
issues. According to Ferrell et al. (2002, p. 49), “ethical issues can also be explored in terms of the major participants-consumers, owners, and employees- and functions of business -are management, marketing, finance, and accounting-…” (italic written parts belong to the researcher). Hence, consumer complaints about on-line shopping can be an effective tool for exploring and analysing the ethical risk areas. Therefore, it is aimed to develop an ethical framework by exploring the potential ethical issues about on-line companies, which depends on the dissatisfactory situations encountered by the consumers.

The objective of this study is to explore the ethical issues about on-line business, and then design an ethical framework for on-line companies by using consumer complaints. This study reviews the consumer complaints, which are collected from the consumer complaint web sites both in USA and Turkey, about their experiences related to on-line shopping. Due to several reasons complaint web sites are chosen as the data source of this study. The first reason is that most people do not prefer to go governmental agencies or consumer organisations. The second reason is that since these web sites have advanced and large databases of complaints from different parts of a country about different companies and their distinct products, the problems experienced by the consumers also show diversity. Thirdly, consumer organisations and governmental organisations are generally local institutions, which makes it difficult to receive complaints from different states and cities of a country. Finally, it becomes very easy to make complaints on-line as a result of the convenience and time saving features of the Internet. These web sites usually act as mediators between the complainants and companies. Once a complaint web site receives a complaint from a consumer, it sends this complaint to the company and asks for a resolution. It depends on the company whether to bring a resolution to the problem
encountered by the consumer. The complaint web sites receive lots of complaints about both off-line companies and on-line companies. This web sites not only allow consumers to read the complaints of other consumers about the companies, but also write their own complaints about a specific company. Therefore, they have large databases of complaints about different companies, and their distinct products and services, from different states and regions of a country. However, this study covers only on-line stores where products are bought and sold, and excludes complaints about other on-line businesses such as on-line travel services or Internet service providers. Therefore, it can be concluded that the scope of this study is limited to the consumer complaints about on-line shopping stores.

The research objectives and the related questions of the research, which are explored in this study, are presented below:

1. What is the tendency of complaining for US consumers (between January, 2000-April, 2003) and Turkish consumers (between June, 1999-April, 2003)?
2. What is the frequency distribution of complaints among on-line businesses?
3. What is the frequency distribution of complaints among on-line stores?
4. What are the major complaint areas about on-line stores, and are there any differences among on-line stores regarding the type of complaints that they receive?
5. How can the complaint areas be classified?
6. What are the feelings and attitudes of complainants and how do they express their feelings?
This study is particularly interested about the dissatisfaction part of the consumer satisfaction-dissatisfaction behaviour. The details about the methodology of the study, such as research design, type of data, data collection method, sampling, and etc. are given in the following paragraphs. The following is a summary table that includes the main headlines of the methodological structure of this study.

**Table 3.1 – The Methodological Structure of the Study**

<table>
<thead>
<tr>
<th>Research Type</th>
<th>Qualitative Research</th>
</tr>
</thead>
<tbody>
<tr>
<td>Research Design</td>
<td>Exploratory Research Design</td>
</tr>
<tr>
<td>Type of Data</td>
<td>Secondary Data</td>
</tr>
<tr>
<td>Study Setting</td>
<td>US and Turkish Consumer Complaint Web Sites (On-line complaint files)</td>
</tr>
</tbody>
</table>
| Time Horizon                | **for USA:** January, 2000-April, 2003  
**for Turkey:** June, 1999-April, 2003 |
| Data Collection Method      | On-line Computer Search – Database Search |
| Sampling Method             | Judgement Sampling based on Search Engines (Google and MSN search) |
| Sampling Elements           | US and Turkish Complaints about On-line Stores |
| Sampling Units              | Complaint Web Sites in Turkey and USA  |
| Sample Size                 | **for USA:** 4019 complaints  
**for Turkey:** 80 complaints |
| Data Analysis               | Content Analysis                     |
| Unit of Analysis            | Themes of Consumer Complaints         |
3.2 Research Type

In this study, "qualitative research" is used as the type of research. In her study, Sykes (1990, p. 290) refers to Quinn (1986, p. 187) for the brief definition of qualitative research, which is given as follows: "a qualitative approach seeks to capture what people’s lives, experiences and interactions mean to them in their own terms".

According to Quinn (1986, p. 187), qualitative data consists of "detailed descriptions of situations, events, people, interactions, and observed behaviours; direct quotations from people about their experience, attitudes, beliefs and thoughts; and excerpts or entire text from documents, correspondence records, and case histories…the data are collected…without attempting to fit institutional activities or people's experiences into pre-determined, standardised categories such as the response choices that comprise typical questionnaires or tests" (Sykes, 1990, p. 290).

Since ethical issues about Internet is a relatively new research area, there is a great need for deep and rich information about the topic. In order to a) determine the major complaint areas of consumers about on-line shopping, b) learn their feelings and attitudes about electronic shopping, and c) grasp their expectations from the on-line companies, the entire passages of complaints written by consumers are reviewed. Therefore, the failures and deficits of on-line companies are identified through consumer complaints, which will lead to the formation of an ethical framework for the e-commerce companies.

The Internet as a recent research subject, combined with the sensitive nature of the business ethics, can gain comprehensiveness and robustness by conducting qualitative research. Therefore, qualitative research type is appropriate for this study.
3.3 Research Design

Among the three available research design types, namely, exploratory, descriptive, and causal research designs, “exploratory research design” is employed in this study. When the investigated topic is recent and under-researched, exploratory study becomes beneficial. According to Churchill (1999, p. 101), “the general objective in exploratory research is to gain insights and ideas”. Churchill (1999, p. 103) states that “exploratory study is used for any or all of the following purposes:

- formulating a problem for more precise investigation or for developing hypotheses;
- establishing priorities for further research;
- gathering information about practical problems of carrying out research on particular conjectural statements;
- increasing the analyst’s familiarity with the problem;
- clarifying concepts”.

Since exploratory study is appropriate for the research areas, which are relatively fertile and under-investigated, it becomes the foundation for a good study. “Exploratory research may involve reviewing published data, interviewing knowledgable people, conducting focus groups, or investigating trade literature that discusses similar cases” (Churchill, 1999, p. 64).

The topic of consumer complaints about on-line shopping is a recent and fertile research area, which makes it compatible for exploratory research design. Hence the complaint web sites both in USA and Turkey are reviewed in order to gain insight about major on-line shopping complaint areas, feelings and attitudes of consumers about their on-line shopping experiences, and as well as the expectations of consumers from on-line companies.
3.4 Type of Data

Business ethics received several criticisms due to its reliance on self-reported data (Cowton, 1998; Harris, 2001). Harris (2001, p.191) states that “responses to questionnaires and interviews may be influenced by the subject’s view of what the researcher might want to hear, by a reluctance to talk about sensitive ethical issues, and by imperfect recall”.

An important contribution of Randall and Gibson (1990) to business ethics research methodology shows that almost 90% of the studies rely on self-reported data. In addition to respondent bias, since most of the questions asked in business ethics studies contain sensitive issues, there will be a reluctance to reveal real information. By referring to some of the studies in this area, Harris (2001, p. 191) concludes that “there is a potential for distortion when interviewing individuals about their recollection of ethical behaviour or about their intended behaviour”. Harris (2001) also mentions some other disadvantages of primary-data as non-response bias, and tendency to deny socially undesirable traits. The use of secondary data for empirical studies in applied business ethics has been advocated by researchers (Cowton, 1998; Harris, 2001). Churchill (1999, p. 214) defines secondary data as “statistics not gathered for the immediate study at hand but for some other purpose”. Harris (2001, p. 192) gives some examples of secondary sources as “governments and regulatory agencies, the public reports of companies, items appearing in the press and other media…”.

Since business ethics is a very susceptible area and Internet is a very new topic, the research of this study becomes very crucial and sensitive. Hence, “secondary data” is more appropriate for the purposes of this study.
3.5 Study Setting

There are several web sites both in USA and in Turkey that compile consumer complaints. These web sites act like the consumer advocacy organisations, and they usually play the role of mediator between the complainant and the company. In this study, the researcher downloaded the consumer complaints from both US and Turkish complaint web sites, and reviewed each of these complaints. In other words, “free and publicly searchable complaint web sites” constitute the study setting of this research.

3.6 Time Horizon

The use of Internet as a medium of commerce has been a relatively recent way of conducting business. In this regard, consumer complaints about on-line shopping emerged within the past few years. Moreover, the establishment of the complaint web sites is also a current way of mediating between the consumers and companies. However, even though USA is one of the leading countries in electronic commerce, the foundation of on-line consumer complaint web sites begins by 2000. On the other hand, the foundation of Turkish complaint web sites begins by 1999. This can be attributable to the fact that most of the Turkish complaint web sites have some relation with Turkish consumer protection organisations. Since downloading of these complaints from web sites takes a long time, April 15th, 2003 is chosen as the deadline of collecting complaints. Hence, the time horizon for:

- USA is January, 2000-April 15, 2003
- Turkey is June, 1999-April 15, 2003.

This study has an exploratory research design, and it covers more than a 3-year period for both countries.
3.7 Data Collection Method

The data collection method used in this study depends on on-line research, particularly “on-line computer search”. First, the on-line search engines, namely “Google” and “MSN Search” are used to determine the web addresses of consumer complaint web sites. The terms used during the search are “complaint”, “consumer”, and “consumer organisations”. Then, the researcher obtains a list of complaint web sites both for USA and for Turkey. It has to be noted that, these web sites belong either to established consumer organisations or to newly emerging on-line consumer complaint sites. In addition, the complaint web sites do not only contain complaints about on-line shopping, but also complaints about off-line shopping. The list of these complaint sites with their web addresses is provided in the Appendix of the thesis. For USA a list of eight complaint web sites, and for Turkey a list of 10 complaint web sites are obtained. However, some of the Turkish web sites belong to consumer advocacy organisations that accept on-line complaints from consumers and share these complaints with public. On the other hand, most of the US web sites are newly emerging on-line consumer complaint sites. In other words, a total of 18 complaint web sites are achieved.

3.7.1 Sampling Method and Sample Size for Web Sites

The sampling method used in this study is “non-probability sampling”, which involves personal judgement somewhere in the selection process. Furthermore, the type of non-probability sampling of this research is “judgement sample”. “Judgement samples are often called purposive samples; the sample elements are handpicked because it is expected that they can serve the research purpose” (Churchill, 1999, p. 503). From a total of 18 complaint web sites 6 are chosen purposively by the
researcher. The two criteria that are used for the sampling purpose of this study are that: some of these web sites do not share their complaints publicly, and some of the web sites do not have a large database of complaints. In other words, being available publicly is the first criterion, and having a large database of complaints, that is representativeness, is the second criterion. In addition to these two criteria, the reliability/credibility of the web sites as data source is also important; hence the web sites that operate with the confirmation of an institution (e.g. Better Business Bureau) are chosen. That is to say, public availability, representativeness, and reliability/credibility are the three criteria in determining the final number of complaint web sites, which will be used in this research. Finally, a total of six complaint web sites, two from USA and four from Turkey are used as the data source. These web sites will be expressed by alphabetical letters: four Turkish web sites will be presented by A, B, C, D, and two US web sites will be denoted by X and Y.

It is also possible to find several governmental agencies and consumer organisations both in USA and Turkey. However, in this study these are excluded due to several reasons. The first reason is that most people do not prefer to go to governmental agencies or consumer organisations (Andreason and Best, 1977). Therefore, as Grainer et al. (1979, p. 494) state "only a small, potentially unrepresentative sample of complaints is available for review". This limitation can be eliminated in this study by using complaint web sites. Consumers who shop on-line, use Internet because of its convenience and time saving features. However, governmental organisations both in Turkey and USA, either do not accept on-line complaint applications, or even if they accept they do not share this information publicly. On the other hand, the web sites used in this study have even on-line complaint forms, which include several questions related to the complaint and that
can be filled within minutes by the consumer. Moreover, these web sites have large
databases of complaints, which are classified according to the type of business
sector, and even according to the company name. Therefore, it becomes very easy to
make complaints on-line as a result of the convenience and time saving features of
the Internet. These web sites contain thousands of complaints about both on-line and
off-line companies. Since this study is merely interested on complaints about on-line
shopping, which makes it a necessity to use Internet, the sample used in this study
becomes a representative one.

Secondly, Grainer et al. (1979, p. 494) depending on the consumer complaint
literature, assert that “complaints do not constitute a representative sample of those
problems experienced by the consumer population at large”. As it has been described
in the above paragraph, since these web sites have advanced and large databases of
complaints from different parts of a country about different companies and their
distinct products, the problems experienced by the consumers also show diversity.
Thus, this second obstacle can be also restrained.

Thirdly, consumer organisations and governmental organisations are generally
local institutions. In other words, it is not always possible to receive complaints from
different states and cities of a country, which limits the generalisation of a research.
However, by gathering complaints from compliant web sites rather than government
and consumer organisations, this handicap can also be eliminated. The US complaint
web sites receive complaints from different states and cities, even from different
countries (but complaints from different countries are excluded in this study).
Likewise, the Turkish complaint web sites include complaints from various cities and
regions. Therefore, generalisation principle of a research can be achieved.
3.7.2 Sampling Method and Sample Size for Complaints

After determining the complaint web sites from USA and Turkey, the next step is to collect complaints about Internet related activities of companies. As it has been stated before, alphabetical letters of A, B, C, and D denote Turkish complaint web sites, while X and Y denote USA web sites. These web sites have “search engines” on their web pages, which makes it possible for the consumers to read other complaints as well as to write their own complaints. Moreover, these web sites have large databases of complaints, which are classified according to company names or business sectors. Since this study is concentrated on on-line shopping related complaints, each of these web sites are searched for the words “e-commerce”, “e-business”, “on-line shopping”, and “Internet”. Finally, a total of 17,608 complaints from US web sites, and 212 complaints from Turkish web sites are found within the given time frame, which is stated in the time horizon section.

Table 3.2 - The Distribution of Complaints According to Web Sites

<table>
<thead>
<tr>
<th>Complaint Web Sites</th>
<th>Number of Complaints from US Web Sites</th>
<th>Number of Complaints from Turkish Web Sites</th>
</tr>
</thead>
<tbody>
<tr>
<td>A</td>
<td>-</td>
<td>27</td>
</tr>
<tr>
<td>B</td>
<td>-</td>
<td>90</td>
</tr>
<tr>
<td>C</td>
<td>-</td>
<td>56</td>
</tr>
<tr>
<td>D</td>
<td>-</td>
<td>40</td>
</tr>
<tr>
<td>X</td>
<td>13799</td>
<td>-</td>
</tr>
<tr>
<td>Y</td>
<td>3809</td>
<td>-</td>
</tr>
<tr>
<td>Total Complaints</td>
<td>17608</td>
<td>213</td>
</tr>
</tbody>
</table>

*These complaints belong to the period of January, 2000-April 15, 2003 for USA, and June, 1999-April 15, 2003 for Turkey.
These 17,608 complaints for USA and 213 complaints for Turkey will be presented in the findings part of the thesis, and details will be given about the distribution of these complaints according to Internet related business areas. However, since the researcher limits the study about on-line stores where products are bought and sold, the research population becomes 4602 complaints (out of 17608 complaints) for USA and 80 complaints (out of 213 complaints) for Turkey. In the case of USA, the researcher has deleted the complaints, which were a) repeated within the same complaint site, b) written to both web sites by the same consumer. Therefore, a total of 4019 complaints remain as the population of this study for USA, and 80 complaints for Turkey. Then, the researcher examines all of 4019 complaints for USA and 80 complaints for Turkey without making a further sampling.

3.8 Data Analysis and Its Stages

As it has been stated before, this is a qualitative research, which depends on exploratory research design by using “content analysis”. “Content Analysis is a research method that uses a set of procedures to make valid inferences from text. These inferences are about the sender(s) of the message, the message itself, or the audience of the message” (Weber, 1990, p. 9).

According to Weber (1990) and Harris (2001, p.194) there are eight steps in a content analysis:

- Identify research questions and constructs;
- Identify the texts to be examined;
- Specify the unit of analysis;
- Determine the categories to be used;
- Generate the coding scheme;
• Conduct a pilot study;

• Assess validity and reliability.

The research purpose and research questions of this study have been presented in the previous section. The content analysed texts are the complaints of consumers about on-line stores; the total number of texts to be examined is 4019 for USA and 80 for Turkey. However, as it has been stated by Weber (1990, p. 13) “there is no right way to do content analysis”. Hence in this study, the four stage model conducted by Zimmer and Golden (1988), which is basically applying the similar sequence of steps, has been used. The following figure demonstrates a summary of the data analysis stages that are used in this study.

**Figure 3.1 – Stages in the Data Analysis**

<table>
<thead>
<tr>
<th>Stage 1: Content Analysis of Complaint Themes</th>
</tr>
</thead>
<tbody>
<tr>
<td>The researcher analyzed 4019 complaints for USA and 80 complaints for Turkey, and 96 complaint themes are identified.</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Stage 2: Aggregation of Themes into Broader Categories</th>
</tr>
</thead>
<tbody>
<tr>
<td>Three coders independently aggregated 96 complaint themes into a total of 22 broader categories.</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Stage 3: Selection of a Final List of Complaint Categories</th>
</tr>
</thead>
<tbody>
<tr>
<td>The researcher combined the coders’ categories into 11 mutually exclusive and exhaustive complaint categories.</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Stage 4: Reliability Analysis</th>
</tr>
</thead>
<tbody>
<tr>
<td>Three judges independently coded the 96 themes into the 11 categories and agreement is measured.</td>
</tr>
</tbody>
</table>

*This figure is adapted by the author of this thesis from the study of Zimmer and Golden (1988).
3.8.1 Stage 1: Content Analysis of Complaint Themes

The complaint texts that are collected by the researcher through a computer database search have been examined; and a total of 96 complaint themes, which are expressed in these texts, are generated. Since the number of complaints is too many to read, the content analysis of the texts is done by the author of the thesis. According to Weber (1990, p. 21), there are six commonly used options of unit of analysis: word, word sense, sentence, theme, paragraph, and whole text. However, some of the research questions will be investigated through a detailed analysis of whole texts, while the first two questions will be analysed through the examination of complaint themes. Hence, for the first two research questions the unit of analysis is “themes of complaints”, while for the rest of questions, the unit of analysis is the “whole text”. The details of this stage, that is to say the 96 complaint themes are presented in the findings section of this study.

3.8.2 Stage 2: Aggregation of Themes into Broader Categories

Stage 2 involves the aggregation of 96 complaint themes into a smaller number of broader categories so that further descriptions will be more manageable. One male and two female coders are informed about the scope of the study and given a sample of content analysis so that it becomes clearer to understand what to do. The male and one of the female coders are doctoral candidates in finance, and the second female coder is the associate professor of management information systems in the department of management. The coders with different backgrounds and doctorate degrees are chosen because of the difficulty of the coding task. The first coder generated 10 categories, while each of the second and third coders generated six categories. Hence, a total of 22 categories have originated from this stage. As
Zimmer and Golden (1988) mentions, the use of multiple coders increases the external validity of the study. The details of the categories are given in the findings chapter.

3.8.3 Stage 3: Selection of a Final List of Complaint Categories

Initially, in this stage the researcher created a mutually exclusive and exhaustive list of 10 categories from the 22 categories developed by the coders. Then this list, with an attachment of 96 complaint themes, is given to the judges of the study. Three judges, all have a doctorate degree in marketing, proposed that it would be better to include one more category and change the title of one of the existing categories. The author also agreed with this suggestion, and increased the number of categories from 10 to 11, and changed the title of one of the existing categories. Finally, the author creates 11 categories from the 22 broader categories of coders. The details of this final categorisation are also presented in the findings chapter.

3.8.4 Stage 4: Reliability Analysis

In this final stage, the reliability analysis is conducted to determine whether the 96 complaint themes can be placed into the same categories by independent judges. Three judges, with doctorate degrees in marketing, are given 96 complaint themes written on a paper, and 11 sheets of paper (each headed with one category name from the final list). This part of the analysis has been conducted via e-mails, in which each judge is sent two separate document files. The first file consists of a list of 96 complaint themes, and the second file consists of 11 empty sheets of paper only with category headings. The judges are asked to assign each theme to the category that fits
best to its content. Then the judges, after placing the themes under the 11 category headings, sent back their categorisation to the researcher.

3.8.4.1 Percentage Match Among Judges and Statistical Test for Reliability

The percentage match among the judges is one of the measures that is widely used to express the extent of agreement among judges about the assignment of themes to categories. The reliability analysis conducted by Zimmer and Golden (1988) is taken as the model in this study. In the appendix of their study, the authors show the steps of the reliability analysis, which begins with a pairwise comparison of three judges (Zimmer and Golden, 1988, p. 292). The content analyses results of the three judges are compared by calculating the number and percent of themes assigned to the same category. The results are given below:

Table 3.3 – The Percentage Agreement of Judges

<table>
<thead>
<tr>
<th>Judges</th>
<th>Number of Matching (out of 96)</th>
<th>Percent Matching</th>
</tr>
</thead>
<tbody>
<tr>
<td>A and B</td>
<td>91</td>
<td>94.79%</td>
</tr>
<tr>
<td>A and C</td>
<td>82</td>
<td>85.41%</td>
</tr>
<tr>
<td>B and C</td>
<td>82</td>
<td>85.41%</td>
</tr>
</tbody>
</table>

As it can be seen from the above table, the percent matching between judges ranges between 85.41% and 94.79%; and these values are higher than those found in Zimmer and Golden’s (1988) study, which are respectively: 40.72%, 48.42%, and 53.85%. Moreover, the percentage match results of this study are also higher than the reliability results of two other studies that are published in Journal of Business Ethics (Jamal and Bowie, 1995; and Harris, 2001). In addition, percentage match results of
this study already surpassed the 85% coefficient of agreement, which is recommended by Kassarjian (1977). In the cases of disagreement, the categorisation that is mentioned by at least two of the judges and by the researcher is taken into final consideration.

According to Zimmer and Golden (1988, p. 292), the probability by chance alone of two judges assigning 85.41%, 85.41%, and 94.79% of the 96 themes to the same category when there are 11 categories can be calculated by using the formula for a binomial probability. This formula is:

\[ P(\text{k successes}) = \frac{N!}{k!(N-k)!} \times p^k \times (1-p)^{N-k} \]

When this formula is applied, the probability that two judges will assign a theme to the same category by chance will be \( p = \frac{1}{11} = 0.090 \), and \( N = 96 \) themes, the probabilities of 91, 82, and 82 matches respectively, can be represented as follows:

Judges A and B: \( p(91) = \frac{96!}{(91! \times 5!)} \times [(1/11)^{91} \times (10/11)^5] = 6.49 \times 10^{-88} \)

Judges A and C: \( p(82) = \frac{96!}{(82! \times 14!)} \times [(1/11)^{82} \times (10/11)^{14}] = 2.54 \times 10^{-70} \)

Judges B and C: \( p(82) = \frac{96!}{(82! \times 14!)} \times [(1/11)^{82} \times (10/11)^{14}] = 2.54 \times 10^{-70} \)

It is evident that the probability of the results obtained due to chance alone is extremely small. A normal approximation to the binomial quantifies the significance of this result. A z-score is calculated for the probability of obtaining 82 (since 82 is the lowest match) or more matches according to the following formula:

\[ z = \frac{(k - E_k)}{\sqrt{np(1-p)}} \]
Where \( E_k \) (expected number of matches) = 96 \( \times \) \( \frac{1}{11} \) = 8.72. When this data is placed to the above formula for the judges with the lowest match (in this study either for judges A and C or for judges B and C, since they have the same amount of match):

\[
z = \frac{82 - 8.72}{\sqrt{96 \times \frac{1}{11} \times \frac{10}{11}}} = 26.016
\]

The probability that 82 or more complaints would be assigned to the same categories by chance is very low, because the \( z \)-score that corresponds to an alpha of .01 is 2.33. Since the \( z \)-score of this study is 26.02, the number of matches achieved for all three pairs of judges is significantly greater than would be attributable to chance alone. Hence, the matches for all pairs judges are significant \((p \leq .01)\).

### 3.8.4.2 Reliability Coefficient

According to Harris (2001, p. 200) "where there are more than two coders, there may be cases of majority as well as unanimous agreement. The proportion of all codings where a majority of coders agree is called "reliability coefficient"." In this study, there are three judges; and the "reliability coefficient" of this study is "83.33%" since the proportion of codings where a majority of coders agree is 80 out of 96 themes.

### 3.8.4.3 Cohen’s Kappa (\( \kappa \)) for Interrater Reliability

The percentage agreement for reliability usually receives criticism from several researchers due to its inadequacy (Rust and Cooil, 1994; Grayson and Rust, 2001). The reason for this criticism is that "simply using percentage agreement between
judges is not so good because some agreement is sure to occur, if only by chance, and the fewer the number of categories, the more random agreement is likely to occur, thus making the reliability appear better than it really is” (Grayson and Rust, 2001, p. 71). Cohen developed a reliability measure that overcomes the issue of random agreement. Cohen’s Kappa ($\kappa$) is defined as “...a measure of the observed proportion of agreement that is greater than would be expected by chance” (Rust and Cooil, 1994, p. 2). Cohen’s $\kappa$ depends on the expected frequencies of responses of each judge across categories. Even though Cohen’s $\kappa$ is a widely applied measure, it has been found as a “conservative reliability measure” (Rust and Cooil, 1994, p. 2). However, in this study almost most of the qualitative reliability measures are used in order to increase the robustness of the research. The Cohen’s $\kappa$ is calculated according to the directions in the study of Grayson and Rust (2001). Cohen’s $\kappa$ is calculated as follows:

$$\kappa = (p_a - p_c)/(1 - p_c)$$

where,

$p_a$ is the proportion of agreed on judgements, in other words:

$$p_a = (n_{11} + n_{22} + \ldots + n_{11})/ n_{++}$$

$p_c$ is the proportion of agreements one would expect by chance, that is to say:

$$p_c = (e_{11} + e_{22} + \ldots + e_{10 \cdot 10} + e_{11})/ n_{++}$$

where,

$$e_{11} = (n_{11}/ n_{++})^*(n_{++}/ n_{++})^*( n_{++})$$

$$e_{22} = (n_{22}/ n_{++})^*(n_{++}/ n_{++})^*( n_{++})$$

In this study, there are 11 categories and 96 complaint themes; and three independent judges assign 96 complaints into these 11 categories. The ratings tables that follow show the coding schemes with 11 categories, and the columns and rows
represent the categories assigned to the complaints by the two judges. The diagonals of the matrices represent the complete agreement between the judges. For instance, both judges in the first matrix assign 6 complaints to category 1 with zeros off the main diagonal; that is to say, there is a complete/perfect agreement between judge 1 and judge 2 about assigning the same 6 complaints under category 1. For category 7 both judges assign 10 complaints; however, Judge 1 assigns two more complaints under category 7, which are assigned to category 6 and category 11 by the second judge. Hence, this makes the row sum 12 for Judge 1, and the column sum 10 for Judge 2 in the first table.

<table>
<thead>
<tr>
<th>Table 3.4 – Ratings Matrix for Judge 1 and Judge 2</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Judge2</strong></td>
</tr>
<tr>
<td>Judge1</td>
</tr>
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</tr>
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<td><strong>column sum</strong></td>
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</table>
Table 3.5 – Ratings Matrix for Judge 1 and Judge 3

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Table 3.6 – Ratings Matrix for Judge 2 and Judge 3

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<th>Judge 2</th>
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<th>9</th>
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<th>11</th>
<th>row sum</th>
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<td>4</td>
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<td>16</td>
<td>10</td>
<td>11</td>
<td>3</td>
<td>13</td>
<td>7</td>
<td>8</td>
<td>96</td>
<td></td>
</tr>
</tbody>
</table>

Cohen’s κ for Judge 1 and 2:

\[ \kappa = (p_a - p_c)/(1 - p_c) \]

\[ p_a = (n_{11} + n_{22} + \ldots + n_{1111})/n_{++} = 91/96 = 0.948 \]

\[ p_c = (e_{11} + e_{22} + \ldots + e_{1010} + e_{1111})/n_{++} \text{ where } e_{11} = (n_{11}/n_{++}) \times (n_{11}/n_{++}) \times (n_{11}/n_{++}) \]

from the first matrix:
\[ e_{11} = (6/96)*(6/96)*(96) = 0.375 \]
\[ e_{22} = (7/96)*(6/96)*(96) = 0.437 \]
\[ e_{33} = (8/96)*(8/96)*(96) = 0.667 \]
\[ e_{44} = (11/96)*(11/96)*(96) = 1.260 \]
\[ e_{55} = (14/96)*(15/96)*(96) = 2.187 \]
\[ e_{66} = (14/96)*(12/96)*(96) = 1.75 \]
\[ e_{77} = (10/96)*(12/96)*(96) = 1.25 \]
\[ e_{88} = (3/96)*(3/96)*(96) = 0.094 \]
\[ e_{99} = (13/96)*(14/96)*(96) = 1.896 \]
\[ e_{1010} = (3/96)*(4/96)*(96) = 0.125 \]
\[ e_{1111} = (7/96)*(5/96)*(96) = 0.365 \]

Hence:

\[ p_c = (e_{11}+e_{22}+...+e_{1010}+e_{1111})/n_{++} \]
\[ p_c = (0.375 + 0.438 + 0.667 + 1.260 + 2.187 + 1.75 + 1.25 + 0.094 + 1.896 + 0.125 + 0.365)/96 = 0.1084 \]
\[ \kappa = (p_c - p_o)/(1 - p_o) = (0.947917 - 0,108398)/ (1-0,108398) = 0.941585 \]

When the same calculation is done by using matrices 2 and 3, the Cohen's \( \kappa \) for Judges 1 and 3, and Judges 2 and 3 are also found. Hence the Cohen's \( \kappa \) results are as follows:

\textbf{Cohen's} \( \kappa \) \textbf{for Judges 1 and 2:} 0.942

\textbf{Cohen's} \( \kappa \) \textbf{for Judges 1 and 3:} 0.837

\textbf{Cohen's} \( \kappa \) \textbf{for Judges 2 and 3:} 0.837
When interpreting the Cohen’s κ results, it has to be noted that the results that are closer to 1 indicate higher agreement between the pair of judges. “If κ equals one, this indicates perfect agreement among all the judges. If κ equals zero, this means the extent of agreement is exactly what would be expected by chance. If κ is negative, then there is even less agreement than would be expected by chance. κ can not exceed one, and under some conditions, may not reach one even if there is perfect agreement” (Rust and Cooil, 1994, p. 2). The Cohen’s κ results of this study ranges between 0.942 and 0.837, which are close to the perfect agreement level of 1. When combined with the previously calculated reliability results, Cohen’s κ results increase the robustness of the reliability of this study.

The results for reliability indicate that the categories are clearly defined, and can be used in the study with little or no ambiguity. In the following part, the findings of the study are presented.
IV. FINDINGS of the STUDY

In this chapter, the findings, which are obtained from the content analysis of consumer complaints, are presented.

4.1 The Distribution of Complaints by Years

In this section it is aimed to have a general idea about the tendency to complain for the given time period.

4.1.1 The Distribution of US Complaints by Years

The following table and figure show the total US complaints, which are gathered from two different US complaint web sites.

Table 4.1 – The Distribution of US Complaints by Years

<table>
<thead>
<tr>
<th>Years</th>
<th>Total Complaints</th>
</tr>
</thead>
<tbody>
<tr>
<td>2000</td>
<td>675</td>
</tr>
<tr>
<td>2001</td>
<td>10195</td>
</tr>
<tr>
<td>2002</td>
<td>5452</td>
</tr>
<tr>
<td>2003, 1st Quarter</td>
<td>1286</td>
</tr>
<tr>
<td>Total</td>
<td>17608</td>
</tr>
</tbody>
</table>

As it can be seen from the table above and from the figure below, the highest number of complaints are achieved in the year 2001. In year 2000, relatively a small number of complaints are gathered, this can be due to the fact that, the foundation date of complaint web sites is at the end of year 1999; therefore, most of the complainants may not be aware of the presence of the web sites. Since the deadline
for this study is April 15th, 2003, complaints during this period that are shown in the table represent only the first quarter. The highest number of complaints occurs in 2001, and it is followed by year 2002. The details of US complaints show that particularly in the last quarter of year 2001-holiday period-, US consumers prefer on-line shopping, and some consumers rationalise this as the fear or results of terrorist attacks at September 11th 2001. In addition, consumers conclude that when most of the on-line stores receive orders more than they’d expected, they couldn’t serve as they had promised. The decrease in complaints in 2002 can be attributable to both the rise of consumer awareness about on-line shopping through organisations such as Better Business Bureau On-line, and the regulations in the legal system.

Figure 4.1 - The Distribution of US Complaints by Years
4.1.2 The Distribution of Turkish Complaints by Years

Turkish complaint web sites begin to receive complaints about on-line shopping by June 1999, hence year 1999 consists of the complaints of the last two quarters. As it has been mentioned earlier in the research design and methodology part, the deadline to collect complaints for the year 2003 is April, 15th. Therefore, a little more than first quarter is covered during 2003. The table and the figure below show that there is an increasing tendency of complaints by years. This can be attributable to both inadequacy of regulatory system, and the increase in the number of Internet users who begin to on-line shopping. Contrary to US consumers, Turkish consumers increasingly complain however, after reviewing Turkish complaints it is seen that a great number of Turkish consumers are not aware of their rights.

Table 4.2 – The Distribution of Turkish Complaints by Years

<table>
<thead>
<tr>
<th>Years</th>
<th>Total Complaints</th>
</tr>
</thead>
<tbody>
<tr>
<td>1999, 3rd and 4th Q.</td>
<td>11</td>
</tr>
<tr>
<td>2000</td>
<td>19</td>
</tr>
<tr>
<td>2001</td>
<td>26</td>
</tr>
<tr>
<td>2002</td>
<td>86</td>
</tr>
<tr>
<td>2003, 1st Q.</td>
<td>71</td>
</tr>
<tr>
<td>Total</td>
<td>213</td>
</tr>
</tbody>
</table>
4.2 The Frequency Distribution of Complaints among On-line Business Areas

In this study, as mentioned earlier in the research design and methodology part, the data has been gathered from two US and four Turkish complaint web sites. These web sites contain consumer complaints about all on-line business areas, as well as off-line business areas. Hence, it is beneficial to see the distribution of consumer complaints according to on-line business areas for both US and Turkish consumers. The researcher, depending on how these businesses define themselves, identifies 11 different on-line business areas. It has to be noted that during the classification of on-line businesses, several search engines, such as Google, have been reviewed. Before passing to the frequency distribution of complaints according to on-line business areas, it is better to look at this identification of on-line business areas. The on-line business areas are classified as follows:
1. **ISPs and Web Hosting Providers:** Internet service providers, domain name and web hosting providers are grouped under this category. These companies look like the gateways of Internet.

2. **On-line Stores/Shopping Sites:** These stores can be either pure click companies, such as Amazon, or brick and click companies such as Sears. The crucial point is that these web sites operate as a distribution channel where a product is bought and sold. This business area constitutes the research subject of the thesis, therefore a more detailed information is given in the following parts.

3. **On-line Services:** On-line services consist of travel, financial, communication, business, and other services. Financial services can be further grouped under on-line banking, on-line brokerage, on-line mortgage, and on-line insurance services. Communication related services are heavily composed of long-distance calling services over Internet. On-line business services occupy a wide range of services such as web site design, on-line advertising, e-commerce, on-line consultancy, on-line career services, etc. Finally, uncommon services such as on-line photography services, on-line advisory services, etc. are grouped under the subtitle of other services.

4. **On-line Reward Programs:** Free, membership based web sites that reward its members for on-line activities such as shopping, visiting partners' web sites, reading e-mails, taking surveys, responding to partners' promotions, playing games, and referring friends to the site are grouped under this heading.

5. **Web Portals and Search Engines:** A web portal is described as an all-in-one Web super site. The portal is the entry point that offers a broad array of resources and services, such as e-mail from the Web site, forums, a variety of search engines, and on-line shopping malls. Since some web portals also have search engine
option, such as Google, these two related areas are grouped under the same heading.

6. On-line Auction Sites: In this Internet business area, auction sites such as E-bay, and second hand and used item selling bid stores such as Half.com, are grouped.

7. On-line Entertainment: This group consists of web sites related to entertainment sites, such as twistedhumor.com, funbug.com, or music and video web sites where people share their files. In this group it is also possible to see game web sites, where people play games usually by being the member of the web site.

8. On-line Lotteries and Gambling: On-line lottery, gambling, sweepstakes, and casinos related complaints are covered under this heading.

9. On-line Tickets and Events: The web sites where someone can learn about upcoming concerts, sports events, or where can make reservations are listed under this business area.

10. On-line Media and News: On-line newspapers, broadcasting, journals, magazines, and channels are all listed in this business area.

11. Miscellaneous Web Sites: Web sites with different contents and purposes, which are relatively rare, such as friendship, dating, and ancestry finding web sites (e.i. udate.com, ancestry.com, match.com, friendfinder.com, etc.) are grouped under this category.
4.2.1 The Distribution of US Complaints among On-line Business Areas

The distribution of US consumers' complaints according to on-line business areas is presented in the following table and figure.

Table 4.3 - The Distribution of US Complaints among On-line Businesses

<table>
<thead>
<tr>
<th>On-line Business Area Codes</th>
<th>On-line Business Areas</th>
<th>Frequency of Complaints</th>
<th>Percentage of Complaints</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>ISPs and Web Hosting Providers</td>
<td>6369</td>
<td>36.17%</td>
</tr>
<tr>
<td>2</td>
<td>On-line Stores/Shopping Sites</td>
<td>4602</td>
<td>26.14%</td>
</tr>
<tr>
<td>3</td>
<td>On-line Services</td>
<td>2588</td>
<td>14.70%</td>
</tr>
<tr>
<td>4</td>
<td>On-line Reward Programs</td>
<td>1218</td>
<td>6.92%</td>
</tr>
<tr>
<td>5</td>
<td>Web Portals and Search Engines</td>
<td>905</td>
<td>5.14%</td>
</tr>
<tr>
<td>6</td>
<td>On-line Auction Sites</td>
<td>710</td>
<td>4.03%</td>
</tr>
<tr>
<td>7</td>
<td>On-line Entertainment Sites</td>
<td>425</td>
<td>2.41%</td>
</tr>
<tr>
<td>8</td>
<td>On-line Lotteries and Gambling</td>
<td>222</td>
<td>1.26%</td>
</tr>
<tr>
<td>9</td>
<td>On-line Tickets and Events</td>
<td>195</td>
<td>1.11%</td>
</tr>
<tr>
<td>10</td>
<td>On-line Media and News</td>
<td>138</td>
<td>0.78%</td>
</tr>
<tr>
<td>11</td>
<td>Miscellaneous Web Sites</td>
<td>236</td>
<td>1.34%</td>
</tr>
<tr>
<td>Total</td>
<td></td>
<td>17608</td>
<td>100%</td>
</tr>
</tbody>
</table>
The table and the figure above clearly show that on-line stores/shopping sites, which is denoted by a code of 2, receives more than a quarter of total complaints. In other words, after ISPs and web hosting providers, on-line stores/shopping sites is the second on-line business area that receive a majority of consumer complaints. Therefore among a total 17608 complaints, 4602 complaints are related about on-line stores, which is the main research area of this study. However, it must be highlighted that of the 4602 complaints, 4019 are useable for this research. But this does not change the order of complaints gathered by on-line business areas.

In the following sections, the distribution of Turkish complaints among on-line business areas is presented.
4.2.2 The Distribution of Turkish Complaints among On-line Business Areas

The distribution of Turkish consumers’ complaints according to on-line business areas is presented in the following table and figure.

Table 4.4 - The Distribution of Turkish Complaints among On-line Business Areas

<table>
<thead>
<tr>
<th>On-line Business Area Codes</th>
<th>On-line Business Areas</th>
<th>Frequency of Complaints</th>
<th>Percentage of Complaints</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>ISPs and Web Hosting Providers</td>
<td>47</td>
<td>22.1%</td>
</tr>
<tr>
<td>2</td>
<td>On-line Stores/Shopping Sites</td>
<td>80</td>
<td>37.6%</td>
</tr>
<tr>
<td>3</td>
<td>On-line Services</td>
<td>60</td>
<td>28.2%</td>
</tr>
<tr>
<td>4</td>
<td>On-line Reward Programs</td>
<td>4</td>
<td>1.9%</td>
</tr>
<tr>
<td>5</td>
<td>Web Portals and Search Engines</td>
<td>3</td>
<td>1.4%</td>
</tr>
<tr>
<td>6</td>
<td>On-line Auction Sites</td>
<td>1</td>
<td>0.5%</td>
</tr>
<tr>
<td>7</td>
<td>On-line Entertainment Sites</td>
<td>3</td>
<td>1.4%</td>
</tr>
<tr>
<td>8</td>
<td>On-line Lotteries and Gambling</td>
<td>2</td>
<td>0.9%</td>
</tr>
<tr>
<td>9</td>
<td>On-line Tickets and Events</td>
<td>1</td>
<td>0.5%</td>
</tr>
<tr>
<td>10</td>
<td>On-line Media and News</td>
<td>7</td>
<td>3.2%</td>
</tr>
<tr>
<td>11</td>
<td>Miscellaneous Web Sites</td>
<td>5</td>
<td>2.3%</td>
</tr>
<tr>
<td>Total</td>
<td></td>
<td>213</td>
<td>100%</td>
</tr>
</tbody>
</table>

The most significant difference between US and Turkish consumer complaints is the number of total complaints, which are respectively, 17608 and 213. However, another difference can be seen in the distribution of complaints among on-line business areas. Contrary to US complaints, the majority of Turkish complaints consists of on-line stores related complaints. More than one third of Turkish complaints fall under this on-line business area, which is the research are of this study.
4.3 The Frequency Distribution of Complaints among On-line Stores

It has been mentioned earlier that the scope of this study is limited to on-line stores, or in other words on-line shopping sites. Therefore, the details of on-line stores are given first in the following paragraphs, and then the distribution of 4019 US complaints and 80 Turkish complaints about on-line stores is examined.

The on-line stores/shopping sites (from now on on-line stores) are classified into 18 different categories. This categorisation also takes into account the classifications on the different search engines. While classifying these stores, the way they define themselves and the major product groups that they sell are the two criteria that are used by the researcher. Some of these stores can be pure click stores
(e.i.amazon.com), while others can be click with a brick store (e.i. sears.com). The description of the on-line stores are given bellow:

1. **Auto Parts and Accessories Stores:** This type of stores includes every detail about cars, an example to auto parts and accessories related stores is carparts.com.

2. **Baby Stores:** From feeding bottles to baby cribs, everything related to babies are found in these stores (e.i. babycenet.com, babygear.com, etc.).

3. **Beauty and Health Stores:** In this group of stores anything related to beauty and health can be found. Cosmetics, vitamins, eye lenses, hair stylers, and nutritional foods are some examples of products sold under this category (e.i. Igia.com, ediets.com, beauty.com, etc.).

4. **Book and Music Stores:** Books, magazines, music CDs, video DVDs, and etc. are the major product group of this type of stores (e.i. barnesandnoble.com)

5. **Clothing Stores:** Stores selling everything for both women and men clothing, including footwear and handbags, are grouped under this store type (e.i. gap.com, shoebuy.com).

6. **Department Stores:** Stores where several product lines can be found are grouped under this shopping store category; sears.com and jpenney.com are two examples of on-line department stores.

7. **Drugstores:** In this category of on-line stores, drug-related product selling, particularly prescription drug selling stores are grouped (e.i. prescriptions.com and drugstore.com).

8. **Electronics and Computer Stores:** Stores that are selling digital and electronic appliances, computers, and all related parts and accessories are grouped under this type of on-line shopping store (e.i. buy.com, bestbuy.com, circuitcity.com, etc.).
9. **Flower and Gift Shops:** The stores in this category sell one or more of the followings: flowers, gift baskets, candles, greeting cards, party accessories, collectibles, etc. The examples for this type of stores can be flowers.com, proflowers.com, ftd.com, gifts.com, etc.

10. **Food and Grocery Stores:** Beverages, food, and other grocery item selling stores such as peapod.com, netgrocer.com, and wine.com are grouped under this store type.

11. **Home, Garden and Furniture Stores:** Garden furniture, garden plants, home decoration related goods, beds, etc. are the type of products that are sold in this group of on-line stores. Some examples of this type of shopping sites are homestore.com, furniture.com, directgardening.com, and blindstogo.com.

12. **Jewellery and Watch Stores:** The stores in this category sell valuable products such as jewels, watches, and sunglasses (e.i. ice.com, and ashford.com).

13. **Mass Merchandise Stores:** Stores like wallmart.com, and overstock.com are grouped under this category. These stores usually sell both a wide range of non-food merchandise and grocery items at the same time.

14. **Office and Business Product Stores:** This type of stores sells almost every equipment that is used in offices (e.i. staples.com, officemax.com, etc.).

15. **Pet Stores:** Pet stores sell both pets and pet related merchandise, such as pet food; petfooddirect.com, and pets.com are two examples of such stores.

16. **Sporting Goods Stores:** Tennis racquets, fitness equipment, conditioning bicycles, and etc. are some examples of the items sold in sporting goods stores (e.i. thesportsauthority.com, theathletesfoot.com).

17. **Toy Stores:** Any type of toys that refer to different age groups of children are combined under this category (e.i. etoys.com, toysrus.com, and etc.).
18. Other: The on-line stores that can not be classified under the shopping stores listed above are grouped under this category. This type of stores usually sells products that can be classified as unsought goods.

4.3.1 The Frequency Distribution of US Complaints among On-line Stores

The frequency and percentage distributions of US consumer complaints according to on-line store categories, which are described above, are presented in the below table and figure.

Table 4.5 – The Distribution of US Complaints among On-line Stores

<table>
<thead>
<tr>
<th>On-line Store Code</th>
<th>On-line Store Category</th>
<th>Frequency of Complaints in a Category</th>
<th>Percentage of Complaints</th>
</tr>
</thead>
<tbody>
<tr>
<td>Auto</td>
<td>Auto Parts and Accessories Stores</td>
<td>87</td>
<td>2.16%</td>
</tr>
<tr>
<td>Baby</td>
<td>Baby Stores</td>
<td>52</td>
<td>1.29%</td>
</tr>
<tr>
<td>Beauty</td>
<td>Beauty and Health Stores</td>
<td>283</td>
<td>7.04%</td>
</tr>
<tr>
<td>Book</td>
<td>Book and Music Stores</td>
<td>346</td>
<td>8.61%</td>
</tr>
<tr>
<td>Clothing</td>
<td>Clothing Stores</td>
<td>123</td>
<td>3.06%</td>
</tr>
<tr>
<td>Department</td>
<td>Department Stores</td>
<td>380</td>
<td>9.46%</td>
</tr>
<tr>
<td>Drug</td>
<td>Drugstores</td>
<td>71</td>
<td>1.77%</td>
</tr>
<tr>
<td>Electronics</td>
<td>Electronics and Computer Stores</td>
<td>859</td>
<td>21.37%</td>
</tr>
<tr>
<td>Flower</td>
<td>Flower and Gift Shops</td>
<td>501</td>
<td>12.47%</td>
</tr>
<tr>
<td>Food</td>
<td>Food and Grocery Stores</td>
<td>84</td>
<td>2.09%</td>
</tr>
<tr>
<td>Home</td>
<td>Home, Garden and Furniture Stores</td>
<td>212</td>
<td>5.27%</td>
</tr>
<tr>
<td>Jewellery</td>
<td>Jewellery and Watch Stores</td>
<td>46</td>
<td>1.14%</td>
</tr>
<tr>
<td>Mass Merchandise</td>
<td>Mass Merchandise Stores</td>
<td>528</td>
<td>13.13%</td>
</tr>
<tr>
<td>Office Products</td>
<td>Office and Business Product Stores</td>
<td>106</td>
<td>2.64%</td>
</tr>
<tr>
<td>Pet</td>
<td>Pet Stores</td>
<td>73</td>
<td>1.82%</td>
</tr>
<tr>
<td>Sporting Goods</td>
<td>Sporting Goods Stores</td>
<td>109</td>
<td>2.71%</td>
</tr>
<tr>
<td>Toys</td>
<td>Toy Stores</td>
<td>80</td>
<td>1.99%</td>
</tr>
<tr>
<td>Other</td>
<td>Other</td>
<td>79</td>
<td>1.97%</td>
</tr>
<tr>
<td>Total</td>
<td></td>
<td>4019</td>
<td>100%</td>
</tr>
</tbody>
</table>
The above table and figure show that the highest number of complaints is received by electronics and computer stores with a percentage of 21.37%. This has been followed respectively by mass merchandise stores, flower and gift shops, department stores, and book and music stores.

The complaint numbers become more meaningful when the sales figures about these stores are provided. However, the e-commerce sales figures are given on the basis of merchandise line not store type. The following table is obtained from U.S. Census Bureau between the years 1999-2001.
Table 4.6 – E-commerce Sales by Merchandise Line: 1999-2001

<table>
<thead>
<tr>
<th>Merchandise Lines</th>
<th>Value of Sales between 1999-2001 ($millions)</th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
<td>1999</td>
<td></td>
<td>2000</td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td>Sales</td>
<td>%</td>
<td>Sales</td>
<td>%</td>
</tr>
<tr>
<td>Books and magazines</td>
<td></td>
<td>1,590</td>
<td>13.60%</td>
<td>1,813</td>
<td>8.60%</td>
</tr>
<tr>
<td>Clothing and clothing accessories (including footwear)</td>
<td></td>
<td>876</td>
<td>7.50%</td>
<td>2,126</td>
<td>10%</td>
</tr>
<tr>
<td>Computer hardware</td>
<td></td>
<td>4,186</td>
<td>35.70%</td>
<td>6,065</td>
<td>28.60%</td>
</tr>
<tr>
<td>Computer software</td>
<td></td>
<td>763</td>
<td>6.50%</td>
<td>1,097</td>
<td>5.20%</td>
</tr>
<tr>
<td>Drugs, health aids, and beauty aids</td>
<td></td>
<td>229</td>
<td>2%</td>
<td>673</td>
<td>3.20%</td>
</tr>
<tr>
<td>Electronics and appliances</td>
<td></td>
<td>462</td>
<td>3.90%</td>
<td>1,067</td>
<td>5%</td>
</tr>
<tr>
<td>Food, beer, and wine</td>
<td></td>
<td>231</td>
<td>2%</td>
<td>562</td>
<td>2.70%</td>
</tr>
<tr>
<td>Furniture and home furnishings</td>
<td></td>
<td>285</td>
<td>2.40%</td>
<td>998</td>
<td>4.70%</td>
</tr>
<tr>
<td>Music and videos</td>
<td></td>
<td>802</td>
<td>6.80%</td>
<td>1,175</td>
<td>5.50%</td>
</tr>
<tr>
<td>Office equipment and supplies</td>
<td></td>
<td>605</td>
<td>5.10%</td>
<td>1,426</td>
<td>6.7%</td>
</tr>
<tr>
<td>Sporting goods</td>
<td></td>
<td>-</td>
<td>-</td>
<td>393</td>
<td>1.90%</td>
</tr>
<tr>
<td>Toys, hobby goods, and games</td>
<td></td>
<td>396</td>
<td>3.40%</td>
<td>835</td>
<td>3.9%</td>
</tr>
<tr>
<td>Other merchandise a</td>
<td></td>
<td>980</td>
<td>8.40%</td>
<td>1,877</td>
<td>8.90%</td>
</tr>
<tr>
<td>Non-merchandise receipts b</td>
<td></td>
<td>314</td>
<td>2.70%</td>
<td>1,069</td>
<td>5%</td>
</tr>
</tbody>
</table>

Source: U.S. Census Bureau (www.census.gov/eos), adapted from 2000, 2001 and 2002 Annual Retail Trade Surveys.

As it has been described in the definition of on-line stores, electronics and computer stores cover all electronics, digitals, computers and related accessories.

Hence, when computer hardware and computer software sales, and electronics and appliances sales are combined, the sales percentage for these three types of merchandise lines becomes 46.1% for 1999, 38.8% for 2000, and 32.4% for 2001.
This means that electronics and computers and related accessories are the number one merchandise line in e-commerce sales between the years 1999-2001. Since the majority of the e-commerce sales between 1999-2001 belongs to this merchandise line, the finding of the study that the majority of US consumer complaints (21.37%) are related to electronics and computer stores is also justified. However, as the on-line store categorisation of this study is not compatible for each merchandise line stated in Table 4.6, it won’t be appropriate to make specific interpretations. But, there are some merchandise lines in e-commerce sales, such as toys and games, and furniture and home furnishings, which are compatible with toy stores, and home, garden and furniture stores of our study. Therefore, when the sales figures for these merchandise lines are examined, it can be seen that it is 3.6% in 2001 for toys and games, and 6.4% in 2001 for furniture and home furnishings. The US consumer complaints about toy stores constitute approximately 2% of all complaints while the sales figure of toys and games constitutes 3.6% of all e-commerce sales in 2001. Likewise, the US consumer complaints about home, garden and furniture stores constitute 5.27% of all complaints while the sales figure of furniture and home furnishings constitute 6.4% of all e-commerce sales in 2001.

The sales figures in Table 4.6 are given in order to have a general idea about the merchandise lines that are sold on-line. However, it has to be noted that these figures do not demonstrate the amount of merchandise sold, rather they indicate the $ value of merchandise sold.

The following figure, which is obtained from the web site of Taylor Nelson Sofres Interactive (www.tnsofres.com/interactive), shows the percentage of products purchased by on-line shoppers in USA in 2002. This figure gives the percentage of
purchases, however, since one shopper can buy one or more than one product, the
total does not make 100%.

**Figure 4.6 – The Products Purchased by US On-line Shoppers (%)**

Even though at the first glance books seem as the most purchased merchandise,
when electronics/electrical products (25%) is combined with PC hardware (11%) and
software (11%), the most purchased item becomes electronics and computers with a
47% purchase ratio. It has been stated earlier that book and music stores sell products
like books, magazines, music CDs and DVDs, and the figure above shows that on-
line shoppers buy books with a ratio of 26% and music/CDs with a ratio of 13%.
These two products can also be combined and a total of 39% is achieved.

In the following section the distribution of Turkish complaints among on-line
stores is presented.
4.3.2 The Frequency Distribution of Turkish Complaints among On-line Stores

The frequency and percentage distributions of Turkish consumer complaints according to on-line store categories, which are described earlier, are presented in the below table and figure.

Table 4.7 - The Distribution of Turkish Complaints among On-line Stores

<table>
<thead>
<tr>
<th>On-line Store Code</th>
<th>On-line Store Category</th>
<th>Frequency of Complaints in a Category</th>
<th>Percentage of Complaints</th>
</tr>
</thead>
<tbody>
<tr>
<td>Auto</td>
<td>Auto Parts and Accessories Stores</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Baby</td>
<td>Baby Stores</td>
<td>1</td>
<td>1.25%</td>
</tr>
<tr>
<td>Beauty</td>
<td>Beauty and Health Stores</td>
<td>2</td>
<td>2.5%</td>
</tr>
<tr>
<td>Book</td>
<td>Book and Music Stores</td>
<td>6</td>
<td>7.5%</td>
</tr>
<tr>
<td>Clothing</td>
<td>Clothing Stores</td>
<td>1</td>
<td>1.25%</td>
</tr>
<tr>
<td>Department</td>
<td>Department Stores</td>
<td>36</td>
<td>45%</td>
</tr>
<tr>
<td>Drug</td>
<td>Drugstores</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Electronics</td>
<td>Electronics and Computer Stores</td>
<td>26</td>
<td>32.5%</td>
</tr>
<tr>
<td>Flower</td>
<td>Flower and Gift Shops</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Food</td>
<td>Food and Grocery Stores</td>
<td>4</td>
<td>5%</td>
</tr>
<tr>
<td>Home</td>
<td>Home, Garden and Furniture Stores</td>
<td>2</td>
<td>2.5%</td>
</tr>
<tr>
<td>Jewellery</td>
<td>Jewellery and Watch Stores</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Mass Merchandise</td>
<td>Mass Merchandise Stores</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Office Products</td>
<td>Office and Business Product Stores</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Pet</td>
<td>Pet Stores</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Sporting Goods</td>
<td>Sporting Goods Stores</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Toys</td>
<td>Toy Stores</td>
<td>2</td>
<td>2.5%</td>
</tr>
<tr>
<td>Other</td>
<td>Other</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td></td>
<td><strong>80</strong></td>
<td><strong>100%</strong></td>
</tr>
</tbody>
</table>

The major difference between US and Turkish on-line stores is about the diversity of store types; that is to say, even though there are 18 different US based on-line stores, there are only 9 different types of Turkish based on-line stores. This can be attributable to the recentness of e-commerce activities in Turkey. The Figure
5.7 demonstrates the distribution of 80 complaints according to 9 type of on-line stores.

**Figure 4.7 - The Distribution of Turkish Complaints among On-line Stores (%)**

In addition, the number of complaints is also far away in USA when compared with Turkey, this can be due to the fact that Internet penetration rate and on-line shopping rate are all very high in USA. The Internet penetration and on-line shopping rates for USA and for Turkey in 2002, depending on the data of Taylor Nelson Sofres Interactive (www.tnsinteractive.com), are demonstrated in Figures 4.8 and 4.9. According to the Global E-commerce Report, which is prepared by Taylor Nelson Sofres Interactive company, in 2002 Internet users in Turkey is
20% of the total population whereas this figure is 62% for USA and the world average is 34%.

**Figure 4.8 – The Population of Internet Users for Turkey and USA in 2002**

![Bar chart showing percentage of population who are internet users in USA and Turkey in 2002.]


**Figure 4.9 – The Ratio of On-line Shopping among Turkish and US Internet Users in 2002 (%)**

![Bar chart showing ratio of on-line shopping among internet users in USA and Turkey from 2000 to 2002.]

4.4 The Major Complaint Areas about On-line Stores

Consumers both in Turkey and USA make their complaints to several web sites. The researcher as the first step of the content analysis, reviews all on-line store related complaints. As a result, 96 different complaint areas are found after the examination of 80 complaint in Turkey and 4019 complaints in USA. The frequencies of these areas in USA and in Turkey are given separately.

4.4.1 The Major Complaint Areas about On-line Stores for USA

In most of the complaints, more than one identified complaint theme is found in a single consumer complaint. For example, Bud S. complained that

"...I ordered item number 30418-00 stair treads set of 6 green in color. What was sent to me was a set of stair treads in blue. When I called in to complain, I was told to ship them back and that the correct green treads would be sent to me. The problem is that the shipping to return this item is almost $17.00 dollars. The item cost $19.95. Why should I have to the return shipping when the mistake was on your end not mine?...". In this complaint, the consumer was sent a wrong product, and then incurs shipping cost to return the wrong product. Hence, there are two complaint themes in a single complaint.

Another consumer, who ordered books from a book store, describes his complaint as follows: "...The advertisement states that the process will usually take 1~2 days, but it took 5 days to process the order. In addition, their 2-DAY shipping is actually 5-DAY shipping, and I actually PAID for that kind of service. When I received the package, I found only one book, but the bill statement included states two books, and they had charged my credit card for two books. I tried to find more information about the seller and if there's any customer services phone or e-mail I
can contact to. But I found none…” As it is seen, this consumer indicates several complaint themes in a single complaint, such as incomplete/partial delivery of ordered items; despite selecting and being charged for the fast shipment, the delivery of the order by slow/ground shipment; and unavailable company information. Therefore, even though the number of complainants is 4019, the frequencies of complaint areas do not add up to 4019.

Table 4.8 – The Frequency of Complaint Areas for US Consumers

<table>
<thead>
<tr>
<th>Code</th>
<th>Complaint Areas</th>
<th>Frequency</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Failure of the company to honour refund and/or exchange the product</td>
<td>471</td>
</tr>
<tr>
<td>2</td>
<td>E-mail and/or phone customer service not responding to messages</td>
<td>401</td>
</tr>
<tr>
<td>3</td>
<td>Non-delivery of the product/failure to honour the delivery</td>
<td>382</td>
</tr>
<tr>
<td>4</td>
<td>Failure to honour the shipping and delivery period (late or early delivery)</td>
<td>319</td>
</tr>
<tr>
<td>5</td>
<td>Failure of the company to honour the rebates, gifts, coupons, and other</td>
<td>315</td>
</tr>
<tr>
<td></td>
<td>promotions (e.i. free shipping)</td>
<td></td>
</tr>
<tr>
<td>6</td>
<td>Low quality/performance of the products</td>
<td>219</td>
</tr>
<tr>
<td>7</td>
<td>Failure to send notification and explanation about order delays and</td>
<td>186</td>
</tr>
<tr>
<td></td>
<td>cancellations during or after the order process</td>
<td></td>
</tr>
<tr>
<td>8</td>
<td>Billing and charging for the non-delivered product or non-delivered</td>
<td>183</td>
</tr>
<tr>
<td></td>
<td>portion of an order</td>
<td></td>
</tr>
<tr>
<td>9</td>
<td>Delivery of a wrong or unwanted product</td>
<td>171</td>
</tr>
<tr>
<td>10</td>
<td>The rude/ impolite/discourteous customer service representatives</td>
<td>169</td>
</tr>
<tr>
<td>11</td>
<td>Incorrect billing due to double charging, overcharging, and/or</td>
<td>166</td>
</tr>
<tr>
<td></td>
<td>unauthorised charging</td>
<td></td>
</tr>
<tr>
<td>12</td>
<td>Discouraging attitude and insufficient service of the staff</td>
<td>164</td>
</tr>
<tr>
<td>13</td>
<td>Partial/ incomplete delivery of the merchandise</td>
<td>154</td>
</tr>
<tr>
<td>14</td>
<td>Defective/faulty products</td>
<td>151</td>
</tr>
<tr>
<td>15</td>
<td>Inadequacy or absence of on-line order status and/or shipping tracking</td>
<td>140</td>
</tr>
<tr>
<td></td>
<td>system</td>
<td></td>
</tr>
<tr>
<td>16</td>
<td>Listing the product in stock on the web site even though it is out of</td>
<td>117</td>
</tr>
<tr>
<td></td>
<td>stock, backordered, or discontinued</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Issue</td>
<td>Frequency</td>
</tr>
<tr>
<td>---</td>
<td>------------------------------------------------------------------------------------------------</td>
<td>-----------</td>
</tr>
<tr>
<td>17</td>
<td>Inadequate staff knowledge, staff not having and/or giving accurate information</td>
<td>108</td>
</tr>
<tr>
<td>18</td>
<td>Unsatisfactory repair, maintenance and technical support</td>
<td>106</td>
</tr>
<tr>
<td>19</td>
<td>Company's failure to honour shipping fees of return/exchange products (especially when the mistake belongs to the company)</td>
<td>103</td>
</tr>
<tr>
<td>20</td>
<td>Product not as agreed on, described, or seen on the website of the company</td>
<td>103</td>
</tr>
<tr>
<td>21</td>
<td>Billing and charging consumers upon ordering not shipping</td>
<td>95</td>
</tr>
<tr>
<td>22</td>
<td>Inability to use promotional coupons and gift certificates due to technical problems</td>
<td>88</td>
</tr>
<tr>
<td>23</td>
<td>Excessive fees/prices for shipping and handling</td>
<td>86</td>
</tr>
<tr>
<td>24</td>
<td>Misleading and deceiving advertising</td>
<td>86</td>
</tr>
<tr>
<td>25</td>
<td>Unavailable or invalid company information on the website (e.g., contact address, phone number, references, etc.)</td>
<td>73</td>
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<tr>
<td>26</td>
<td>Shopping difficulties due to website navigation problems, website technical errors, and website not being user friendly</td>
<td>72</td>
</tr>
<tr>
<td>27</td>
<td>Products damaged during delivery due to inadequate/low quality of shipping containers</td>
<td>67</td>
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<tr>
<td>28</td>
<td>Long waiting time on the phone</td>
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<tr>
<td>29</td>
<td>Scarce or inadequate information about the product on the website</td>
<td>66</td>
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<tr>
<td>30</td>
<td>Sending casual, automated/generic e-mails as a response to specific queries of the consumers</td>
<td>66</td>
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<tr>
<td>31</td>
<td>Despite selecting and being charged for the fast shipment option, the delivery of the product by slow/ground shipment</td>
<td>62</td>
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<td>32</td>
<td>Not allowing consumers to speak upper/higher level managers, not giving the names of the managers/supervisors</td>
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<tr>
<td>33</td>
<td>Order process system not permitting consumers to cancel an order before shipment</td>
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<td>34</td>
<td>Billing and charging the cancelled order</td>
<td>60</td>
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<td>35</td>
<td>Charging and billing for someone else's purchase, or unwanted/not ordered products</td>
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<tr>
<td>36</td>
<td>Company sending unsolicited/unwanted e-mails</td>
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<td>37</td>
<td>Delivery of the merchandise to a wrong address by the company</td>
<td>51</td>
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<td>38</td>
<td>Problems occurring because of the business partners/affiliates of the company (such as acquisitions or bankruptcy of the business partners)</td>
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<tr>
<td>39</td>
<td>Misrepresenting the promotional offers, terms, and rules</td>
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<td></td>
<td>Description</td>
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<td>40</td>
<td>Order delay or cancellation by the company due to being out of stock after the acceptance of order by the system</td>
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<td>41</td>
<td>Difficulty to access company’s web site or some of the links on its web site (web site being down, or not functioning)</td>
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<td>42</td>
<td>Unfair pricing (such as excessive pricing, discriminatory pricing, etc.)</td>
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<td>43</td>
<td>Shipment of a product even though it is cancelled by the consumer</td>
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<td>44</td>
<td>Consumers incurring restocking fee while returning and/or exchanging the product to the company</td>
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<td>45</td>
<td>Unavailable prepaid postage return or exchange labels (rma no.- return merchandise authorisation number)</td>
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<td>46</td>
<td>Selling duplicated/fake, counterfeit, or refurbished products</td>
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<td>47</td>
<td>Failure to honour price match policy/price guarantee policy (not keeping promises related to matching/beating any competitors’ prices)</td>
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<td>48</td>
<td>Product warranty and guarantee related problems</td>
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<td>49</td>
<td>Poor selection/availability of products (colour, size, model, brand etc.)</td>
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<td>50</td>
<td>Unfair changes in company policies (return/refund policies, shipping policies, loyalty programs etc.)</td>
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<td>51</td>
<td>Order delay or cancellation by the company due to being backordered after the acceptance of order by the system</td>
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<td>52</td>
<td>Company without a toll-free number</td>
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<td>53</td>
<td>Charging/billing the consumer for his cancelled membership/ account</td>
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<td>54</td>
<td>Order delay or cancellation by the company due to credit card charging problems after the order accepted by the system</td>
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<td>55</td>
<td>Delivery of an unauthorised substitute, without notification during or after the order process, when the ordered product is unavailable</td>
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<td>56</td>
<td>Problems occurring due to bankruptcy, acquisition or mergers of the company (e.i. failure to send promotions, technical support, or refund)</td>
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<td>57</td>
<td>Problems occurring because of low quality of packaging and wrapping of the product</td>
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<td>58</td>
<td>Absence of a virtual operator or telesecretary</td>
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<td>59</td>
<td>Absence of unsubscribe option</td>
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<td>60</td>
<td>Failure of the company to honour the given or stated price in transactions</td>
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<td>61</td>
<td>Price irregularities and/or inconsistencies (same product had different prices on each order on the same day, irregular price changes, price inconsistencies about pre-orders)</td>
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<tr>
<td>No.</td>
<td>Issue Description</td>
<td>Frequency</td>
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<td>62</td>
<td>Have to talk with different customer representatives and describe the event/problem several times</td>
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<td>63</td>
<td>Selling harm giving/unsafe/dangerous products</td>
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<td>64</td>
<td>Product without manual/guide, other documentation, warranty registration papers, and/or formal retail package</td>
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<td>65</td>
<td>Order delay or cancellation by the company due to wrong quoting price and/or price changes after the acceptance of order by the system</td>
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<td>66</td>
<td>Bait and switch practices (such as advertising a low-priced item but then encouraging the customer to buy a higher-priced one, promising unreasonable delivery dates in order to switch the buyer to a more expensive item, etc.)</td>
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<td>67</td>
<td>Order cancellation after the completion of the order process by the company due to the invalidity of coupons and gift certificates used by the consumer</td>
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<td>68</td>
<td>Inconsistency between on-line store pricing and brick and mortar store (physical store) pricing</td>
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<td>69</td>
<td>Selling/sharing information about consumers to/with third parties or business partners</td>
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<td>70</td>
<td>Inaccurate and/or inadequate information about company policies, procedures, promotions, etc. on the web site</td>
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<td>71</td>
<td>Company not permitting its consumers to make returns/ exchanges in the brick and mortar store (physical store)</td>
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<td>72</td>
<td>Not handling the product to the recipient (e.i. leaving the product to the neighbour)</td>
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<td>73</td>
<td>Account deactivation or cancellation of a consumer by the company without notification and explanation</td>
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<td>74</td>
<td>Lack of alternative payment methods</td>
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<td>75</td>
<td>Lack of shipping and delivery courier (carriers) alternatives of the company</td>
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<td>76</td>
<td>Inconsistent or inadequate labelling (e.i. inconsistency between the label on the wrap and the label on the product)</td>
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<td>77</td>
<td>Problems occurring due to inadequate web site security</td>
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<td>78</td>
<td>Inability of a consumer to change delivery date, address, credit card information, amount or content of the order before shipment</td>
<td>13</td>
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<tr>
<td>79</td>
<td>Order delay or cancellation due to differences between billing and shipping addresses after the acceptance of order by the system</td>
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<tr>
<td>Complaint Area</td>
<td>Frequency</td>
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<td>--------------------------------------------------------------------------------</td>
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<tr>
<td>Lack of alternative delivery options of the company (e.i. not permitting</td>
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<td>to pick up on-line orders from a brick and mortar store)</td>
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<td>Consumers being unavailable to view the shipping and handling, and</td>
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<td>tax charges before the completion of ordering process</td>
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<td>Charging the consumer for the replaced/exchanged item even though</td>
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<td>the company withholds the fee of the original order, and then paying</td>
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<td>back the extra fee to the consumer's account</td>
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<td>Inconsistent information given to customers by employees due to</td>
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<tr>
<td>ignorance of and/or neglect in application of company policies</td>
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<td>Absence of privacy policy of a company and/or insensitivity of the</td>
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<tr>
<td>company to right to privacy</td>
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<tr>
<td>Charging shipping and handling fee on each product on the basis of</td>
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<td>quantity of products not weight of the products</td>
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<tr>
<td>Inappropriate or inadequate product categorisation on the web site (e.i.</td>
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<tr>
<td>company not alphabetising the stocks, putting the unrelated products in</td>
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<td>the same category, and etc.)</td>
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<td>Unsatisfactory design and features of the products</td>
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<tr>
<td>Order delay or cancellation by the company due to being discontinued</td>
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<tr>
<td>after the acceptance of order by the system</td>
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<tr>
<td>Lack of overseas/abroad delivery option of a company</td>
<td>9</td>
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<tr>
<td>Wrong pricing on the web site due typographic errors</td>
<td>7</td>
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<tr>
<td>Abuse of the employee by the company due to unfair internal company policies</td>
<td>5</td>
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<tr>
<td>Socially unacceptable, controversial advertising (offensive advertising)</td>
<td>5</td>
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<tr>
<td>No option on the web site for consumers to download or printout rebate</td>
<td>5</td>
<td></td>
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<tr>
<td>coupons and gift certificates etc.</td>
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<tr>
<td>Disgusting web site content (pornographic, violence, etc.)</td>
<td>4</td>
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<tr>
<td>Companies having graphic intensive web sites (difficulty to view</td>
<td>3</td>
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<tr>
<td>graphic intensive web sites)</td>
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<tr>
<td>Billing and charging sales tax on the product even though the state of the</td>
<td>3</td>
<td></td>
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<tr>
<td>consumer is tax exempt</td>
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</tbody>
</table>

*N= 4019 complainants; 6014 is the total frequency of all complaint areas.*
Table 4.8 shows the frequencies of complaint areas, that is to say 4019 US consumers have experienced 6714 incidences of complaint themes. As it is seen from the table above, the complainants reported total of 6714 problems, for an average of 1.7 occurrences (6714/4019) for complainants reporting problems. This table covers each complaint area even if it does not constitute 1% of complainants, such as “disgusting web site content”, “socially unacceptable, controversial advertising”, or “billing and charging sales tax on the product even though the state of the consumer is tax exempt”. The main reason of this is that some of these complaint areas may not be prevalent at the time of the research, but may indicate the upcoming problems, which will affect the success of e-commerce.

4.4.2 The Frequencies of Complaint Areas by On-line Store Category for USA

The frequencies of complaint areas give a general idea about the most frequently encountered problems while shopping on-line. However, one of the research objectives of this study is to explore whether the frequencies of these complaint areas differ among on-line store types. Hence, a cross-tabulation table is presented below in order to show the frequencies of aforementioned complaint areas across on-line store categories. The on-line store categories, which are previously mentioned, are denoted by Roman numerals: I. Auto Parts and Accessories Stores, II. Baby Stores, III. Beauty and Health Stores, IV. Book and Music Stores, V. Clothing Stores, VI. Department Stores, VI. Drugstores, VIII. Electronics and Computer Stores, IX. Flower and Gift Shops, X. Food and Grocery Stores, XI. Home, Garden and Furniture Stores, XII. Jewellery and Watch Stores, XIII. Mass Merchandise Stores, XIV. Office and Business Product Stores, XV. Pet Stores, XVI. Sporting Goods Stores, XVII. Toy Stores, and XVIII. Other.
The columns of the Table 5.9 show on-line store categories, which are represented by Roman numerals. The rows of the Table 5.9 indicate the complaint areas, in the same sequence of the Table 5.8, which represents the frequencies of complaint areas. That is to say, row 1 represents the “failure of the company to honour refund and/or exchange the product”, row 2 represents the “e-mail and/or phone customer service not responding to messages”, and so on. On the other hand, column 1 shows “the auto parts and accessories stores”, column 2 shows “baby stores”, and so on. The intersection point of column 1 with row 1, then, gives the frequency of complaints about the “failure of the company to honour refund and/or exchange the product” for the “the auto parts and accessories stores”. On the other hand, the intersection point of column1 with row 2 gives the frequency of the “e-mail and/or phone customer service not responding to messages” among “the auto parts and accessories stores”. The interpretation of the Table 5.9, which is described above, gives us feedback about frequently encountered complaint areas among different types of on-line stores.
Table 4.9 - The Frequencies of Complaint Areas by On-line Store Categories for USA

<table>
<thead>
<tr>
<th>Complaint Areas</th>
<th>On-line Store Categories</th>
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The cross-tabulated table above shows that “failure of the company to honour refund and/or exchange the product” as a complaint is highest among electronics and computer stores; approximately 25% (117/471) of all complaints related to refund/exchange is seen in the store category of electronics and computer stores. However, this can be attributable to the volume of total complaints in this category; as it is mentioned earlier, 21% of the 4019 consumers complained about electronics and computer stores. On the other hand, among all complaint areas (a total of 1487) that occur in this store category, approximately 8% (117/1487) is related with the “failure of the company to honour refund and/or exchange the product”. In addition, consumers who complain about electronics and computer stores usually reported problems about “e-mail and/or phone customer service not responding to messages”. The reason of this is that consumers usually need technical help about electronics and digitals, therefore they ask their questions either via e-mail or phone. Nevertheless, when consumers can not receive answers to their questions in a timely and responsive manner, they complain about these services. Hence, it can be interpreted that electronics and computer stores receive most of the complaints about the “failure of the company to honour refund and/or exchange the product” and “e-mail and/or phone customer service not responding to messages”. Moreover, “unsatisfactory repair, maintenance and technical support” ranks 18th among all complaint areas with a frequency of 106. And 53 of these complaints received, almost half of the total frequency in this area, are in the category of electronics and computers stores. This seems meaningful, because since high tech products are sold in these stores, consumers usually need help either during the installation/assembly of products or during the maintenance of the products. Furthermore, technical support also gains a considerable importance for high tech products.
One of the significant findings of the study is that the highest occurrence of complaint themes of “non-delivery of the product” and “failure to honour the shipping and delivery period” is seen in the category of flower and gift shops. Especially during Christmas, Saint Valentine’s Day, and Halloween’s Day and on other special days, consumers order gifts for their beloved ones. However, the aforementioned periods are usually very busy for flower and gift shops, and when stores cannot honour their delivery related statements, they cannot meet the expectations of consumers. Furthermore, the complaint area of “product not as agreed on, described, or seen on the web site of the company” receives a frequency of 103 for all store categories, but the frequency of this complaint area for flower and gift shops is 40. In other words, 39% of the complaints related to “product not as agreed on, described, or seen on the web site of the company” comes from flower and gift shops. This is not surprising because people usually depend on what they see and read on the web site particularly while they are ordering gifts from on-line stores. Moreover, gift shops usually specialised on particular types of products which makes it difficult to make comparison, and to find similar products on different web sites or in off-line stores. Hence when consumers receive something that does not look like what they order, they report complaints.

Another interesting result of this study is that the fifth highest complaint area, “failure of the company to honour the rebates, gifts, coupons, and other promotions”, is seen most frequently in the department store category. On-line department stores usually use several promotion methods such as rebates, free shipping, gift certificates, and etc in order to increase their sales. However, when the consumers cannot receive these promotions as they expected, they complain about these stores.
“Low Quality/performance of the products” is found maximum in flower and gift shops, and then it is followed by electronic and computer stores. This type of complaint is equally important within beauty and health stores. Moreover, “misleading/deceiving advertising” and “selling harm giving/unsafe/dangerous products” are at the maximum level in beauty store category. This can be explained by the fact that most of the products sold in beauty and health stores are very sensitive products and usually are directly related with human health. For instance, nutritional products, cosmetics, vitamins and hair stylers are the products sold in these stores. Moreover, advertisements of nutritional products or cosmetics sometimes receive criticism due to exaggerated claims and statements.

Another crucial finding of the table given above is that book and music stores receive most of the complaints about “order process system not permitting consumers to use promotional coupons, rebates and gift certificates”, “incorrect billing due to double charging, overcharging, and/or unauthorised charging”, and “company sending unsolicited/unwanted e-mails”. Books and CDs are one of the most frequently purchased products, and from time to time these companies send promotion-based e-mails to their customers. However, if this type of marketing does not depend on permission marketing, then the consumers begin to voice their complaints. In addition, as being one of the most frequently purchased items on the Internet, books and CDs are generally accompanied with promotional tools such as gift certificates. Moreover, besides large companies, small sized companies can sell books and CDs on-line, since it does not necessitate a great amount of investment. Hence, despite having an inadequate order process system, many companies try to sell books via Internet, and also they offer some promotional coupons, gift certificates, etc. However, consumers can not use these coupons and certificates
while they are giving their orders on-line. Nevertheless, it has to be noted that from
time to time, even large companies can experience such problems.

"Problems occurring because of the business partners/affiliates of the company"
has a frequency of 50 among all complaint areas, and 17 (approximately 34%) of
them are encountered in mass merchandise stores where a wide range of non-food
merchandise and grocery items are sold. Mass merchandise stores usually sell the
products of different brands and they usually work with multiple business partners,
hence it is an expected result to have highest problems about business partners/
affiliates in this store category.

One of the interesting findings of this study is that the complaint area of “account
deactivation or cancellation of a consumer by the company without notification and
explanation” is most frequently seen among pet stores. Since on-line pet stores work
on the basis of membership in order to give information as well as selling pets and
related products such as pet food, it will be typical to see half of the account
cancellation related problems in this store category.

4.4.3 The Top Five Complaint Areas for On-line Store Categories in USA

Table 4.9 can be interpreted for each on-line store category, and even for each
complaint area as described earlier. However, in order to have a general idea, the top
five complaint areas for the 18 on-line store categories are presented in figure below.
The X-axes of the figures are represented by complaint area codes, which are given
in Table 4.8 The Frequency of Complaint Areas for US Consumers. For instance the
complaint area code 1 means “failure of the company to honour refund and/or
exchange the product”, code 2 means “e-mail and/or phone customer service not
responding to messages”, and so on.
Table 4.10 – The Top Five Complaint Areas for Auto Parts and Accessories Stores

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<td>Delivery of a wrong, or unwanted product</td>
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</tr>
<tr>
<td>10</td>
<td>The rude/impolite/discourteous customer service representatives</td>
<td>6</td>
</tr>
<tr>
<td>12</td>
<td>Discouraging attitude and insufficient service of the staff</td>
<td>6</td>
</tr>
</tbody>
</table>

Figure 4.10 - The Top Five Complaint Areas for Auto Parts and Accessories Stores

The Top 5 Complaint Areas for Auto Parts Stores

- Code 1: Failure of the company to honour refund and/or exchange the product (14)
- Code 6: Low Quality/performance of the products (11)
- Code 9: Delivery of a wrong, or unwanted product (7)
- Code 10: The rude/impolite/discourteous customer service representatives (6)
- Code 12: Discouraging attitude and insufficient service of the staff (6)
### Table 4.11 - The Top Five Complaint Areas for Baby Stores

<table>
<thead>
<tr>
<th>Code</th>
<th>Complaint Area</th>
<th>Frequency</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Failure of the company to honour refund and/or exchange the product</td>
<td>13</td>
</tr>
<tr>
<td>2</td>
<td>E-mail and/or phone customer service not responding to messages</td>
<td>10</td>
</tr>
<tr>
<td>7</td>
<td>Failure to send notification and explanation about order delays and</td>
<td>5</td>
</tr>
<tr>
<td></td>
<td>cancellations during or after the order process</td>
<td></td>
</tr>
<tr>
<td>13</td>
<td>Partial/ Incomplete delivery of the merchandise</td>
<td>4</td>
</tr>
<tr>
<td>15</td>
<td>Inadequacy or absence of on-line order status and/or shipping</td>
<td>4</td>
</tr>
<tr>
<td></td>
<td>tracking system</td>
<td></td>
</tr>
</tbody>
</table>

### Figure 4.11 - The Top Five Complaint Areas for Baby Stores
### Table 4.12 – The Top Five Complaint Areas for Beauty and Health Stores

<table>
<thead>
<tr>
<th>Code</th>
<th>Complaint Area</th>
<th>Frequency</th>
</tr>
</thead>
<tbody>
<tr>
<td>3</td>
<td>Non-delivery of the product/ Failure to honour the delivery</td>
<td>35</td>
</tr>
<tr>
<td>1</td>
<td>Failure of the company to honour refund and/or exchange the product</td>
<td>34</td>
</tr>
<tr>
<td>6</td>
<td>Low Quality/performance of the products</td>
<td>33</td>
</tr>
<tr>
<td>2</td>
<td>E-mail and/or phone customer service not responding to messages</td>
<td>30</td>
</tr>
<tr>
<td>24</td>
<td>Misleading and deceiving advertising</td>
<td>25</td>
</tr>
</tbody>
</table>

### Figure 4.12 - The Top Five Complaint Areas for Beauty and Health Stores
### Table 4.13 - The Top Five Complaint Areas for Book and Music Stores

<table>
<thead>
<tr>
<th>Code</th>
<th>Complaint Area</th>
<th>Frequency</th>
</tr>
</thead>
<tbody>
<tr>
<td>4</td>
<td>Failure to honour the shipping and delivery period</td>
<td>43</td>
</tr>
<tr>
<td>1</td>
<td>Failure of the company to honour refund and/or exchange the product</td>
<td>38</td>
</tr>
<tr>
<td>3</td>
<td>Non-delivery of the product/ Failure to honour the delivery</td>
<td>34</td>
</tr>
<tr>
<td>11</td>
<td>Incorrect billing due to double charging, overcharging, and/or unauthorised charging</td>
<td>29</td>
</tr>
<tr>
<td>7</td>
<td>Failure to send notification and explanation about order delays and cancellations during or after the order process</td>
<td>27</td>
</tr>
</tbody>
</table>

### Figure 4.13 - The Top Five Complaint Areas for Book and Music Stores

The Top 5 Complaint Areas for Book and Music Stores

- Complaint Area 4: 43
- Complaint Area 1: 38
- Complaint Area 3: 34
- Complaint Area 11: 29
- Complaint Area 7: 27

Frequency of Complaint Areas

Complaint Area Codes
Table 4.14 – The Top Five Complaint Areas for Clothing Stores

<table>
<thead>
<tr>
<th>Code</th>
<th>Complaint Area</th>
<th>Frequency</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Failure of the company to honour refund and/or exchange the product</td>
<td>24</td>
</tr>
<tr>
<td>3</td>
<td>Non-delivery of the product/ Failure to honour the delivery</td>
<td>21</td>
</tr>
<tr>
<td>2</td>
<td>E-mail and/or phone customer service not responding to messages</td>
<td>13</td>
</tr>
<tr>
<td>8</td>
<td>Charging and billing for the non-delivered product or non-delivered portion of an order</td>
<td>9</td>
</tr>
<tr>
<td>7</td>
<td>Failure to send notification and explanation about order delays and cancellations during or after the order process</td>
<td>8</td>
</tr>
</tbody>
</table>

Figure 4.14 - The Top Five Complaint Areas for Clothing Stores
Table 4.15 - The Top Five Complaint Areas for Department Stores

<table>
<thead>
<tr>
<th>Code</th>
<th>Complaint Area</th>
<th>Frequency</th>
</tr>
</thead>
<tbody>
<tr>
<td>5</td>
<td>Failure of the company to honour the rebates, gifts, coupons, and other promotions (e.i. free shipping)</td>
<td>111</td>
</tr>
<tr>
<td>1</td>
<td>Failure of the company to honour refund and/or exchange the product</td>
<td>47</td>
</tr>
<tr>
<td>2</td>
<td>E-mail and/or phone customer service not responding to messages</td>
<td>46</td>
</tr>
<tr>
<td>3</td>
<td>Non-delivery of the product/ Failure to honour the delivery</td>
<td>27</td>
</tr>
<tr>
<td>4</td>
<td>Failure to honour the shipping and delivery period</td>
<td>23</td>
</tr>
</tbody>
</table>

Figure 4.15 - The Top Five Complaint Areas for Department Stores
### Table 4.16 - The Top Five Complaint Areas for Drugstores

<table>
<thead>
<tr>
<th>Code</th>
<th>Complaint Area</th>
<th>Frequency</th>
</tr>
</thead>
<tbody>
<tr>
<td>5</td>
<td>Failure of the company to honour the rebates, gifts, coupons, and other promotions (e.i. free shipping)</td>
<td>13</td>
</tr>
<tr>
<td>16</td>
<td>Listing the product in stock on the web site even though it is out of stock, backordered, or discontinued</td>
<td>9</td>
</tr>
<tr>
<td>2</td>
<td>E-mail and/or phone customer service not responding to messages</td>
<td>8</td>
</tr>
<tr>
<td>11</td>
<td>Incorrect billing due to double charging, overcharging, and/or unauthorised charging</td>
<td>7</td>
</tr>
<tr>
<td>15</td>
<td>Inadequacy or absence of on-line order status and/or shipping tracking system</td>
<td>7</td>
</tr>
</tbody>
</table>

### Figure 4.16 - The Top Five Complaint Areas for Drugstores

![The Top 5 Complaint Areas for Drugstores](image)
Table 4.17 - The Top Five Complaint Areas for Electronics and Computer Stores

<table>
<thead>
<tr>
<th>Code</th>
<th>Complaint Area</th>
<th>Frequency</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Failure of the company to honour refund and/or exchange the product</td>
<td>117</td>
</tr>
<tr>
<td>2</td>
<td>E-mail and/or phone customer service not responding to messages</td>
<td>76</td>
</tr>
<tr>
<td>5</td>
<td>Failure of the company to honour the rebates, gifts, coupons, and other promotions (e.i. free shipping)</td>
<td>63</td>
</tr>
<tr>
<td>4</td>
<td>Failure to honour the shipping and delivery period</td>
<td>53</td>
</tr>
<tr>
<td>18</td>
<td>Unsatisfactory repair, maintenance and technical support</td>
<td>52</td>
</tr>
</tbody>
</table>

Figure 4.17 - The Top Five Complaint Areas for Electronics and Computer Stores

![Bar chart showing the top five complaint areas for electronics and computer stores with frequency counts of 117, 76, 63, 53, and 52 for codes 1, 2, 5, 4, and 18 respectively.]
Table 4.18 - The Top Five Complaint Areas for Flower and Gift Stores

<table>
<thead>
<tr>
<th>Code</th>
<th>Complaint Area</th>
<th>Frequency</th>
</tr>
</thead>
<tbody>
<tr>
<td>4</td>
<td>Failure to honour the shipping and delivery period</td>
<td>79</td>
</tr>
<tr>
<td>3</td>
<td>Non-delivery of the product/ Failure to honour the delivery</td>
<td>75</td>
</tr>
<tr>
<td>6</td>
<td>Low Quality/performance of the products</td>
<td>55</td>
</tr>
<tr>
<td>2</td>
<td>E-mail and/or phone customer service not responding to messages</td>
<td>50</td>
</tr>
<tr>
<td>20</td>
<td>Product not as agreed on, described, or seen on the web site of the company</td>
<td>40</td>
</tr>
</tbody>
</table>

Figure 4.18 - The Top Five Complaint Areas for Flower and Gift Stores
Table 4.19 - The Top Five Complaint Areas for Food and Grocery Stores

<table>
<thead>
<tr>
<th>Code</th>
<th>Complaint Area</th>
<th>Frequency</th>
</tr>
</thead>
<tbody>
<tr>
<td>4</td>
<td>Failure to honour the shipping and delivery period</td>
<td>15</td>
</tr>
<tr>
<td>3</td>
<td>Non-delivery of the product / Failure to honour the delivery</td>
<td>14</td>
</tr>
<tr>
<td>8</td>
<td>Charging and billing for the non-delivered product or non-delivered</td>
<td>14</td>
</tr>
<tr>
<td></td>
<td>portion of an order</td>
<td></td>
</tr>
<tr>
<td>2</td>
<td>E-mail and/or phone customer service not responding to messages</td>
<td>11</td>
</tr>
<tr>
<td>13</td>
<td>Partial / Incomplete delivery of the merchandise</td>
<td>8</td>
</tr>
</tbody>
</table>

Figure 4.19 - The Top Five Complaint Areas for Food and Grocery Stores
Table 4.20 - The Top Five Complaint Areas for Home, Garden and Furniture Stores

<table>
<thead>
<tr>
<th>Code</th>
<th>Complaint Area</th>
<th>Frequency</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Failure of the company to honour refund and/or exchange the product</td>
<td>35</td>
</tr>
<tr>
<td>2</td>
<td>E-mail and/or phone customer service not responding to messages</td>
<td>31</td>
</tr>
<tr>
<td>4</td>
<td>Failure to honour the shipping and delivery period</td>
<td>29</td>
</tr>
<tr>
<td>6</td>
<td>Low Quality/performance of the products</td>
<td>24</td>
</tr>
<tr>
<td>3</td>
<td>Non-delivery of the product/ Failure to honour the delivery</td>
<td>23</td>
</tr>
</tbody>
</table>

Figure 4.20 - The Top Five Complaint Areas for Home, Garden and Furniture Stores

The Top 5 Complaint Areas for Home and Furniture Stores

![Bar chart showing the frequency of complaint areas with the following data:](chart.png)
Table 4.21 - The Top Five Complaint Areas for Jewellery and Watch Stores

<table>
<thead>
<tr>
<th>Code</th>
<th>Complaint Area</th>
<th>Frequency</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Failure of the company to honour refund and/or exchange the product</td>
<td>9</td>
</tr>
<tr>
<td>3</td>
<td>Non-delivery of the product/ Failure to honour the delivery</td>
<td>8</td>
</tr>
<tr>
<td>2</td>
<td>E-mail and/or phone customer service not responding to messages</td>
<td>6</td>
</tr>
<tr>
<td>6</td>
<td>Low Quality/Performance of the products</td>
<td>4</td>
</tr>
<tr>
<td>8</td>
<td>Charging and billing for the non-delivered product or non-delivered portion of an order</td>
<td>4</td>
</tr>
</tbody>
</table>

Figure 4.21 - The Top Five Complaint Areas for Jewellery and Watch Stores
Table 4.22 – The Top Five Complaint Areas for Mass Merchandise Stores

<table>
<thead>
<tr>
<th>Code</th>
<th>Complaint Area</th>
<th>Frequency</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Failure of the company to honour refund and/or exchange the product</td>
<td>62</td>
</tr>
<tr>
<td>3</td>
<td>Non-delivery of the product/ Failure to honour the delivery</td>
<td>47</td>
</tr>
<tr>
<td>2</td>
<td>E-mail and/or phone customer service not responding to messages</td>
<td>38</td>
</tr>
<tr>
<td>9</td>
<td>Delivery of a wrong, or unwanted product</td>
<td>24</td>
</tr>
<tr>
<td>14</td>
<td>Defective/faulty products</td>
<td>23</td>
</tr>
</tbody>
</table>

Figure 4.22 - The Top Five Complaint Areas for Mass Merchandise Stores

![Bar chart showing the top five complaint areas for mass merchandise stores with frequencies 62, 47, 38, 24, and 23, respectively.]
Table 4.23 – The Top Five Complaint Areas for Office and Business Stores

<table>
<thead>
<tr>
<th>Code</th>
<th>Complaint Area</th>
<th>Frequency</th>
</tr>
</thead>
<tbody>
<tr>
<td>5</td>
<td>Failure of the company to honour the rebates, gifts, coupons, and other promotions (e.i. free shipping)</td>
<td>26</td>
</tr>
<tr>
<td>2</td>
<td>E-mail and/or phone customer service not responding to messages</td>
<td>10</td>
</tr>
<tr>
<td>1</td>
<td>Failure of the company to honour refund and/or exchange the product</td>
<td>9</td>
</tr>
<tr>
<td>7</td>
<td>Failure to send notification and explanation about order delays and cancellations during or after the order process</td>
<td>8</td>
</tr>
<tr>
<td>4</td>
<td>Failure to honour the shipping and delivery period</td>
<td>7</td>
</tr>
</tbody>
</table>

Figure 4.23 - The Top Five Complaint Areas for Office and Business Stores
Table 4.24 - The Top Five Complaint Areas for Pet Stores

<table>
<thead>
<tr>
<th>Code</th>
<th>Complaint Area</th>
<th>Frequency</th>
</tr>
</thead>
<tbody>
<tr>
<td>2</td>
<td>E-mail and/or phone customer service not responding to messages</td>
<td>9</td>
</tr>
<tr>
<td>73</td>
<td>Account deactivation or cancellation of a consumer by the company without notification and explanation</td>
<td>8</td>
</tr>
<tr>
<td>8</td>
<td>Charging and billing for the non-delivered product or non-delivered portion of an order</td>
<td>6</td>
</tr>
<tr>
<td>3</td>
<td>Non-delivery of the product/ Failure to honour the delivery</td>
<td>5</td>
</tr>
<tr>
<td>17</td>
<td>Inadequate staff knowledge, staff not having and/or giving accurate information</td>
<td>5</td>
</tr>
</tbody>
</table>

Figure 4.24 - The Top Five Complaint Areas for Pet Stores
Table 4.25 - The Top Five Complaint Areas for Sporting Goods Stores

<table>
<thead>
<tr>
<th>Code</th>
<th>Complaint Area</th>
<th>Frequency</th>
</tr>
</thead>
<tbody>
<tr>
<td>2</td>
<td>E-mail and/or phone customer service not responding to messages</td>
<td>22</td>
</tr>
<tr>
<td>1</td>
<td>Failure of the company to honour refund and/or exchange the product</td>
<td>19</td>
</tr>
<tr>
<td>3</td>
<td>Non-delivery of the product/ Failure to honour the delivery</td>
<td>14</td>
</tr>
<tr>
<td>8</td>
<td>Charging and billing for the non-delivered product or non-delivered portion of an order</td>
<td>10</td>
</tr>
<tr>
<td>4</td>
<td>Failure to honour the shipping and delivery period</td>
<td>8</td>
</tr>
</tbody>
</table>

Figure 4.25 - The Top Five Complaint Areas for Sporting Goods Stores

![Bar chart showing the top five complaint areas for sporting goods stores with codes 2, 1, 3, 8, and 4, and their corresponding frequencies.]
Table 4.26 - The Top Five Complaint Areas for Toy Stores

<table>
<thead>
<tr>
<th>Code</th>
<th>Complaint Area</th>
<th>Frequency</th>
</tr>
</thead>
<tbody>
<tr>
<td>3</td>
<td>Non-delivery of the product/ Failure to honour the delivery</td>
<td>14</td>
</tr>
<tr>
<td>4</td>
<td>Failure to honour the shipping and delivery period</td>
<td>11</td>
</tr>
<tr>
<td>2</td>
<td>E-mail and/or phone customer service not responding to messages</td>
<td>10</td>
</tr>
<tr>
<td>8</td>
<td>Charging and billing for the non-delivered product or non-delivered portion of an order</td>
<td>9</td>
</tr>
<tr>
<td>7</td>
<td>Failure to send notification and explanation about order delays and cancellations during or after the order process</td>
<td>7</td>
</tr>
</tbody>
</table>

Figure 4.26 - The Top Five Complaint Areas for Toy Stores

![Bar chart showing the top 5 complaint areas for toy stores with corresponding frequencies.]
Table 4.27 - The Top Five Complaint Areas for Other Stores

<table>
<thead>
<tr>
<th>Code</th>
<th>Complaint Area</th>
<th>Frequency</th>
</tr>
</thead>
<tbody>
<tr>
<td>3</td>
<td>Non-delivery of the product/ Failure to honour the delivery</td>
<td>11</td>
</tr>
<tr>
<td>8</td>
<td>Charging and billing for the non-delivered product or non-delivered portion of an order</td>
<td>11</td>
</tr>
<tr>
<td>2</td>
<td>E-mail and/or phone customer service not responding to messages</td>
<td>9</td>
</tr>
<tr>
<td>9</td>
<td>Delivery of a wrong, or unwanted product</td>
<td>7</td>
</tr>
<tr>
<td>51</td>
<td>Order delay or cancellation by the company due to being backordered after the acceptance of order by the system</td>
<td>6</td>
</tr>
</tbody>
</table>

Figure 4.27 - The Top Five Complaint Areas for Other Stores

Up to now, US consumer complaints are examined through the analysis of frequency of complaints, and frequency of complaints by on-line store category. The same procedure is followed for Turkey in the subsequent sections.
4.4.4 The Major Complaint Areas about On-line Stores for Turkey

The complaints from Turkish consumers do not constitute a large sample; however, especially when compared with USA, on-line business is a very recent way of conducting business in Turkey. Therefore both the number of complainants and the on-line store categories are limited for Turkey. The following table presents frequencies of complaint areas for Turkish consumers; however in order not to cause a confusion, the sequence of complaint areas and codes is kept same as they are in the table of frequencies of complaint areas for US consumers. Therefore, in the following table the frequencies of the complaint areas are not given in a descending order.

Table 4.28 – The Frequency of Complaint Areas for Turkish Consumers

<table>
<thead>
<tr>
<th>Code</th>
<th>Complaint Areas</th>
<th>Frequency</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Failure of the company to honour refund and/or exchange the product</td>
<td>16</td>
</tr>
<tr>
<td>2</td>
<td>E-mail and/or phone customer service not responding to messages</td>
<td>17</td>
</tr>
<tr>
<td>3</td>
<td>Non-delivery of the product/failure to honour the delivery</td>
<td>7</td>
</tr>
<tr>
<td>4</td>
<td>Failure to honour the shipping and delivery period (late or early delivery)</td>
<td>5</td>
</tr>
<tr>
<td>5</td>
<td>Failure of the company to honour the rebates, gifts, coupons, and other promotions (e.i. free shipping)</td>
<td>3</td>
</tr>
<tr>
<td>6</td>
<td>Low quality/performance of the products</td>
<td>9</td>
</tr>
<tr>
<td>7</td>
<td>Failure to send notification and explanation about order delays and cancellations during or after the order process</td>
<td>3</td>
</tr>
<tr>
<td>8</td>
<td>Billing and charging for the non-delivered product or non-delivered portion of an order</td>
<td>4</td>
</tr>
<tr>
<td>9</td>
<td>Delivery of a wrong or unwanted product</td>
<td>0</td>
</tr>
<tr>
<td>10</td>
<td>The rude/impolite/discourteous customer service representatives</td>
<td>5</td>
</tr>
<tr>
<td>11</td>
<td>Incorrect billing due to double charging, overcharging, and/or unauthorised charging</td>
<td>5</td>
</tr>
<tr>
<td>12</td>
<td>Discouraging attitude and insufficient service of the staff</td>
<td>5</td>
</tr>
<tr>
<td></td>
<td>Partial/ incomplete delivery of the merchandise</td>
<td></td>
</tr>
<tr>
<td>---</td>
<td>-----------------------------------------------</td>
<td>---</td>
</tr>
<tr>
<td>14</td>
<td>Defective/faulty products</td>
<td>8</td>
</tr>
<tr>
<td>15</td>
<td>Inadequacy or absence of on-line order status and/or shipping tracking system</td>
<td>1</td>
</tr>
<tr>
<td>16</td>
<td>Listing the product in stock on the website even though it is out of stock, backordered, or discontinued</td>
<td>5</td>
</tr>
<tr>
<td>17</td>
<td>Inadequate staff knowledge, staff not having and/or giving accurate information</td>
<td>6</td>
</tr>
<tr>
<td>18</td>
<td>Unsatisfactory repair, maintenance and technical support</td>
<td>4</td>
</tr>
<tr>
<td>19</td>
<td>Company's failure to honour shipping fees of return/exchange products (especially when the mistake belongs to the company)</td>
<td>3</td>
</tr>
<tr>
<td>20</td>
<td>Product not as agreed on, described, or seen on the website of the company</td>
<td>0</td>
</tr>
<tr>
<td>21</td>
<td>Billing and charging consumers upon ordering not shipping</td>
<td>3</td>
</tr>
<tr>
<td>22</td>
<td>Inability to use promotional coupons and gift certificates due to technical problems</td>
<td>0</td>
</tr>
<tr>
<td>23</td>
<td>Excessive fees/prices for shipping and handling</td>
<td>0</td>
</tr>
<tr>
<td>24</td>
<td>Misleading and deceiving advertising</td>
<td>0</td>
</tr>
<tr>
<td>25</td>
<td>Unavailable or invalid company information on the website (e.g., contact address, phone number, references, etc.)</td>
<td>2</td>
</tr>
<tr>
<td>26</td>
<td>Shopping difficulties due to website navigation problems, website technical errors, and website not being user friendly</td>
<td>0</td>
</tr>
<tr>
<td>27</td>
<td>Products damaged during delivery due to inadequate/low quality of shipping containers</td>
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<tr>
<td>28</td>
<td>Long waiting time on the phone</td>
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<tr>
<td>29</td>
<td>Scarce or inadequate information about the product on the website</td>
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<tr>
<td>30</td>
<td>Sending casual, automated/generic e-mails as a response to specific queries of the consumers</td>
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<tr>
<td>31</td>
<td>Despite selecting and being charged for the fast shipment option, the delivery of the product by slow/ground shipment</td>
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<tr>
<td>32</td>
<td>Not allowing consumers to speak upper/higher level managers, not giving the names of the managers/supervisors</td>
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<tr>
<td>33</td>
<td>Order process system not permitting consumers to cancel an order before shipment</td>
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</tr>
<tr>
<td>34</td>
<td>Billing and charging for the cancelled order</td>
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</tr>
<tr>
<td>35</td>
<td>Charging and billing for someone else's purchase, or unwanted/not ordered products</td>
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</tr>
<tr>
<td>36</td>
<td>Company sending unsolicited/unwanted e-mails</td>
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<tr>
<td>37</td>
<td>Delivery of the merchandise to a wrong address by the company</td>
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</tr>
<tr>
<td>38</td>
<td>Problems occurring because of the business partners/affiliates of the company (such as acquisitions or bankruptcy of the business partners)</td>
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<tr>
<td>39</td>
<td>Misrepresenting the promotional offers, terms, and rules</td>
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<tr>
<td>40</td>
<td>Order delay or cancellation by the company due to being out of stock after the acceptance of order by the system</td>
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<tr>
<td>41</td>
<td>Difficulty to access company's web site or some of the links on its web site (web site being down, or not functioning)</td>
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<tr>
<td>42</td>
<td>Unfair pricing (such as excessive pricing, discriminatory pricing, etc.)</td>
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<tr>
<td>43</td>
<td>Shipment of a product even though it is cancelled by the consumer</td>
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<tr>
<td>44</td>
<td>Consumers incurring restocking fee while returning and/or exchanging the product to the company</td>
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<td>45</td>
<td>Unavailable prepaid postage return or exchange labels (rma no.- return merchandise authorisation number)</td>
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<td>46</td>
<td>Selling duplicated/fake, counterfeit, or refurbished products</td>
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<tr>
<td>47</td>
<td>Failure to honour price match policy/price guarantee policy (not keeping promises related to matching/beating any competitors' prices)</td>
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<tr>
<td>48</td>
<td>Product warranty and guarantee related problems</td>
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</tr>
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<td>49</td>
<td>Poor selection/availability of products (colour, size, model, brand etc.)</td>
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<tr>
<td>50</td>
<td>Unfair changes in company policies (return/refund policies, shipping policies, loyalty programs etc.)</td>
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<td>51</td>
<td>Order delay or cancellation by the company due to being backordered after the acceptance of order by the system</td>
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<td>52</td>
<td>Company without a toll-free number</td>
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<td>53</td>
<td>Charging/billing the consumer for his cancelled membership/ account</td>
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<td>54</td>
<td>Order delay or cancellation by the company due to credit card charging problems after the order accepted by the system</td>
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<td>55</td>
<td>Delivery of an unauthorised substitute, without notification during or after the order process, when the ordered product is unavailable</td>
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<tr>
<td>56</td>
<td>Problems occurring due to bankruptcy, acquisition or mergers of the company (e.i. failure to send promotions, technical support, or refund)</td>
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<td>57</td>
<td>Problems occurring because of low quality of packaging and wrapping of the product</td>
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<td>Issue Description</td>
<td>Count</td>
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<td>58</td>
<td>Absence of a virtual operator or telesecretary</td>
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<td>59</td>
<td>Absence of unsubscribe option</td>
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<td>60</td>
<td>Failure of the company to honour the given or stated price in transactions</td>
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<tr>
<td>61</td>
<td>Price irregularities and/or inconsistencies (same product had different prices on each order on the same day, irregular price changes, price inconsistencies about pre-orders)</td>
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<tr>
<td>62</td>
<td>Have to talk with different customer representatives and describe the event/problem several times</td>
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<tr>
<td>63</td>
<td>Selling harm giving/unsafe/dangerous products</td>
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<td>64</td>
<td>Product without manual/guide, other documentation, warranty registration papers, and/or formal retail package</td>
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<td>65</td>
<td>Order delay or cancellation by the company due to wrong quoting price and/or price changes after the acceptance of order by the system</td>
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<td>66</td>
<td>Bait and switch practices (such as advertising a low-priced item but then encouraging the customer to buy a higher-priced one, promising unreasonable delivery dates in order to switch the buyer to a more expensive item, etc.)</td>
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<td>67</td>
<td>Order cancellation after the completion of the order process by the company due to the invalidity of coupons and gift certificates used by the consumer</td>
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<td>68</td>
<td>Inconsistency between on-line store pricing and brick and mortar store (physical store) pricing</td>
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<tr>
<td>69</td>
<td>Selling/sharing information about consumers to/with third parties or business partners</td>
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<td>70</td>
<td>Inaccurate and/or inadequate information about company policies, procedures, promotions, etc. on the web site</td>
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<td>71</td>
<td>Company not permitting its consumers to make returns/ exchanges in the brick and mortar store (physical store)</td>
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<td>72</td>
<td>Not handling the product to the recipient (e.i. leaving the product to the neighbour)</td>
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<td>73</td>
<td>Account deactivation or cancellation of a consumer by the company without notification and explanation</td>
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<tr>
<td>74</td>
<td>Lack of alternative payment methods</td>
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<tr>
<td>75</td>
<td>Lack of shipping and delivery courier (carriers) alternatives of the company</td>
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<tr>
<td>Code</td>
<td>Description</td>
<td>Count</td>
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<td>76</td>
<td>Inconsistent or inadequate labelling (e.g., inconsistency between the label on the wrap and the label on the product)</td>
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<td>77</td>
<td>Problems occurring due to inadequate web site security</td>
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<tr>
<td>78</td>
<td>Inability of a consumer to change delivery date, address, credit card information, amount or content of the order before shipment</td>
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<tr>
<td>79</td>
<td>Order delay or cancellation due to differences between billing and shipping addresses after the acceptance of order by the system</td>
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<tr>
<td>80</td>
<td>Lack of alternative delivery options of the company (e.g., not permitting to pick up on-line orders from a brick and mortar store)</td>
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<tr>
<td>81</td>
<td>Consumers being unavailable to view the shipping and handling, and tax charges before the completion of ordering process</td>
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<tr>
<td>82</td>
<td>Charging the consumer for the replaced/exchanged item even though the company withholds the fee of the original order, and then paying back the extra fee to the consumer’s account</td>
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<tr>
<td>83</td>
<td>Inconsistent information given to customers by employees due to ignorance of and/or neglect in application of company policies</td>
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<tr>
<td>84</td>
<td>Absence of privacy policy of a company and/or insensitivity of the company to right to privacy</td>
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<tr>
<td>85</td>
<td>Charging shipping and handling fee on each product on the basis of quantity of products not weight of the products</td>
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<tr>
<td>86</td>
<td>Inappropriate or inadequate product categorisation on the web site (e.g., company not alphabetising the stocks, putting the unrelated products in the same category, and etc.)</td>
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<tr>
<td>87</td>
<td>Unsatisfactory design and features of the products</td>
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<tr>
<td>88</td>
<td>Order delay or cancellation by the company due to being discontinued after the acceptance of order by the system</td>
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<tr>
<td>89</td>
<td>Lack of overseas/abroad delivery option of a company</td>
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<td>90</td>
<td>Wrong pricing on the web site due typographic errors</td>
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<td>91</td>
<td>Abuse of the employee by the company due to unfair internal company policies</td>
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<td>92</td>
<td>Socially unacceptable, controversial advertising (offensive advertising)</td>
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<td>93</td>
<td>No option on the web site for consumers to download or printout rebate coupons and gift certificates etc.</td>
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<tr>
<td>94</td>
<td>Disgusting web site content (pornographic, violence, etc.)</td>
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</tr>
<tr>
<td>95</td>
<td>Companies having graphic intensive web sites (difficulty to view graphic intensive web sites)</td>
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</tbody>
</table>
Billing and charging sales tax on the product even though the state of the consumer is tax exempt

* N=80 complainants; 159 is the total frequency of all complaint areas.

Table 4.28 shows the frequencies of complaint areas for a total of 80 Turkish consumers. According to the table Turkish consumers have experienced 159 incidences of complaint themes. In other words, the complainants reported a total of 159 problems, for an average of 1.99 occurrences (159/80 for complainants reporting problems.

In Turkey consumers most frequently complain about “e-mail and/or phone customer service not responding to messages”, and it is followed by “failure of the company to honour refund and/or exchange the product” “Low Quality/performance of the products”, and “defective/faulty products” are the two other commonly seen complaint areas in Turkey. In fact the top two complaint areas does not show a difference between Turkish and US consumers, but product related complaints are much higher for Turkish consumers than US consumers. “Non-delivery of the product/ Failure to honour the delivery” and “partial/ incomplete delivery of the merchandise” are the next two most reported complaint areas for Turkey, which are respectively in the third and thirteenth ranks for US consumers.

4.4.5 The Frequencies of Complaint Areas by On-line Store Category for Turkey

The frequencies of complaint areas for Turkish consumers give a general idea about the most frequently encountered problems while shopping on-line. Since one of the research objectives of this study is to investigate whether the frequencies of these complaint areas differ among on-line store types, a cross-tabulation table is presented below in order to show the frequencies of aforementioned complaint areas
across on-line store categories. The on-line store categories in Turkey are not as wide as those in USA, there are only nine on-line store categories, and they are denoted by Roman numerals: I. Baby Stores, II. Beauty and Health Stores, III. Book and Music Stores, IV. Clothing Stores, V. Department Stores, VI. Food and Grocery Stores, VII. Home, Garden and Furniture Stores, VIII. Toy Stores, and IX. Electronics and Computer Stores.

The columns of the Table 4.29 show on-line store categories, which are represented by Roman numerals. The rows of the Table 4.29 point the complaint areas, in the same sequence of the Table 4.28, which represents the frequencies of complaint areas. In other words, row 1 represents the “failure of the company to honour refund and/or exchange the product”, row 2 represents the “e-mail and/or phone customer service not responding to messages”, and so on. On the other hand, column 1 shows “baby stores”, column 2 shows “beauty and health”, and so on. The intersection point of column 1 with row 1, then, gives the frequency of complaints about the “failure of the company to honour refund and/or exchange the product” for the “baby stores”. On the other hand, the intersection point of column 1 with row 2 gives the frequency of the “e-mail and/or phone customer service not responding to messages” among “baby stores”.
Table 4.29 - The Frequencies of Complaint Areas by On-line Store Categories for Turkey

<table>
<thead>
<tr>
<th>Complaint Areas</th>
<th>I</th>
<th>II</th>
<th>III</th>
<th>IV</th>
<th>V</th>
<th>VI</th>
<th>VII</th>
<th>VIII</th>
<th>IX</th>
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<td>94</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
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<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
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</tr>
<tr>
<td>95</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
</tr>
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<td>96</td>
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<td>0</td>
<td>0</td>
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<td>0</td>
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<td>Column Total</td>
<td>2</td>
<td>4</td>
<td>15</td>
<td>2</td>
<td>72</td>
<td>7</td>
<td>3</td>
<td>5</td>
<td>49</td>
<td>159</td>
</tr>
</tbody>
</table>
The above table shows that on the store category the highest level of complaint occurrence is seen at on-line department stores, and it is followed by, respectively, electronics and computer stores, and books and music stores. On the complaint area basis, the “e-mail and/or phone customer service not responding to messages” has the highest frequency, and it is followed by “failure of the company to honour refund and/or exchange the product”, “low quality/performance of the products”, and “defective/faulty products”.

On-line department stores receive approximately half of the complaints about “failure of the company to honour refund and/or exchange the product” and “e-mail and/or phone customer service not responding to messages”. The reason of this can be the fact that these stores usually sell a wide range of products and brands. Moreover, the high frequency of complaints in this category can also cause a high frequency in this store category.

Another significant finding of the table above is that “partial/ incomplete delivery of the merchandise” as a complaint area has been more frequently seen among electronics and computer stores category. “Inadequate staff knowledge, staff not having and/or giving accurate information” as a complaint area receives four out of the six complaints in the category of electronics and computer stores. Since majority of products in this type of stores is high tech products, it seems consequential to have this type of complaint area at maximum level among electronics and computer stores.

Both the number of complainants and the number of on-line store categories in Turkey are limited. Hence it will not be appropriate to make a comparison between Turkey and USA on the basis of complaint areas and store categories. Likewise, it will not be suitable to make further interpretations because of these limitations.
4.4.6 The Top Five Complaint Areas for On-line Store Categories in Turkey

In this section, the top five complaint areas for on-line stores are presented; however, this presentation will be done only for book and music stores, department stores, and electronics and computer stores. This is because other stores do not have adequate complaint frequency. The X-axes of the figures are represented by complaint area codes; for instance the complaint area code 1 means “failure of the company to honour refund and/or exchange the product” and soon.

Table 4.30 – The Top Four Complaint Areas for Book and Music Stores

<table>
<thead>
<tr>
<th>Code</th>
<th>Complaint Area</th>
<th>Frequency</th>
</tr>
</thead>
<tbody>
<tr>
<td>2</td>
<td>E-mail and/or phone customer service not responding to messages</td>
<td>3</td>
</tr>
<tr>
<td>3</td>
<td>Non-delivery of the product/ Failure to honour the delivery</td>
<td>3</td>
</tr>
<tr>
<td>8</td>
<td>Charging and billing for the non-delivered product or non-delivered portion of an order</td>
<td>2</td>
</tr>
<tr>
<td>12</td>
<td>Discouraging attitude and insufficient service of the staff</td>
<td>2</td>
</tr>
</tbody>
</table>

Figure 4.28 – The Top Four Complaint Areas for Book and Music Stores
### Table 4.31 – The Top Five Complaint Areas for Department Stores

<table>
<thead>
<tr>
<th>Code</th>
<th>Complaint Area</th>
<th>Frequency</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Failure of the company to honour refund and/or exchange the product</td>
<td>8</td>
</tr>
<tr>
<td>2</td>
<td>E-mail and/or phone customer service not responding to messages</td>
<td>7</td>
</tr>
<tr>
<td>14</td>
<td>Defective/faulty products</td>
<td>7</td>
</tr>
<tr>
<td>6</td>
<td>Low Quality/performance of the products</td>
<td>6</td>
</tr>
<tr>
<td>10</td>
<td>The rude/ impolite/discourteous customer service representatives</td>
<td>4</td>
</tr>
</tbody>
</table>

### Figure 4.29 – The Top Five Complaint Areas for Department Stores

[Bar chart showing the top five complaint areas for department stores with the following frequencies: 8, 7, 7, 6, 4.]
**Table 4.32 – The Top Five Complaint Areas for Electronics and Computer Stores**

<table>
<thead>
<tr>
<th>Code</th>
<th>Complaint Area</th>
<th>Frequency</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Failure of the company to honour refund and/or exchange the product</td>
<td>5</td>
</tr>
<tr>
<td>2</td>
<td>E-mail and/or phone customer service not responding to messages</td>
<td>5</td>
</tr>
<tr>
<td>17</td>
<td>Inadequate staff knowledge, staff not having and/or giving accurate information</td>
<td>4</td>
</tr>
<tr>
<td>11</td>
<td>Incorrect billing due to double charging, overcharging, and/or unauthorised charging</td>
<td>3</td>
</tr>
<tr>
<td>13</td>
<td>Partial/Incomplete delivery of the merchandise</td>
<td>3</td>
</tr>
</tbody>
</table>

**Figure 4.30 – The Top Five Complaint Areas for Electronics and Computer Stores**

![Bar chart showing the top five complaint areas for department stores]
4.5 The Classification of Complaint Areas

Consumer complaints about on-line stores are examined and 96 complaint areas are found. Nevertheless the amount of the identified complaint areas are very large, so it has been decided to classify these complaint areas into categories. Based on the content analysis steps, the categorisation process is given in the following parts.

4.5.1 Aggregation of Themes into Broader Categories

As it has been stated in the methodology part of the research, three coders with different educational backgrounds are used in order to classify 96 complaint areas into broader categories. Three coders independently aggregated 96 complaint themes into a total of 22 broader categories. The categorization of coders is presented below:

<table>
<thead>
<tr>
<th>Coder 1</th>
<th>Coder 2</th>
<th>Coder 3</th>
</tr>
</thead>
<tbody>
<tr>
<td>Logistics</td>
<td>Order and Delivery</td>
<td>Shipping</td>
</tr>
<tr>
<td>Order Management</td>
<td>Web Site and Infrastructure</td>
<td>Company-Consumer Relations</td>
</tr>
<tr>
<td></td>
<td>Inventory</td>
<td>Customer Service</td>
</tr>
<tr>
<td></td>
<td>Ethical</td>
<td>Pricing and Cost</td>
</tr>
<tr>
<td></td>
<td>Customer Service</td>
<td>Product and Quality</td>
</tr>
<tr>
<td></td>
<td>Payment/Pricing</td>
<td>Firm Policy</td>
</tr>
<tr>
<td></td>
<td>Product/service</td>
<td></td>
</tr>
<tr>
<td></td>
<td>After Sales</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Content/Web Site</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Service Representatives</td>
<td></td>
</tr>
</tbody>
</table>
The first coder, who has an industrial engineering background, generates 10 categories. The second and third coders, who are Ph.D candidates in the field of finance, both generate 6 categories. Hence, a total of 22 categories are originated.

4.5.2 Selection of a Final List of Complaint Categories

In this stage, a mutually exclusive and exhaustive list of 10 categories is derived from the 22 categories, which are developed by the coders. Then this list, with an attachment of 96 complaint themes, is given to the judges of the study. Three female judges all have a doctorate degree in marketing proposed that it would be better to include one more category and change the name of one of the existing categories. Since the marketing professors of Management Department of Boğaziçi University, also advice these changes, the number of categories is increased from 10 to 11, and the name of one of the existing categories is changed. Finally, the researcher creates 11 categories from the 22 broader categories of coders. Below the first table gives the initial categorisation and the second table gives the final categorisation after the completion of necessary changes.

Table 4.34 – The Initial Categorisation of Complaint Areas

| I. | Delivery Related Issues |
| II. | Customer Relations and Services Related Issues |
| III. | Product and Product Supporting Services Related Issues |
| IV. | Return/Exchange and Refund Policy Related Issues |
| V. | Order Process Related Issues |
| VI. | Billing and Payment Related Issues |
| VII. | Immoral and Unethical Issues |
| VIII. | Web Site Content and Technology Related Issues |
| IX. | Pricing Related Issues |
| X. | Company Related Issues |
Table 4.35 – The Final Categorisation of Complaint Areas

| I. | Delivery Related Issues |
| II. | Customer Relations and Services Related Issues |
| III. | Product and Product Supporting Services Related Issues |
| IV. | Return/Exchange and Refund Policy Related Issues |
| V. | Order Process Related Issues |
| VI. | Billing and Payment Related Issues |
| VII. | Promotion and Advertising Related Issues |
| VIII. | Web Site Content and Technology Related Issues |
| IX. | Pricing Related Issues |
| X. | Company Related Issues |
| XI. | Privacy Related Issues |

As it is seen from the tables above the “promotion and advertising” category is added, and the name of the “immoral and unethical issues” is changed to “privacy”, after extracting advertising related ethical issues from this category, and placing them under the category of “promotion and advertising related issues”.

4.5.3 Assignment of Complaint Areas into Complaint Categories

In this section, aforementioned 96 complaint areas are placed under the 11 complaint categories. Three judges, with doctorate degrees in marketing, are asked to assign each of 96 complaint themes to the category that fits best to its content. This final classification of complaint areas into 11 categories has very high pairwise judgement percentage agreements, which are respectively 94.79%, 85.41%, and 85.41%. In addition, the Cohen’s κ results range between 0.941585 and 0.836576, which are very close to the perfect agreement level of 1.
4.5.3.1 Classification of Complaint Areas for USA

Initially, the complaint areas, which are assigned to the same category by all the three judges, are placed. Then the complaint areas that are assigned to the same category by at least two judges are placed; the categorisation of twelve complaint areas is done according to the majority of judges. However, there are three complaint areas which are not categorised according to the majority of judges, in these three cases the researcher prefers the categorisation made by a single judge depending her own knowledge and expertise about the topic. On the other hand, there are only two cases, in which the researcher uses her own judgement depending on her knowledge about the content of the complaints and scope of the research. In these two cases, even though two of the judges agree, the researcher prefers the choice of the other judge.

The following table shows the final categorisation of 96 complaint themes under the 11 complaint categories based on the process described above. Please see the appendix for the comparison of classifications of the three judges.

**Table 4.36 - The Classification of Complaint Areas for USA**

<table>
<thead>
<tr>
<th>Categorisation of Complaints</th>
<th>Frequency</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>I. Delivery Related Issues</strong></td>
<td>1259</td>
</tr>
<tr>
<td>1. Non-delivery of the product/failure to honour the delivery</td>
<td>382</td>
</tr>
<tr>
<td>2. Failure to honour the shipping and delivery period</td>
<td>319</td>
</tr>
<tr>
<td>3. Delivery of a wrong or unwanted product</td>
<td>171</td>
</tr>
<tr>
<td>4. Partial/incomplete delivery of the merchandise</td>
<td>154</td>
</tr>
<tr>
<td>5. Products damaged during delivery due to inadequate/low quality of shipping containers</td>
<td>67</td>
</tr>
<tr>
<td>6. Despite selecting and being charged for the fast shipment option, the delivery of the product by slow/ground shipment</td>
<td>62</td>
</tr>
<tr>
<td>7. Delivery of the merchandise to a wrong address by the company</td>
<td>51</td>
</tr>
<tr>
<td>8. Not handling the product to the recipient</td>
<td>16</td>
</tr>
</tbody>
</table>
9. Lack of shipping and delivery courier alternatives of the company 15
10. Lack of alternative delivery options of the company 13
11. Lack of overseas/abroad delivery option of a company 9

II. Customer Relations and Services Related Issues 1161
1. E-mail and/or phone customer service not responding to messages 401
2. The rude/impolite/discourteous customer service representatives 169
3. Discouraging attitude and insufficient service of the staff 164
4. Inadequate staff knowledge, staff not having and/or giving accurate information 108
5. Long waiting time on the phone 67
6. Sending casual, automated/generic e-mails as a response to specific queries of the consumers 66
7. Not allowing consumers to speak upper/higher level managers, not giving the names of the managers/supervisors 61
8. Company without a toll-free number 39
9. Absence of a virtual operator or telesecretary 30
10. Have to talk with different customer representatives and describe the event/problem several times 29
11. Account deactivation or cancellation of a consumer by the company without notification and explanation 16
12. Inconsistent information given to customers by employees due to ignorance of and/or neglect in application of company policies 11

III. Product and Product Supporting Services Related Issues 708
1. Low quality/performance of the products 219
2. Defective/faulty products 151
3. Unsatisfactory repair, maintenance and technical support 106
4. Selling duplicated/fake, counterfeit, or refurbished products 43
5. Poor selection/availability of products 41
6. Product warranty and guarantee related problems 42
7. Problems occurring because of low quality of packaging and wrapping of the product 31
8. Selling harm giving/unsafe/dangerous products 26
9. Product without manual/guide, other documentation, warranty registration papers, and/or formal retail package 25
10. Inconsistent or inadequate labelling 14
11. Unsatisfactory design and features of the products 10
IV. Return/Exchange and Refund Related Issues

1. Failure of the company to honour refund and/or exchange the product
2. Company's failure to honour shipping fees of return/exchange products
3. Consumers incurring restocking fee while returning and/or exchanging the product to the company
4. Unavailable prepaid postage return or exchange labels
5. Company not permitting its consumers to make returns/exchanges in the brick and mortar store
6. Charging the consumer for the replaced/exchanged item even though the company withholds the fee of the original order, and then paying back the extra fee to the consumer's account

V. Order Process Related Issues

1. Failure to send notification and explanation about order delays and cancellations during or after the order process
2. Inadequacy or absence of on-line order status and/or shipping tracking system
3. Order process system not permitting consumers to cancel an order before shipment
4. Order delay or cancellation by the company due to being out of stock after the acceptance of order by the system
5. Shipment of a product even though it is cancelled by the consumer
6. Order delay or cancellation by the company due to being backordered after the acceptance of order by the system
7. Order delay or cancellation by the company due to credit card charging problems after the order accepted by the system
8. Delivery of an unauthorised substitute, without notification during or after the order process, when the ordered product is unavailable
9. Order delay or cancellation by the company due to wrong quoting price and/or price changes after the acceptance of order by the system
10. Order cancellation after the completion of the order process by the company due to the invalidity of coupons and gift certificates used by the consumer
11. Inability of a consumer to change delivery date, address, credit card information, amount or content of the order before shipment
12. Order delay or cancellation due to differences between billing and shipping addresses after the acceptance of order by the system
13. Order delay or cancellation by the company due to being discontinued after the acceptance of order by the system

**VI. Billing and Payment Related Issues**

1. Charging and billing for the non-delivered product or non-delivered portion of an order

2. Incorrect billing due to double charging, overcharging, and/or unauthorised charging

3. Billing and charging consumers upon ordering not shipping

4. Billing and charging the cancelled order

5. Billing and charging for someone else’s purchase, or unwanted/not ordered products

6. Charging/billing the consumer for his cancelled membership/ account

7. Lack of alternative payment methods

**VII. Promotion and Advertising Related Issues**

1. Failure of the company to honour the rebates, gifts, coupons, and other promotions

2. Product not as agreed on, described, or seen on the web site of the company

3. Misleading and deceiving advertising

4. Misrepresenting the promotional offers, terms, and rules

5. Bait and switch practices

6. Socially unacceptable, controversial advertising

**VIII. Web Site Content and Technology Related Issues**

1. Listing the product in stock on the web site even though it is out of stock, backordered, or discontinued

2. Inability to use promotional coupons and gift certificates due to technical problems

3. Unavailable or invalid company information on the web site

4. Shopping difficulties due to web site navigation problems, web site technical errors, and web site not being user friendly

5. Scarce or inadequate information about the product on the web site

6. Difficulty to access company’s web site or some of the links on its web site

7. Absence of unsubscribe option

8. Inaccurate and/or inadequate information about company policies, procedures, promotions, etc. on the web site
9. Problems occurring due to inadequate web site security 14
10. Consumers being unavailable to view the shipping and handling, and tax charges before the completion of ordering process 12
11. Inappropriate or inadequate product categorisation on the web site 10
12. Wrong pricing on the web site due typographic errors 7
13. No option on the web site for consumers to download or printout rebate coupons and gift certificates etc. 5
14. Disgusting web site content 4
15. Companies having graphic intensive web sites 3

IX. Pricing Related Issues 264
1. Excessive fees/prices for shipping and handling 86
2. Unfair pricing 45
3. Failure to honour price match policy/price guarantee policy 42
4. Failure of the company to honour the given or stated price in transactions 30
5. Price irregularities and/or inconsistencies 29
6. Inconsistency between on-line store pricing and brick and mortar store pricing 19
7. Charging shipping and handling fee on each product on the basis of quantity of products not weight of the products 10
8. Charging sales tax on the product even though the state of the consumer is tax exempt 3

X. Company Related Issues 127
1. Problems occurring because of the business partners/affiliates of the company 50
2. Unfair changes in company policies 40
3. Problems occurring due to bankruptcy, acquisition or mergers of the company 32
4. Abuse of the employee by the company due to unfair internal company policies 5

XI. Privacy Related Issues 81
1. Company sending unsolicited/unwanted e-mails 53
2. Selling/sharing information about consumers to/with third parties or business partners 18
3. Absence of privacy policy of a company and/or insensitivity of the company to right to privacy 10
As it is seen from the Table 4.36, all 96 complaints are classified under 11 categories. Even though “failure of the company to honour refund and/or exchange the product” and “e-mail and/or phone customer service not responding to messages” are the top two complaint areas, when all complaint areas classified, delivery related issues become the top complaint category. Moreover, delivery related issues consist of the complaint areas, which are placed among the top ten complaint areas list. These complaint areas are respectively: “non-delivery of the product/failure to honour the delivery, “failure to honour the shipping and delivery period”, and “delivery of a wrong or unwanted product”. Interestingly, the second highest complaint category is purely related with services; the complaint areas under the category of “customer relations and services related issues” are the supporting services, which add value to the core product. The third complaint category is related with products and product supporting services.

Another crucial finding is that despite the discussions about the privacy related issues in both academic and business environments, consumers’ level of complaints about privacy is around 1% of the total complaints. This can be because of the consumers’ unawareness about the methods used to violate their privacy. For instance, one of the consumers writes a complaint about a bookstore and asks some questions:

“… Do they keep all information that I gave them last year? I don’t know how this happened. Is it possible? When I entered their web site, I see all information about me…yes you guess it! even my credit card info…”

Web site content and technology related issues constitute 8% of all complaints. The complaints about “web site content and technology” are problems that are
unique to Internet environment, hence they carry special importance. Moreover, some of the complaints are not accustomed under traditional business environments.

Finally, pricing related complaint category is expected to be high, but in contrast, it only constitutes 4% of all complaint frequencies. Consumers’ access to better information about products and greater selection of products on the web, combined with lower operating costs of Internet businesses lead a reduction in prices, hence this can be reason of low rates of price related complaints.

The following table presents the frequency distribution of complaint categories.

Figure 4.31 – The Frequency Distribution of Complaint Categories for USA
4.5.3.2 Classification of Complaint Areas for Turkey

When the same categorisation is done for the Turkish consumers’ complaints the following table is formed. Since most of the complaint areas are not found for Turkey due to the limited sample size of Turkish complaints, only the cumulative results are given in this table. As it can be seen from the table, one of the complaint categories even does not exist in Turkey.

<table>
<thead>
<tr>
<th>Complaint Categories</th>
<th>Frequency</th>
</tr>
</thead>
<tbody>
<tr>
<td>Delivery Related Issues</td>
<td>19</td>
</tr>
<tr>
<td>Customer Relations and Services Related Issues</td>
<td>41</td>
</tr>
<tr>
<td>Product and Product Supporting Services Related Issues</td>
<td>27</td>
</tr>
<tr>
<td>Return/Exchange and Refund Policy Related Issues</td>
<td>20</td>
</tr>
<tr>
<td>Order Process Related Issues</td>
<td>9</td>
</tr>
<tr>
<td>Billing and Payment Related Issues</td>
<td>17</td>
</tr>
<tr>
<td>Promotion and Advertising Related Issues</td>
<td>4</td>
</tr>
<tr>
<td>Web Site Content and Technology Related Issues</td>
<td>16</td>
</tr>
<tr>
<td>Pricing Related Issues</td>
<td>4</td>
</tr>
<tr>
<td>Company Related Issues</td>
<td>2</td>
</tr>
<tr>
<td>Privacy Related Issues</td>
<td>0</td>
</tr>
</tbody>
</table>

The major difference between Turkey and USA is in the sequence of complaint categories. The delivery related issues ranks fourth for Turkey, while it ranks first for USA. The category of “customer relations and services related issues” has the highest complaint frequency among Turkish complaints. Moreover, core product and services related complaints subsequently follows value added services. Interestingly, the category of “product and product supporting related issues” is followed by the category of “return/exchange and refund policy related issues”. Hence, as a
conclusion it can be said that, product and product supporting services accompanied by value added services constitute the top three complaint categories for Turkey. Another interpretation can be made about the web site content and technology related issues, which receives a higher proportion of complaint frequency in Turkey when compared to that of USA. This can be due to the recentness of Internet technologies in Turkey, and to the inadequate technological infrastructure. Finally, privacy related complaint category does not exist for Turkish complainants. Nevertheless, this must not be interpreted as an extraordinary situation, because even in USA privacy related complaint category constitutes only 1% of all complaints. The below figure shows the frequency distribution of complaint categories for Turkey.

Figure 4.32 – The Frequency Distribution of Complaint Categories for Turkey
4.6 The Feelings and Attitudes of Complainants

In this part the feelings and attitudes of consumers who have complained about on-line stores are presented. First the consumer dissatisfaction and on-line shopping, and then the way in which consumers express their feelings and attitudes about on-line shopping are described. The text of the consumers are reported verbatim.

4.6.1 Consumer Dissatisfaction and On-line Shopping

Internet technology and electronic commerce not only reduce the operation costs of businesses but also enhance customer services. On-line shopping offers several advantages to customers. Today consumers, without leaving their homes or offices, can access thousands of on-line stores, search information about products, compare prices, and purchase everything from books to clothes. Internet makes consumers much more conscious about choices and prices available to them. Besides time saving and convenience advantages of on-line shopping, consumers also benefit from economical prices, better information about products, and greater selection of products. However, for the survival of on-line business, companies should convince consumers to use on-line shopping. In order to do so, the first thing is to understand what consumers expect from on-line shopping.

Some consumers, even though they shop on-line, still have some resistance against on-line shopping. For instance, a consumer describes her thoughts about on-line shopping as follows:

"...I know you have a web store too, but it's not the same as browsing, touching, smelling and sampling things before you buy... Yes, we can shop online, but I prefer to see and touch cosmetics before I buy them, unless I'm repurchasing something I already own." (Sandra T., complains about an on-line cosmetics store)
Another complainant, Austin H. mentions:

"...unfortunately e-commerce has a long way to go before the customer service and security aspect of it all can match the convenience of purchases."

The following part tries to explain the reason of this resistance against on-line shopping.

When on-line companies do not fulfil the aforementioned benefits (time, convenience, cost, and etc.) of on-line shopping, the dissatisfaction of consumers will be higher. For example a consumer, who buys books on-line complains about late shipping and delivery, describes his complaint as follows:

"...All in all, my order required 5 phone calls and nearly 2.5 hours on the phone with your customer service department. Internet shopping is supposed to save time and energy. This experience was quite the opposite. I would definitely think twice before spending money at your site again...”.

One of the consumers who has an unfavourable experience with a on-line music store explains:

"...I purchase online because online shopping is convenient and costs less, however, if it takes more than half a month for the order to dispatch, I could rather pay more and purchase locally."

As it is seen when the expectations are not met, a discrepancy occurs. In other words, when on-line companies can not fulfil the benefits of on-line shopping, consumer dissatisfaction takes place. According to Antonides and Raaij (1998, p. 481) “disconfirmation theory assumes that consumer satisfaction or dissatisfaction results from a positive or negative discrepancy between the outcome and the expectations regarding a purchase”. The findings of the previous part indicate that consumers have 11 different complaint categories (delivery, customer relations and
services, product and product supporting services, return/exchange and refund
policy, order process, billing and payment, promotion and advertising, web site
content and technology, pricing, company, and privacy related issues). That is to say
11 complaint categories cause dissatisfaction among consumers regarding to on-line
shopping. Therefore, it is proposed that:

\[ P_1: \text{The greater the discrepancy between expectations and outcomes related to} \]
\[ \text{eleven complaint categories about on-line shopping, the greater the} \]
\[ \text{dissatisfaction of consumers from on-line shopping.} \]

When consumers are dissatisfied from an on-line store, they tend to make
pessimistic and negative generalisations about on-line shopping. Here is an example:

"...I advice folks to buy from your local book stores and stay away from
(company name) for its less than ethical business practice." (Gregory A.)

Arthur L., another consumer, specifies his disappointment from a music store in
the following way:

"I have had such an awful experience internet shopping that, even though I have
had half a dozen positive experiences shopping via the internet, that I am not sure I
will ever shop via the internet ever again...".

Another consumer, who has a frustrating experience with an electronics and
computer store, expresses his feelings in the following way:

"...I find that in an era when consumers are being encouraged to use e-
commerce that my experience with (company name) is a bad omen in which I, as a
consumer, is beginning to question the rapid move toward e-commerce. I have never
prior to (company name), had a merchant refuse to honor a current listed advertised
price. If this attitude by (company name) is a sign of the future of e-commerce, consumers will turn away from buying and trusting information online.” (company name is extracted from the text).

The following are some examples from different consumers, who make generalisations from the unfavourable experiences that they lived:

“It's companies like this one that give on line shopping a bad reputation. Hope this mail opens everyone's eyes about shopping online...” (Robert B.)

“...This kind of shoddy and irresponsible action should not reflect on the many honest and legitimate organisations doing business on the internet and elsewhere, but I know that I will be much more cautious and extremely reluctant to order anything on-line in the future because of this experience.” (Melissa F.)

As the above examples show, consumers make generalisations about on-line shopping from a single negative event. Antonides and Raaij (1998, p. 480-481) classify expectations at four levels: the general level, category level, brand level, and transaction level. According to authors, “expectations at different levels influence each other. Expectations regarding the product category influence the expectations regarding a brand. Conversely, outcome at the brand level and the transaction level are frequently generalised to the category level” (p, 481). Then a negative experience about an on-line store, which causes dissatisfaction, can lead to further generalisations. Hence, it is proposed that:

\[ P_2: \text{The higher the dissatisfaction level from an on-line store regarding to aforementioned complaint categories, the higher the likelihood to generalise this dissatisfaction to whole on-line businesses.} \]
and also;

\[ P_3: \text{The higher the dissatisfaction from an on-line store regarding to eleven complaint categories, the lower the tendency of a consumer to shop on-line again.} \]

Complainants, from time to time, compare on-line shops with brick and mortar stores, and describe why they don’t prefer on-line stores. As one of them points out:

“...With all the options out in brick and mortar land to buy these products, I honestly fail to see the attraction of buying something as intricate and complex as a computer over the Internet. I realize the allure of no sales tax so there is a slight savings even when you factor in shipping, but that is a huge tradeoff for not being able to see and handle the product before plunking over a chunk of hard earned cash”.

Another one, who complains about a company’s failure to honour the stated price after the transaction, also compares on-line stores and brick and mortar stores and reports that:

“...I can’t imagine walking into my local toy store, paying for a product, waiting for it to be delivered to me, and in the meantime the store calls me up and says: sorry, but you’re going to have to pay a higher price if you actually want the product sent to you. Unbelievable way to do business...”.

Consumers usually make comparisons on the basis of price, shipping and handling costs, etc. One such consumer compares on-line store with a brick and mortar store on the basis of shipping and handling fees states that:
“...Your shipping rules and regulations that actually make me end up paying equivalent to or sometimes higher than what I would have to pay for a comparable product from a normal bricks and mortar retailer.”

The followings are explicit and comprehensive examples of consumers’ comparison of situations encountered at on-line stores with those of encountered at brick and mortar stores:

“...This item was being used as a gift and now I do not have it to give, and I did not get the chance to replace it because no one contacted me. This experience would be the same as shopping in your B&M store and having an item in my cart, and when reaching checkout, have the cashier pull it out and tell me I can't buy it! I can not believe that your computer system does not have an up to date inventory of items listed on the site.” (Martha R.)

“...Imagine you go to a store to buy a product, and they sell you the item, and take your money. They go in the stockroom and come back and tell you that they don’t have it and don’t know when they will get it. You ask for your money back, since you are not getting what you paid for. You are told to come back in a month for your money. Who would accept this as a legitimate business practice?...” (Chris M.)

“I was at your website preparing to buy the: T-Fal Royale Gala Cookset (8-pc.) Reg $79.99 Now $19.94. I had this in my cart, had already given all my credit card & shipping info. I was getting ready to hit the button to purchase and I received a message saying that the item had been removed from my cart because it had been sold. This is ridiculous! It would be as if I was shopping in your store, put something in my cart. And then you come and take it out and say "Sorry, but we just sold this". If you wouldn't do this in the store than why is this okay for the internet?...”. (Liz C.)
As the complaint examples given above show, consumers try to explain their situations by comparing traditional stores with on-line stores. This is a way of communicating the unfairness that they encountered during on-line shopping. Therefore;

*P_4:* The lower the performance of on-line stores compared to brick and mortar stores with regard to eleven complaint categories, the higher the dissatisfaction of consumers about on-line stores.

Consumers are influenced from economic, social and political events that occur in their societies and affect them directly or indirectly. Occasionally, consumers associate some of the detrimental social, political, and economic events with their unfavourable experiences. One example is a consumer who writes a complaint about an on-line department store regarding to a rebate, which she did not receive. This consumer orders her product after September 11, 2001 terrorist attacks to World Trade Centre, and in her complaint she refers to this event:

"...There is a name for people who take money under false pretenses and make claims to get your money and then do not follow through on those claims. A lot of people who did this are in jail now. What makes (company name) any different? I expect them to file bankruptcy any day now, and leave us all poorer, angrier, and more distrustful of our fellow human beings than we were before their broken promises and empty excuses. (company name) hurt thousands of people. They may not be terrorist but this kind of cheating people, hurts their pride and helps to create tension and anger. (company X) is taking a lot more than our money..." (company name is extracted from the text).
Another complainant, who also mentions the terrorist attacks, reports that:

"...I think, the only reason why the (company name) Outlet store is located in the Miami area, is because of the amount of crime that exists here. The (company name) Outlet store must have a business philosophy similar to the type of business philosophy that prevails in the Miami area. Mr. (manager name) also must go along with the type of political philosophy that exists in Miami, because Miami's politics is mostly crooked. As a good example of what I am stating, the current news is filled with the fact that most of the WTC terrorists trained and lived in the Miami area prior to Sept. 11th. So, if the Miami area is known to be so bad, then it's easily assumed the businesses that exist here are the same. So, I think the Miami area was chosen by the (company name) owners, mainly because there are so many "suckers" to sell their "defective" products to." (company and manager names are extracted from the text).

One of the consumers mentions the existence of problems all over the world, and then points out that he will be less likely to use e-commerce in the future:

"...I'm raising children and teaching them to be honest to make this society a better place than places such as what we are fighting against in other parts of the world. But when companies like this are allowed to breed these kinds of practices, then my children's future is even more in danger. I entered into this transaction kind of skeptical about trusting the validity of internet commerce, and have come out of it believing in my gut feeling and will be less likely to use this venue to purchase items in the future. I believe the companies that practice these kinds of ethics only care to cut everybody's throats, that try to present themselves as honest only to get what they can until everyone is the wiser. Then they just put on a different face and do it all over again." (Dwayne D.)
The examples given above indicate that people sometimes refer to the negative events in the society that have deep impact in their lives. Consumers, who have unfavourable experiences with on-line stores, consciously or unconsciously, make connections between their experiences and the unpleasant societal events (e.g., terrorism). Another consumer refers to the war between Iraq and USA as the following way:

"...I gave it as a gift, and my boyfriend’s reserve unit was activated to go fight for our country in Iraq. When I called the company to tell them I needed to return it they would not take it back, because it was not noted as being a Christmas gift on the account. I purchased the item online and there was no place to input this type of information. I then called and was assigned a case number and was told they would look into the problem and get back to me. After 2 weeks I called back and they said someone had tried to contact me, and since I waited so to call back they would not take back the item. Anyone thinking about shopping from (company name), don't waste your time and money. The company, in my opinion, is more concerned with how much money they make and is not at all concerned with their customer, or apparently that their customer is off to war to protect their ability to function in the free world." (company name extracted from the text) (Jennifer B.)

Consumers are not only influenced by political and societal events, they also refer to major economic events in their complaints. Economic downturns or recessions, combined with the hard times of e-commerce also take place in the content of their messages. Some of the consumers point out the problems related with dot com businesses. As one of the consumers describe:
“...It appears (company name) is going the same way the rest of the DOT-COM E-Commerce Companies have gone. DOWNHILL and hanging by a thread! I switched to (company name) after (another company name) started to screw things up. Looks like I will have to go back to shopping at the local mall. Your prices and service do not even compare to brick and mortar stores. I guess I will do without the convenience of having items delivered to my home.” (company names are extracted from the text).

Hence, it is proposed that:

\[ P_3: \text{The higher the dissatisfaction of a consumer from an on-line store, the higher the tendency of a consumer to associate his/her negative experience with well-known but unfavourable societal, economic, or political events.} \]

The dissatisfaction of consumers about on-line shopping experiences was presented in this section. In the following part, the expression of feelings and attitudes of dissatisfied consumers’ is given.
4.6.2 Expression of Feelings and Attitudes about On-line Shopping

In this part, consumers’ expressions of their feelings and attitudes about on-line shopping are presented. The words that consumers use in order to describe their feelings are conferred, and then the words that they use to define on-line companies, which they complained about, are given. Finally, the expectations of the consumers from on-line stores regarding the solution of their complaints are summarised.

4.6.2.1 The Expression of Consumers’ Feelings

In the previous parts, firstly the major consumer complaint categories regarding on-line shopping are found through content analysis. Then, consumers’ dissatisfaction about on-line shopping is described by referring to several consumer complaint letters, and several propositions are presented. In this part, the most frequently used words by consumers while describing their dissatisfaction are examined.

According to Antonides and Raaij (1998, p. 190), “an emotion is a feeling of excitement (activation or ‘arousal’ of the central nervous system) with a positive or negative experience. Positive emotions include, for example, anticipation, relief and pleasure. Negative emotions include fear, sorrow and disgust...Positive and negative emotions and moods are jointly referred to as affects. Both can have an influence on consumer behaviour. Emotions are brief by nature, moods usually last longer”. In addition, “emotions are positive or negative, but not both. Primary emotions are pleasure, acceptance fear, surprise, sorrow, disgust, anger and anticipation...

Emotions are often opposites, like acceptance versus disgust, and pleasure versus sorrow. Finally, emotions may vary in intensity” (Antonides and Raaij, 1998, p. 191). It is aimed to figure out the words that are frequently used by consumers while
they are expressing their feelings regarding to the dissatisfaction that they lived about on-line shopping. For this purpose, all the 4019 complainant letters are reviewed, and words that express consumers’ feelings are selected.

<table>
<thead>
<tr>
<th>Expressions</th>
<th>Frequency</th>
</tr>
</thead>
<tbody>
<tr>
<td>Angry</td>
<td>1872</td>
</tr>
<tr>
<td>Frustrated</td>
<td>1285</td>
</tr>
<tr>
<td>Disappointed</td>
<td>1069</td>
</tr>
<tr>
<td>Cheated</td>
<td>983</td>
</tr>
<tr>
<td>Deceived</td>
<td>902</td>
</tr>
<tr>
<td>Dissatisfied</td>
<td>831</td>
</tr>
<tr>
<td>Confused</td>
<td>742</td>
</tr>
<tr>
<td>Disgusted</td>
<td>673</td>
</tr>
<tr>
<td>Upset</td>
<td>556</td>
</tr>
<tr>
<td>Ripped off</td>
<td>437</td>
</tr>
<tr>
<td>Furious</td>
<td>349</td>
</tr>
<tr>
<td>Aggravated</td>
<td>236</td>
</tr>
<tr>
<td>Screwed</td>
<td>183</td>
</tr>
<tr>
<td>Humiliated</td>
<td>135</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>10253</strong></td>
</tr>
</tbody>
</table>

However, the words that are at least mentioned by the 1% of the 4019 complainants (that is to say at least mentioned by 40 consumers) are picked. The following table shows the frequency and percentage of the words used by dissatisfied
consumers. Since one complainant can use more than one expression, the total of
expressions are more than 4019. It has to be also noted that approximately 2% of the
4019 complainants do not express their feelings, they merely describe the problem,
and demand a resolution. Hence 3939 complainants use 14 different words to express
their feelings. The total frequency to use these words is 10253, which makes an
average of 2.6 per consumer (10253/3939).

Occasionally, consumers use extremely powerful words, analogy, humour, or
symbols while they are expressing their feelings. Some of them write their letter in
upper case, or use upper case when they think they are writing the most crucial part
of their letter.

A consumer who gets extremely angry about a home decoration store and its
customer service representative describes his feelings as follows:

"...If Jesus Christ spoke to me the way your Customer Service Supervisor did, I'd
nail him back up. Let's hope she has to deal with not being able to get into her own
house someday, she might then just show a bit of empathy..." (Jason W.)

"...I'm beyond furious – words cannot describe how frustrated I am. At this point
I feel like (company name) has stolen from me and I have no trust that anything will
get resolved." (John D.) (company name extracted from the text)

Another consumer, who complains about the inadequacy of customer service of a
department store, writes her feelings:

"...I feel like I ought to get an Emmy for patience...and (company name)
Customer Service & Credit should get the award for the worst customer service and
incorrect information given. I guess total quality commitment is not part of the
(company name) company nor has anyone there heard of ANY type of customer
service. I am giving up and shopping ANYPLACE ELSE.” (Cindy M.) (company name extracted from the text)

Consumers, from time to time, use humour while they are reciting their experiences. One such consumer, who gets either wrong product or defective computer monitor on different occasions for the same order, writes in a humorous way:

“...SO NOW I'M IN THE PROCESS OF HAVING TO SPEND MORE OF MY MONEY & TIME INORDER FOR ME TO BE ABLE TO SEND THEM BACK THEIR BROKEN MONITOR, AND THEN WAIT, AGAIN, FOR MY MONITOR TO GET HERE... I'M EXPECTING A WASHING MACHINE THIS TIME... WHAT A JOKE THIS COMPANY IS!” (James F. S.)

Finally, another complainant advises the consumers about the following:

“...If you have the time, I recommend you call (company name) and try to buy something - just for fun. They are wild! Just don’t give them any real info. If you aren’t actually spending any money, you’ll be entertained and receive an education about online shopping.” (Susan S., complains about an electronics store).

4.6.2.2 Expressions Used to Define Complained Companies

Consumers not only describe their own feelings in their letters, but they also express their feelings about the companies that they complained about. Consumers usually use words, which criticise the companies’ ways of conducting their businesses. In the following table the words that are used by US consumers in order to define companies are presented with their frequencies. However, most of the consumers use more than one expression to define the companies, the frequencies do not match 4019.
Table 4.39 – The Expressions Used to Define Companies

<table>
<thead>
<tr>
<th>Expressions</th>
<th>Frequency</th>
</tr>
</thead>
<tbody>
<tr>
<td>Unfair</td>
<td>1259</td>
</tr>
<tr>
<td>Unethical</td>
<td>1025</td>
</tr>
<tr>
<td>Unreliable</td>
<td>987</td>
</tr>
<tr>
<td>Dishonest</td>
<td>856</td>
</tr>
<tr>
<td>Fraudulent</td>
<td>743</td>
</tr>
<tr>
<td>Unprofessional</td>
<td>518</td>
</tr>
<tr>
<td>Irresponsible</td>
<td>414</td>
</tr>
<tr>
<td>Incompetent</td>
<td>362</td>
</tr>
<tr>
<td>Scam</td>
<td>311</td>
</tr>
<tr>
<td>Disorganised</td>
<td>283</td>
</tr>
<tr>
<td>Arrogant</td>
<td>126</td>
</tr>
<tr>
<td>Unscrupulous</td>
<td>107</td>
</tr>
<tr>
<td>Con Artists</td>
<td>92</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>7083</strong></td>
</tr>
</tbody>
</table>

While preparing this table the words, which are used at least by 1% of US consumers are chosen. Hence, a word that is used at least by 40 consumers out of a total of 4019, is added to the above table. The total frequency is 7083, which means an average of 1.76 expression per consumer.
In addition to use the aforementioned expressions regarding defining companies, consumers also use some phrases in order to warn other consumers who will probably read their complaints. Some examples of these phrases are as follows:

- Buyer beware
- Save your hard-earned money
- Alert others
- It’s a matter of principle
- Let’s spread the word

Most of the consumers also specify the next action that they will take if they do not get a resolution to their complaints. Moreover, they also explicitly mention the things that should be done in order to compensate their problem. Here are the examples:

- Approximately 45% of all consumers explicitly state that what they want is a sincere apology; 34% of this 45% of consumers mention that they want an apology letter, which is officially written to their names.

- 41% of the complainants state that if their complaints are not resolved, then they will go to other authorities such as government agencies, consumer advocacy groups, etc. The most preferred institutions are State Attorneys and Better Business Bureau.

- Approximately 23% of the consumers state that, even if the companies resolve their complaint, they deserve extra compensations due to the suffering and inconvenience they incurred. Free shipping and handling, gifts, and discount coupons can be counted among the stated compensations.
• 12% of the complainers call other consumers to boycott the companies that
they complained about.

Up to now, all the findings of the research are presented. By taking the consumer
complaints as the starting point, it is aimed to define the ethical issues encountered
during on-line shopping. First the distribution of these complaints according to years,
and then according to shopping site categories are presented. Next complaint areas
are identified, and then complaint categories about on-line shopping are given.
Finally some further research topics are presented about on-line shopping by giving
some propositions. Moreover, in order to increase the robustness of the findings of
the study some additional findings related to consumer complaints are presented.

Before passing to the conclusion part, a framework is presented in the following
page. This framework depends on the potential and present ethical issues of e-
commerce, which are derived from consumer complaints about on-line shopping.
Therefore, the contribution of this research to the literature is the development of this
framework.
4.7 Ethical Framework for E-commerce

In this part, ethical issues of e-commerce are presented through a figure, which shows a transaction process. As it has been mentioned earlier, 11 complaint categories are found through the analysis of complaints; however, the occurrence of each of these complaint categories during a transaction depends on the phases of a transaction. When a transaction is taken as a three-phase process, the name of each phase is as follows: pre-transaction phase, transaction phase, and post-transaction phase. Different types of complaint categories occur in each phase of a transaction; nevertheless different complaint areas of a same complaint category can be seen at different phases of a transaction. For instance, “web site content and technology related issues” complaint category is seen both at pre-transaction stage and transaction stage. However, during the pre-transaction stage complaints can be related to “difficulty to access companies’ web sites” or “graphic intensive web sites”; but during the transaction phase complaints can be related to “scarce or inadequate information about products on the web site”.

The following figure shows a framework for ethical issues of e-commerce, in which types of complaint categories that can be encountered in each phase are illustrated. The dashed lines on the left side of the figure show that the problem can be sourced either by the company or by its suppliers. For instance, in the pre-transaction phase, company may list its product in stock on the web site even though it is out of stock. This can be attributable either to the company if it does not update its web site about stocks, or to its suppliers if they do not pass the right information through technological systems (such as electronic data interchange-EDI) about stocks to the company. However, consumers may not perceive this difference, hence these kind of problems are shown in dashed lines.
Figure 4.33 - Development of a Framework on Ethical Issues Based on Complaint Data about Electronic Commerce

I. Pre-transaction Phase

- Suppliers
- Web Site Content & Technology
  - Customer Relations & Services
  - Promotion & Advertising
- Company
- Consumers

II. Transaction Phase

- Suppliers
- Web Site Content & Technology
  - Order Process
  - Product & Product Supporting Services
    - Billing & Payment
      - Promotion & Advertising
    - Pricing
    - Delivery
    - Customer Relations & Services
- Company
  - Delivery Carriers
  - Delivery
- Consumers

III. Post-transaction Phase

- Suppliers
- Company
  - Return & Refund
    - Customer Relations & Services
    - Privacy
    - Promotion & Advertising
- Product & Product Supporting Services
- Consumers

* Arrows show relationship between parties, solid lines show ethical issue areas, and dashed lines show ethical issue areas that can be sourced by both the company and by its suppliers.
4.7.1 Pre-transaction Phase

During the pre-transaction phase consumers usually encounter three types of complaint categories: “web site content and technology”, “customer relations and services” and “promotion and advertising” related issues. “Web site content and technology related issues” can arise due to several reasons. These reasons are given as follows: graphic intensive web sites; difficulty to access company’s web site or some of the links on the web site; lack of or inaccurate information about company and, its policies and products on the web site; disgusting web site content; and listing the product in stock on the web site even though it is out of stock. As it has been previously mentioned the problem of “listing the product in stock on the web site even though it is out of stock” can be either due to the failure of company or its suppliers. However, the rest of the issues are solely related to company’s web site infrastructure and content.

The second problem area that occurs in the pre-transaction phase is relevant to “customer relations and services”. During this phase consumers may have questions about the products or services of a company, or they may want to learn more about the company and its polices. The most frequently met problems of this phase are unanswered e-mail or phone messages, rude and impolite customer service representatives, and inadequate staff knowledge. In fact most of the customer relations and services related problem areas can be seen in this phase. Hence, at this stage consumers usually contact with company’s service representatives for the first time. Therefore as an initial impression, the behaviour of customer service representatives gains significant importance. In addition, some technological infrastructure related investments, such as virtual operators and toll-free lines also have a considerable role in this stage.
Finally, promotion and advertising related issues are also encountered in this phase. Misleading/deceiving advertising, misrepresenting promotional terms and offers are the most frequently seen complaint areas. In addition socially unacceptable, offensive advertising can also be seen in this phase. However, it is clear that this type of issues can be met even in the transaction phase. Hence, the complaint categories explained in this phase are also illustrated in the second phase of the figure.

4.7.2 Transaction Phase

Contrary to the first phase, transaction phase has several complaint sources. Order process, delivery, billing and payment, product, pricing, promotion and advertising, web site content and technology, and customer relations and service, are the complaint categories that are seen in the transaction phase. In this phase, order process, and web site content and technology are the two areas, which can cause the rise of ethical issues either because of the company or because of its suppliers. As it has been stated earlier, to list products on the web site as if they were in stock can be both the failure of the company or its suppliers. To be out of stock or be backordered for a certain product can be sourced from the suppliers of a company. Hence, consumers can suffer from its consequences. Nevertheless, consumers do not evaluate this as a problem rooted from the company's suppliers or partners, rather they think its inefficient stock management of the company itself. Moreover, if the company does not take the feedback from its supplier that a product is discontinued then, it can not reflect accurate information on the web site. Therefore, consumers can suffer from order delay or cancellations even though their orders are accepted by
the company's system. Yet this can result due to the failure of the company or its suppliers.

After explaining the failures that can be attributable to both suppliers and the company, it is appropriate to examine the issues that are purely related to company about the order process. If a company does not send a notification that explains the delay or cancellation of an order, or in some cases if the company does not send a confirmation of an order, consumers get confused and can not be sure whether their order is accepted or not. Likewise, the absence of an order tracking system causes the same negative effect on consumers. Sometimes consumers want to cancel their orders due to several reasons—for instance when a consumer finds a product at a lower price, or when a consumer no longer benefits from the product, if the consumers can not cancel their orders prior to shipment, they will suffer from its consequences. Moreover, even though consumers cancel their orders through the system, the product can still be shipped from the company. If the order system accepts the cancellation of a consumer and if it is still shipped, then there should be a lack of communication between the divisions of the company. As it has been stated earlier, when the orders are delayed or cancelled due to being out of stock, backordered, or discontinued after receiving the acceptance by the order system, consumers incur several costs (financial costs, extra time and effort, etc.).

Order delays and cancellations are not solely related with stock situations. Credit card charging problems, usage of invalid coupons or gift certificates, and wrong quoting prices or price changes are other issues that cause order delays or cancellations. All consumers are aware that there can be problems during the ordering process. Yet what makes them disappointed is that when a delay or cancellation occurs due to the aforementioned reasons, these delays and cancellations
are not notified to the consumers during the order process; rather their orders are
accepted by the system at the end of the order process. Hence, consumers never think
that there is something wrong with their orders due to invalid coupons or credit card
charging problems. This not only causes consumers to spend extra time and effort,
but also a great frustration. However, there are advanced technologies which do not
permit consumers to go ahead to the end of the order process when something is
wrong (such as if a wrong credit card information is given, or if the coupons used are
invalid).

What makes a consumer more frustrated is to receive a substitution product when
the product that he orders is no longer available. Consumers complain that they were
never informed that their orders were not available, and never were notified that
substitutes were sent to them. Furthermore, if the products that are sent are lower
quality products or cheaper than their original orders, this also causes
disappointment.

Consumers rarely complain about order delay or cancellations due to differences
between billing and shipping addresses. In fact, this is a recent application of on-line
companies in order to prevent fraud. Certainly this is a right action, but what is
wrong is that, consumers are not informed about this situation, and they assume that
their order is accepted. In addition in some cases, even if the consumer is aware of
the application, he can not find a way to add an address other than the one written in
his billing address. Finally, another issue about order process is the inability of
consumers to change information about their orders (such as the amount or content of
an order, or delivery date and address, or credit card information). When a consumer
moves his house, or when his credit card exceeds its limit, he may want to change
the related information. Some of this information, such as delivery date and address,
can only be changed prior to delivery; while some of the information can be changed prior to shipment, such as order amount or content.

At the beginning of transaction phase, web site content and technology related issues, which can be rooted either by the company or by its suppliers, are explained. However, there are some other problems, which can be grouped under the category of web site content and technology. Web site navigation problems is one of them; when the web site of a company does not have a user friendly design, or when it frequently causes technical errors, then this leads inconvenience for the consumers. In addition, as described in the pre-transaction phase, difficulty to access the company’s web site or some of the links on the web site also upset consumers. It is clear that one of the major roles of a web site is its informative side. That is to say, web sites are used to give information about company (e.i. location of the company, telephone numbers, etc.), about its policies (return and refund policy, shipping and delivery policy, loyalty programs, etc.), and about its products and services. If the company fails to give one of the mentioned information, then consumers think that they are deceived. Hence, it is important to give accurate and plenty of information about the company itself, its policies, products and services.

On-line companies provide membership to their customers in order to inform them about upcoming news of the company and its products through newsletters or e-mails. However, if the web sites of the companies do not have unsubscribe option this will disturb consumers, who do not want to receive advertisements from the company.

Graphic intensive web sites of the companies also cause inconvenience for consumers since it takes a very long time to download such pages. Further, another complaint about the technical side of web sites occurs during the usage of
promotional coupons and gift certificates. During the transaction phase, consumers usually complain that they can not use promotional coupons due to technical errors on the web site. Moreover, absence of an option to download or print out rebate coupons or gift certificates also restricts consumers’ ability to use web sites of companies. Web site security is also related to the technological infrastructure of the web site. For instance, hackers can hack web sites easily and obtain every information about consumers (including credit card information) because of the inadequate web site security.

A company web site that can not provide its consumers the chance to view shipping and handling, and tax charges prior to completion of order process usually isevaluated as an incompetent and technically insufficient company by the consumers. Wrong pricing on the web site due to typographic errors is not something that can be inevitable if regular web site updates are done. But companies usually underestimate the importance of web site updates.

Some of the companies use pornography and violence on their web sites, which disgusts consumers. Further, the disturbance level of consumers increase when there is no relation between the usage of pornography or violence and the products of the company.

Finally, product categorisation on the web sites is also criticised by the consumers. In order to not to cause waste of time and effort, consumers demand appropriate product categorisation on the web sites. Since consumers use on-line shopping because of its time and effort saving features, such a demand seems logical from the consumers’ perspective.

Another confusion area about consumer complaints is the delivery issue. Delivery related complaints can be rooted from the company or the delivery carriers
it uses. Non-delivery, late delivery, delivery to a wrong address, and delivery of the product by slow shipment even though the consumer chooses fast option are the problem areas which can be the failure of either the company or the delivery carrier. For instance, the product can be delivered late on two circumstances: first, the company may ship it late, or the delivery carrier may deliver it late. Likewise, the non-delivery problem can be attributable to both parties too; it may be either never shipped from the company, or it may be lost during the delivery. However, there are only two cases, in which the delivery carriers are solely responsible: not handling the product to the recipient and products damaged during delivery due to inadequate shipping containers. If the carrier staff leaves the product to the neighbour or to somewhere in the garden, then this is a problem under the responsibility of the carrier company. In addition, if low quality package and shipping containers are used by the carrier company, then this will cause the damage of products. On the other hand, there are some problem areas, which are merely related to the company. Delivery of a wrong/unwanted merchandise, partial/incomplete delivery, lack of delivery options, lack of delivery carrier options, and lack of overseas delivery option are problems rooted from the company. If the company ships wrong product, then as a consequence the carrier company delivers the wrong product. Therefore, in the figure delivery related issues are shown both in the relationship between company and consumer, and delivery carrier and consumer.

Promotion and advertising related issues are also common during the transaction phase. Product not as agreed or seen on the web site is one such example. When transaction is completed, the consumer realises that what s/he received is not the product what s/he sees on the advertisements or on the web site. Moreover, bait and switch practices, misleading and deceiving advertising, and misrepresenting
promotional terms, offers, and rules are also usually detected in this phase. As it has been mentioned on the previous phase, however, promotion and advertising related issues are not only limited to the second phase. Same or different forms of promotion and advertising related issues are seen on all of the three stages.

During the beginning of the transaction phase, consumers complain about the inadequate product selection or availability. Yet, during the other stages of the transaction phase, the complaining areas show a great variety. For instance, when the transaction is completed, consumer receives the product. Notwithstanding, the product can be defective/faulty, or it may not operate as it has been expected due to its low quality/performance. Furthermore, what consumer receives may be a duplicate or a refurbished product. The design of the product can also be unsatisfactory for the consumer. Inconsistent or inadequate labelling, low quality of packaging, product without manual/guide, and harm giving/unsafe products related issues are all covered in this phase.

Pricing, being one of the crucial elements of marketing efforts of a company, received a lower frequency of complaints among other complaint categories. During the transaction phase excessive fees/prices for shipping and handling has the highest frequency. Usually, a company adds shipping and handling, and tax to the price of the product, and gives a final price to its consumers. During on-line shopping consumers make price comparisons among different web sites, but they usually receive prices prior to addition of shipping and handling. Hence, even though the initial price of a product is not high, company may add excessive fees for shipping and handling. Unfair pricing includes excessive and discriminatory pricing, for instance some of the consumers complain about the price difference among sizes of the same clothes (e.i. a lady complains that taller women have to pay more while
buying on-line). Moreover, giving unreasonable prices is also covered in this phase.

Another issue about pricing is the failure of the company to honour its price matching policy. Some of the companies generally promise its customers to beat the prices of its competitors; yet when the consumer finds the same product at a lower price, the company may fail to keep its promise. Moreover, companies may also fail to honour their stated price during the transaction. Consumers also complain that some on-line companies change their prices several times in the same day, or change the prices of pre-ordered products. Consumers usually evaluate these changes as irregularities or inconsistencies in the prices of products. Consumers not only make price comparisons among different on-line stores, but also compare the prices of brick and mortar stores and on-line stores. Charging shipping and handling fee on each product on the basis of quantity of products not on weight of the products, is also important for the consumers. When they buy more than one item, some companies charge shipping and handling fee on each of the items separately. However, most of the established companies charge shipping and handling fees on the basis of the weight of the total products. Charging sales tax on the product even though the state of the consumer is tax exempt is a rarely mentioned complaint area under the category of pricing related issues. However, all the price related issues are seen during the transaction phase.

Customer relations and services, which is an issue seen at every phase of a transaction, receives higher attention during this second phase. Consumers, at this stage, usually ask questions about three topics: products, policies, and order and delivery. These questions are generally asked via e-mail messages (this method is more frequently used because consumers who prefer to shop on-line also prefer to communicate via e-mails). However, when the customer representatives fail to return
back these messages on a timely manner (companies usually state their response time ranges on their web sites), consumers will get disappointed and anxious. In addition, when the e-mail messages of the customer service representatives do not respond to the specific queries of the consumers, and when automated messages are sent instead of giving answers to these specific questions, the dissatisfaction of the consumers increases. The behaviour of the staff also gains importance; the rude/impolite representatives or their discouraging attitude will result in high consumer irritation. Yet it is not only the attitudes of the representatives that cause displeased consumers, inadequate staff knowledge and/or giving inaccurate information also leads to dissatisfaction among consumers. If the consumers receive inconsistent information from employees due to ignorance of and/or neglect in application of company policies, then they not only get upset but also lose their trust to the company. On the other hand, consumers who shop on-line also feel the need to speak with a live person. They want to get information about their orders, or ask some questions, hence consumers usually look for virtual operators or telesrcretary services, where it is possible to talk. Toll free telephone lines become also crucial at this point. Yet, long waiting time on the phone has been found irritating by most of the consumers.

During this phase when consumers contact with the company through customer service representatives, and when the representatives are unable to solve the problem, consumers want to speak with higher level managers, or supervisors of the representatives. At this point, if representatives do not allow consumers’ interaction with managers or in some cases do not even tell their names to the consumers, the dissatisfaction of consumers will be inevitable. Finally, on-line stores generally give account or membership to their frequent users; however, when this service is cancelled without notification and explanation, consumers begin to complain.
Billing and payment related issues during the transaction phase have also an influence on the consumers' evaluations of a transaction. Lack of alternative payment methods, charging/billing the consumer for his cancelled membership/account, and billing and charging for someone else's purchase, or unwanted/not ordered products are some of the issues in this complaint category. However, the most frequently encountered complaint in this category is charging and billing for the non-delivered product or non-delivered portion of an order. This type of complaint is most seen when the order is incomplete or partially delivered. In addition, incorrect billing due to double charging, overcharging, and/or unauthorised charging also discourages consumers against on-line shopping. Even though it is not legal to charge consumers upon ordering, it is also an issue encountered in this phase. In fact, shipping has to be considered as a base to charge consumers. Finally, billing and payment related issues also include billing and charging for the cancelled orders. Even though the order system permits the consumer to cancel an order before shipment, if there is a lack of communication between the divisions of the company (e.i. account and sales divisions), consumer can be billed for this cancelled order.

As a conclusion, during the transaction phase eight types of complaint categories can be observed: order process, web site content and technology, delivery, promotion and advertising, product and product supporting services, pricing, customer relations and services, and billing and payment related issues. The order process and web site content and technology related issues can be related to both the company and its suppliers. Delivery related issues can be attributable either to the company or to the delivery carriers. During the transaction phase it is only the delivery carriers that contact directly with the consumers other than the company itself. In the next phase post-transaction related complaint areas are examined.
4.7.3 Post-transaction Phase

This is the last phase of a transaction continuum between a company and its customers. In this phase six types of complaint categories are observed, these are: company related issues, return and refund issues, product and product supporting services, privacy issues, promotion and advertising, and finally customer relations and services related issue. Since customer relations and services related issues are explained above, they will not be repeated in this phase.

Among the six complaint categories listed above, company related issues and product and product supporting services related issues can be stemmed from the company or its suppliers. Hence in the figure this has been illustrated via dashed lines. Some of the company related issues such as problems occurring because of the business partners is related to the company's suppliers. For instance due to bankruptcy, or mergers and acquisitions the supplier of a company can not carry out its liabilities. In addition some unfair changes in the company policies can also be related with the suppliers of a company, such as the changes in return/exchange and refund policies can be due to the changes of these policies of suppliers. On the other hand under the company related issues category, there are two more problems. These are: problems occurring due to bankruptcy, acquisition or mergers of the company (for instance failure of the company to honour rebates or to provide technical support can be due its acquisition or merger with other companies), and abuse of the employee by the company due to unfair internal company policies. In fact, when consumers learn about the unfair working conditions of the staff of a company, this creates a negative image about the company.

Product and product supporting complaint category is also seen in the post-transaction phase. However, there is a great difference between its occurrence in the
transaction phase and in the post-transaction phase. In the transaction phase, issues are more related with the product itself; but in the post-transaction phase the issues are related with the product supporting services. For instance unsatisfactory repair, maintenance and technical support is observed in this phase. Another issue detected in this phase is about the product warranty and guarantee related problems. As it is seen these two issues are not only related to company, but also to its suppliers, that is why a dashed line is put in the figure above.

At this phase, under the category of promotion and advertising related issues there is only one complaint; however, this complaint is the most frequently encountered problem among all other problems under the category of promotion and advertising: failure of the company to honour the rebates, gifts, coupons, and other promotions. After the completion of the transaction, consumers send their rebate coupons or other promotional coupons to the company, but if the company fails to honour these coupons and rebates in a given time period, consumers become frustrated.

Return/exchange and refund related issues is the most frequently encountered complaint in the post-transaction phase. Consumers usually complaint about the failure of the company to honour refund and/or exchange the product. This is especially crucial when the mistake belongs to the company. For instance when the product is defective or faulty, the responsibility belongs to the company. In addition, when product is not delivered on time, the company should refund if the consumer demands it. For example, when a consumer orders flowers for a special day (e.i. birthday), and when they’re delivered late, then it can be compensated by honouring refund. There are some cases consumers complain about return/exchange and refund related issues even though the company accepts to honour the refund or exchange.
Incurring shipping fees while returning a product is one such example. Of course, companies have to protect themselves from extra costs; however when the mistake belongs to the company (e.i. when the product is defective/faulty, or when wrong product is sent), these costs have to be covered by the company. Likewise, incurring restocking fee while returning a product is another example to the costs, which must be covered by the company.

If a company has both a brick and mortar store and an on-line store, consumers want to make their exchanges in a brick and mortar store. For instance, if there is a brick and mortar store of the company that is close to the consumer, he may prefer to make exchanges in this store in order to eliminate shipping costs and shorten the waiting time for the replaced product.

Unavailable prepaid postage return or exchange labels is also important for the consumers. Since time saving feature of on-line shopping is very crucial for consumers, they usually want to make exchanges and returns in a very short time. If prepaid postage return or exchange labels are unavailable with the product or on the web site, then this causes disappointment.

Finally, some of the on-line companies charge consumers two times while they are returning a product; one for the original product and one for the replaced product. That is to say, when consumer orders a product, the company charges its price upon shipment, and then the consumer wants an exchange. The company accepts to make the replacement of the original product with a new one. However, during the replacement stage company charges the consumer again for the replaced product. When the company receives the original product, it charges back for the second payment. This may cause several financial damages to the consumer, such as excess of credit card limits.
The last issue observed in the post-transaction phase is related to privacy. In fact, privacy related issues category is the least mentioned complaint category. The reason of this can be due to the unawareness of consumers about the privacy related problems. In this category, majority of the consumers complain about unsolicited/unwanted e-mails sent by the companies. The other two issues are: selling/sharing information about consumers to/with third parties or business partners, and absence of privacy policy of a company and/or insensitivity of the company to right to privacy.

Above ethical issues encountered during a transaction continuum are examined in three phases, namely, pre-transaction, transaction, and post transaction. In each phase a different complaint category or a different issue within the same complaint category is investigated. The framework shows all the ethical issues encountered during an on-line transaction process. In the following part, some suggestions are presented for the solution of ethical issues that are shown in the framework of ethical issues of e-commerce.

4.7.4 Suggestions for an Ethical Framework

Up to now, the ethical issues that are encountered during the three phases of on-line shopping are presented. In this part, depending on the framework of ethical issues for e-commerce, some suggestions are developed for each of the complaint categories. Hence it is aimed to form an ethical framework which takes the ethical issues during the different phases of a transaction as a basis. Since some of the issues are seen at more than one phase of a transaction continuum, suggestions are not given on the basis of transaction phase.
1. **Web site content and technology related suggestions:**

- Provide easily accessible company web site and links,
- Design easy to download web pages,
- Give consumers text, small image, and large graphic image alternatives of the web page,
- Design easy to navigate and user friendly shopping environment,
- Give accurate and plenty of information on the web site about the company, its policies, and products and services,
- Do not use disgusting content, such as pornography and violence, on the company web page,
- Update web site regularly for stock changes, typographic errors, and provide fresh information,
- Establish inter-organisational information systems with suppliers through the use of EDI (electronic data interchange), and integrate company’s web site with the web sites of the suppliers so that accurate inventory information can be reflected to the consumers in a timely manner,
- Provide subscribe/unsubscribe option on the web site,
- Use most recent encryption methods to provide web site security (such as secure sockets layer-SSL),
- Enable consumers to view shipping and tax charges on the web site,
- Provide appropriate product categorisation on the web page,
- Incorporate web site with promotional tools, so that print out or download of rebates, coupons, and certificates can be possible,
- Enable consumers to use promotional tools, such as rebates, coupons, and certificates during ordering without difficulty.
2. **Customer relations and services related suggestions:**

- Select staff who are responsive and competent, and have courteous attitude against consumers,
- Give regular training to all staff,
- Inform customer service representatives about changes in company policies,
- Provide toll-free numbers,
- Provide virtual operators, and on-line chat environments,
- Do not exceed the stated time range for returning messages of consumers,
- Give to the point and accurate answers to specific queries of consumers,
- Decrease waiting time on the phone by allowing consumers to leave messages to the telesecretary of the customer service representatives, who will call back consumers,
- Do not prevent consumers if they want to talk with managers and supervisors, be transparent and give names and extensions of the managers,
- Send notifications and updates via e-mail or phone to the consumers about their membership situations,
- Make it possible to assign the same representative to the same customer, so that they do not have to describe the problem for several times,
- Use effective complaint handling and provide a link on the web site so that consumers can write their complaints, questions, or suggestions,
- Make infrastructure investments in order to integrate customer service department with other departments (such as inbound logistics, marketing and sales, production, etc.).
3. **Product and product supporting services related suggestions:**
   - Increase quality and performance of the products,
   - Use total quality management in order to decrease ratio of defective products,
   - Provide a wide range of products for on-line store,
   - Use high quality packaging and wrapping,
   - Avoid selling harmful/dangerous products,
   - Avoid selling fake and counterfeit products and inform consumers about refurbished products,
   - Design products that meet needs and wants of the consumers,
   - Provide consistent and adequate labelling of the products,
   - Provide after sales service such as repair, maintenance, and technical support,
   - Provide on-line technical support or assistance,
   - Choose suppliers and partners that can support product warranty and guarantee,
   - Provide product documentation within package, or if possible on the web site.

4. **Promotion and advertising related suggestions:**
   - Honour rebates, gift certificates, coupons on a timely manner,
   - Avoid misleading/deceiving advertising,
   - Avoid false demonstrations about products,
   - Avoid false claims about products and company policies,
   - Avoid bait and switch tactics,
   - Avoid controversial, socially unacceptable advertising, and
   - Represent accurate, clear and comprehensive information about promotional terms, conditions, and offers.
5. **Pricing related suggestions:**

- Avoid unreasonable shipping and handling fees,
- Avoid unfair pricing (such as excessive and discriminatory pricing), and consider value pricing,
- Honour the price match/guarantee policy that is stated on company web page,
- Avoid price irregularities and inform consumers about price changes,
- Do not make price changes during the transaction,
- Charge shipping and handling fee on the basis of the weight of the products,
- Avoid inconsistent pricing between a brick and mortar store and on-line store of the same company,
- Provide automated system that charges right sales tax for the right state/country, and enable consumers to view all additional fees prior to the end of ordering (for instance give estimated shipping and tax fees during the beginning of order process).

6. **Order process related suggestions:**

- Provide order tracking system and make technological infrastructure investments,
- Send order status notification about delays, cancellations, or order confirmation
- Provide order cancellation option prior to shipment and easy to understand cancellation information,
- Design an order system that does not permit to the completion of an order process when the product is unavailable due to being out of stock, backordered, or discontinued (for instance give an alerting message before acceptation of the order if the product is unavailable)
- Use integrated logistics systems, electronic data interchange, just in time, satellite tracking, and shared technological infrastructure programs with the suppliers of
the company in order to control inventory levels immediately and reflect changes to the consumer instantaneously,

- Provide effective communication and coordination among different divisions of a company, in order to prevent failures during order process (such as shipment of an order that is cancelled by the consumer),
- Integrate the company’s internal divisions to a) each other, b) to suppliers, c) to delivery carriers, and d) to customers through information and communication technologies,
- Take approval of consumers prior to sending substitutes when the product is unavailable,
- Provide option to change order information (such as amount or content of the order, credit card information, delivery date and place) prior to shipment,
- Do not permit completion of order process if something is invalid, incorrect or missing (establish a sensitive order system that will not accept orders and will give an alerting message when the coupons and certificates used by the consumer are invalid, or some part of the credit card information is missing, or when the price given is wrong).

7. **Delivery related suggestions:**

- State shipping and delivery terms and conditions on the web site at an easily seen place in a comprehensive way,
- Deliver on-time, and state delivery periods which are not impossible to achieve,
- Extend delivery periods during peak times (such as on holiday season-Christmas)
- Deliver accurate and complete product,
- Use high quality shipping containers,
- Deliver to the right place and right person,
Integrate company’s delivery system with the system of delivery carrier company to achieve suggestions given above,

Provide alternative delivery methods and options (for delivery methods: delivery to post office close to the consumer, enable consumers to pick up products from brick and mortar store; for delivery options: overnight delivery, two day delivery, ground delivery, etc.),

Provide alternative delivery carriers,

Integrate the company’s internal divisions to a) each other, b) delivery carriers, and c) customers (e.i. interface inbound logistics with sales department, and sales department with outbound logistics, etc.),

Install a system where consumers can follow their orders through the help of web cameras and see the delivery conditions on time.

8. **Billing and payment related suggestions:**

Provide alternative payment methods,

Integrate accounting department with order taking, inbound and outbound logistics, and customer service departments through information and communication technologies (particularly through EDI) to prevent charging and billing the consumer for a) the non-delivered product or non-delivered portion of an order, b) order cancelled by the consumer, and c) his cancelled membership,

Bill and charge consumers upon shipment of the products,

Prior to billing and charging send a notification to the consumer about the amount and date of payment so that if something is wrong (for instance, if overcharging or double charging occurs) it can be corrected,

Payback overcharges and double charges immediately to consumer’s account,
• To prevent billing and charging the consumer for someone else’s purchase or unwanted/not ordered products send notification and request approval of the consumer.

9. **Return/exchange and refund related suggestions:**

• Provide easily seen, clear and comprehensive information about return and refund policy of the company on the web site,

• Honour return and refund as it is stated on the company policy,

• Do not demand a) shipping and handling fees and b) restocking fees for returned products, if the fault belongs to the company (for instance if wrong, incomplete, or defective product is sent, or if the stated delivery period is not honoured by the company),

• Make it easy to obtain prepaid return labels (e.i. put it in the product package, or send via e-mail),

• Make it possible to return products to the brick and mortar store of the company; in order to do this integrate the system of on-line store with that of brick and mortar store.

10. **Company related suggestions:**

• Inform consumers about changes in company policies in a visible and understandable way,

• Improve internal marketing (hence increase employee satisfaction),

• Choose highly reputed, well-known business partners, and take the responsibility if they fail due to bankruptcy, or mergers and acquisitions,

• Be liable to your consumers during acquisitions and mergers.
11. **Privacy related suggestions:**

- Use permission marketing and opt-in vs. opt-out options while sending e-mails or newsletters to consumers, so that unsolicited mails can be prevented,

- State terms and conditions about the privacy policy of the company explicitly on the web site, and be sensitive of privacy of all consumers,

- State terms and conditions about the use of consumer data explicitly on the web site, and confirm that all personal data about consumers is encrypted.

**Figure 4.34 Suggestions for Ethical Framework**

- Supply chain management
- Integrated logistics systems
- Just in time & JIT II
- Electronic data interchange
- Satellite Tracking
- Inter-organizational systems
- Suggestions about order process
- Suggestions about web site content & technology
- Suggestions about product & product supporting services
- Suggestions about company

Suggestions about:
- web site content & technology
- customer relations & services
- product & product supporting services
- promotion & advertising
- pricing
- order process
- billing & payment
- delivery
- return & refund
- company
- privacy

- Suggestions about delivery
- Electronic data interchange
- Integrated logistics systems
In this part a framework, which shows the ethical issues encountered during a transaction continuum of e-commerce, is presented. Then depending on the ethical issues, some suggestions are developed, which will help the prevention of ethical issues. And the Figure 4.34 shows which suggestions have to be considered during a transaction continuum that takes place in electronic commerce.

Up to now, the findings of the study are given under several headings. In the following chapter, methodological summary of the study, implications and limitations of the study and conclusions of the study are presented.
V. SUMMARY, CONCLUSIONS and IMPLICATIONS

This chapter constitutes four subtitles; first methodological summary of the study is given, then implications of the study for four different parties are presented. The third part of this chapter is devoted to the limitations, and finally it is followed by the conclusions part.

5.1 Methodological Summary

This study is an exploratory research, which employs content analysis as the research analysis. The research objectives and the related questions of the research, which are explored in this study, are presented below:

1. What is the tendency of complaining for US consumers (between January, 2000-April, 2003) and Turkish consumers (between June, 1999-April, 2003)?

2. What is the frequency distribution of complaints among on-line businesses?

3. What is the frequency distribution of complaints among on-line stores?

4. What are the major complaint areas about on-line stores, and are there any differences among on-line stores regarding the type of complaints that they receive?

5. How can the complaint areas be classified?

6. What are the feelings and attitudes of complainants and how do they express their feelings?

The research depends on the secondary data, which is obtained through the review of complaint web sites. For this purpose, four web sites from Turkey and two web sites from USA are chosen among a total of 18 web sites, depending on the three
criteria that are described earlier in the research design and methodology chapter. The complaints are gathered between the time period of January 2000-April, 2003 for USA, and June 1999-April 2003 for Turkey.

A total of 17608 complaints from USA and 213 complaints from Turkey are obtained about on-line businesses; however, the complaints which are related to on-line stores-in other words e-tailers- are chosen as the research area. Hence 4019 complaints from USA and 80 complaints from Turkey are reviewed; 96 different complaint areas are found at the end of the initial review. Then three coders grouped these complaint areas under different categories. Among a total of 22 categories, which are created by the coders, 11 are chosen and then submitted to the judges of the study. The three judges grouped the 96 complaint areas under 11 complaint categories. The pairwise percentage agreements of judges range between 94.79% and 85.41%, which are very high. Moreover, the statistical test for reliability show that the z-score of this study is 26.02, which means that the number of matches achieved for all three pairs of judges is significantly greater than that would be attributable to chance alone. Hence, the matches for all pairs of judges are significant (p< .01). The Cohen's κ results of this study ranges between 0.942 and 0.837, which are close to the perfect agreement level of 1.

The complaint areas are categorised according to the views of judges and the researcher. The frequency distribution of complaint categories for USA and Turkey are given in the following table. Since consumers usually mention more than one complaint area, the frequency of complaint categories is more than 4019 for USA and 80 for Turkey (number of complainants from each country).
Table 5.1 – The Frequency Distribution of US and Turkish Complaints by Complaint Categories

<table>
<thead>
<tr>
<th>Complaint Categories</th>
<th>Frequency</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>USA</td>
<td>Turkey</td>
</tr>
<tr>
<td>Delivery Related Issues</td>
<td>1259</td>
<td>19</td>
</tr>
<tr>
<td>Customer Relations and Services Related Issues</td>
<td>1161</td>
<td>41</td>
</tr>
<tr>
<td>Product and Product Supporting Services Related Issues</td>
<td>708</td>
<td>27</td>
</tr>
<tr>
<td>Return/Exchange and Refund Policy Related Issues</td>
<td>690</td>
<td>20</td>
</tr>
<tr>
<td>Order Process Related Issues</td>
<td>667</td>
<td>9</td>
</tr>
<tr>
<td>Billing and Payment Related Issues</td>
<td>614</td>
<td>17</td>
</tr>
<tr>
<td>Promotion and Advertising Related Issues</td>
<td>579</td>
<td>4</td>
</tr>
<tr>
<td>Web Site Content and Technology Related Issues</td>
<td>564</td>
<td>16</td>
</tr>
<tr>
<td>Pricing Related Issues</td>
<td>264</td>
<td>4</td>
</tr>
<tr>
<td>Company Related Issues</td>
<td>127</td>
<td>2</td>
</tr>
<tr>
<td>Privacy Related Issues</td>
<td>81</td>
<td>0</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>6714</strong></td>
<td><strong>159</strong></td>
</tr>
</tbody>
</table>

In the findings chapter of the study, the tendency of complaints by years for USA and Turkey are presented respectively. Then, the frequency distribution of complaints by on-line business areas is given for both countries. Later, the distribution of complaints among on-line stores, which is the major research of the present study, is submitted. The frequency distribution of complaint areas according to on-line store types is also examined, and then the categorisation of complaint areas under the complaint categories is presented. Finally the consumers’ expressions of feelings are given by referring to their complaint letters. Moreover, in the final part, some research propositions are offered about consumer dissatisfaction and on-line shopping.
5.2 Conclusions of the Study

This dissertation contributes to the literature in multiple ways. First of all, this study is unique, since it employs all the available on-line complaints as a tool to develop an ethical framework. Secondly, this thesis is one of the initial studies in the field of business ethics and electronic commerce. Finally, this is an interdisciplinary study, which contributes to business ethics literature as well as to literature on complaint behavior and electronic commerce.

As it has been mentioned in the business ethics literature part of the study, there are seven major research streams; namely, evolution of business ethics, ethical decision-making models, ethical issues in marketing, ethical issues and the consumer perspective, ethical issues in the work environment, ethical issues in international business, and finally, ethical issues and the technology. This thesis contributes both to ethical issues and the technology literature, and to the cross-cultural studies under the branch of ethical issues in international business.

Today, the business world is experiencing a tremendous change in the way of conducting business due to the recent technological advancements and globalisation. Internet and electronic commerce are the two important tools of this information and telecommunication age. According to Nua Survey (www.nua.ie), by September 2002, 605.60 million people were on-line in all around the world. For USA, the number of people who are on-line by April, 2002 is 165.75 million, and the same figure for Turkey is 2.5 million people by December, 2001. Furthermore according to a survey, which is conducted in 37 countries by Taylor Nelson Sofres marketing research company (www.tnssofres.com), between 2001 and 2002 the proportion of Internet users that are shopping on-line has not increased. However, an increase in number of people on-line has helped to ensure that e-commerce is growing. In the
same survey, it is found that the percent of Internet users to the total population is 20% for Turkey in 2002; whereas the same figure is 62% for USA in 2002. Taylor Nelson Sofres marketing research company also mentions that the percentage of on-line shoppers among Internet users in Turkey is three percent in 2002; while the same figure is 32% for USA in 2002. E-commerce Times reports that on-line sales in the US surpassed 45 billion $ in 2002.

All the statistical figures show that both Internet usage and on-line shopping are increasing day by day. However, as the number of on-line shoppers increases, the number of complainants and dissatisfaction from on-line companies also increases. This can be attributable due to the absence of both ethical and legal framework for e-commerce. As Ferrell et al. (2002) mention ethics contribute to the customer satisfaction. According to the authors, “an organization should try to provide products that satisfy customers’ needs through a coordinated effort that allows the company also to achieve its goals. It is generally accepted that customer satisfaction is one of the most important factors in successful business strategy” (p. 246). Furthermore, it is crucial to develop a relationship between consumers and the company, which depends on trust. In order to survive, a company must keep its customers buying its products, and this necessitates a relationship that depends on trust.

Ferrell et al. (2002, p. 247) mention that “existing research and experience of many companies show a strong relationship between ethical behavior and customer satisfaction. Customers are likely to keep buying from companies perceived as having a positive reputation because of their concern for customers and society. Ethical companies that are dedicated to treating customers fairly and that continuously improve product quality, as well as make customer information easily
accessible and understandable, are more likely to have a competitive advantage and be profitable”. Hence, providing customer satisfaction is one of the consequences of conducting ethical business.

Since ethical business leads to increased customer satisfaction and loyalty, this study aims to explore the ethical issues that cause customer dissatisfaction about on-line shopping, so that the ethical suggestions can be developed for e-commerce. Because electronic commerce is a new subject and business ethics is a very sensitive topic, exploratory research design is employed in this study in order to gain insights and ideas about the consumer complaints related to e-commerce. Through the complaint areas, which cause customer dissatisfaction, it is aimed to form an ethical framework. However, as an initial step the ethical issues encountered during on-line shopping have been identified, and then suggestions for each ethical issue are presented.

This study explores the answers of several questions by reviewing consumer complaints that are gathered from complaint web sites both in USA and Turkey. The first question explored in this study is the tendency of complaints for USA and Turkey in a given time period. Between June 1999-April 15th 2003, the complaints gathered from Turkish web sites show an increasing tendency. This result can be expected because the number of on-line shoppers increases from 1% in 2001 to 3% in 2002 for Turkey (www.tnsofres.com). On the other hand, between January 2000-April 15th 2003, the complaints gathered from US complaint web sites do not show a stable tendency. However, the year 2001 receives almost 58% of all complaints. And the great majority of the complaints for 2001 occurred during the Holiday Season-Christmas. Some of the consumers, who wrote complaints at that period of 2001, mentioned the terrorist attacks as the reason for their on-line shopping. The
attacks to World Trade Centre in New York discouraged some of the consumers going to malls and shopping centres at the end of 2001. Moreover, the ratio of on-line shoppers among Internet users increased from 27% in 2000 to 33% 2001, but decreased to 32% in 2002 (www.tnsofres.com). However, at the same period, the Internet usage ratio for US consumers is as follows: 58% in 2000, 57% in 2001, and 62% in 2002 (www.tnsofres.com). The change in ratios of on-line shopping also supports the finding of this study.

The second research question of the current study is to find the frequency distribution of complaints among on-line businesses. For this purpose, 11 different on-line business areas are identified depending on how these businesses define themselves. It has to be noted that during the classification of on-line businesses, some search engines, such as Google, also have been reviewed. The identified business areas are as follows: 1. Internet service providers (ISPs) and web hosting providers, 2. On-line stores/shopping sites, 3. On-line services, 4. On-line reward programs, 5. Web portals and search engines, 6. On-line auction sites, 7. On-line entertainment, 8. On-line Lotteries and Gambling, 9. On-line Tickets and Events, 10. On-line Media and News, and 11. Miscellaneous web sites. The distribution of complaints according to these business areas is presented both for Turkey and USA in the findings part of the study. The top three business areas, which receive the majority of complaints for Turkey, are respectively: on-line stores 37.60%, on-line services 28.20%, and ISPs and web hosting providers 22.10%. The order of top three business areas, which receive the majority of complaints for USA, changes. The first business area that receives the highest complaints is ISPs 36.17%, it is followed by on-line stores 26.14%, and by on-line services 14.70%. It is found that for both USA and Turkey, the top three business areas with the highest complaint ratio are the
same; however, their order changes in USA and Turkey. According to Taylor Nelson Sofres’ research, Internet penetration-usage ratio- is low in Turkey (20% in 2002) when compared to USA (62% in 2002), so the existing ISPs may not be adequate for US consumers’ increased Internet usage. In this study, on-line stores related complaints are used, however, for further research the complaints about other on-line business areas, such as ISPs or on-line services can be investigated.

Another research question of this study is related to the frequency distribution of complaints among on-line stores. First the categorisation of on-line stores into 18 different categories is done depending on the classifications made by different search engines. While classifying these stores, the way the companies define themselves and the major product groups that they sell are used as the two criteria. Finally, the frequency distribution of complaints among on-line stores is examined for USA and Turkey. The 18 stores identified are as follows: 1. Auto Parts and Accessories Stores, 2. Baby Stores, 3. Beauty and Health Stores, 4. Book and Music Stores, 5. Clothing Stores, 6. Department Stores, 7. Drugstores, 8. Electronics and Computer Stores, 9. Flower and Gift Shops, 10. Food and Grocery Stores, 11. Home, Garden and Furniture Stores, 12. Jewellery and Watch Stores, 13. Mass Merchandise Stores, 14. Office and Business Product Stores, 15. Pet Stores, 16. Sporting Goods Stores, 17. Toy Stores, and 18. Other. For USA, electronics and computer stores with a percentage of 21.37% receive the highest number of complaints. This has been followed respectively by mass merchandise stores with a percentage of 13.13%, flower and gift shops 12.47%, department stores 9.46%, and book and music stores 8.61%. For Turkey, department stores with a percentage of 45% receive the highest number of complaints, and it has been followed by electronics and computer stores 32.5%, and book and music stores 7.5%. The major difference between US and
Turkish on-line stores is about the diversity of store types; that is to say, even though there are 18 different US based on-line stores, there are only 9 different types of Turkish based on-line stores. This can be attributable to the recentness of e-commerce activities in Turkey.

The fourth research objective of the study is to identify the major complaint areas about on-line stores, and examine whether there are any differences among on-line stores regarding the type of complaints that they receive. A total of 96 complaint areas are found as the result of the content analysis of 80 complaints from Turkey and 4019 complaints from USA. And the frequency distribution of these complaints according to store type is also presented. The findings indicate that complaint areas vary according to the store type. For instance, “unsatisfactory repair, maintenance and technical support” related complaints are only seen among electronics and computer stores; “misleading/deceiving advertising” related complaints are seen at the top five complaint areas of beauty and health stores. In addition, “failure to honour the shipping and delivery period” and “non-delivery of the product/Failure to honour the delivery” related complaints are highest among flower and gift shops where timing is especially an important factor. The details are given in a cross-tabulation table, and the top five complaint areas for each of the store type are also presented.

Another research question of the current study is to classify the complaint areas into categories. For this purpose three coders with different backgrounds are asked to form categories, and a total of 22 categories are developed. Then 11 final categories are formed and submitted to three judges. Each of the judges was assigned 96 complaint areas to 11 complaint categories. The reliability tests are presented in the research design and methodology chapter, and the classification of the complaint
areas under complaint categories is presented in the findings chapter. The final complaint categories, in the order of highest complaint frequency, are as follows: Delivery Related Issues, Customer Relations and Services Related Issues, Product and Product Supporting Services Related Issues, Return/Exchange and Refund Policy Related Issues, Order Process Related Issues, Billing and Payment Related Issues, Promotion and Advertising Related Issues, Web Site Content and Technology Related Issues, Pricing Related Issues, Company Related Issues, and Privacy Related Issues.

This study also examines the feelings and attitudes of complainants about on-line shopping. Consumer satisfaction is very crucial since the future of e-commerce depends on the continuous buying of consumers from on-line companies. In addition, as mentioned previously, ethical business practices lead to consumer satisfaction. Hence, the dissatisfaction of consumers about their on-line shopping experiences has been examined, and several propositions are offered about the topic.

P₁: The greater the discrepancy between expectations and outcomes related to eleven complaint categories about on-line shopping, the greater the dissatisfaction of consumers from on-line shopping.

P₂: The higher the dissatisfaction level from an on-line store regarding to aforementioned complaint categories, the higher the likelihood to generalise this dissatisfaction to whole on-line businesses.

P₃: The higher the dissatisfaction from an on-line store regarding to eleven complaint categories, the lower the tendency of a consumer to shop on-line again.

P₄: The lower the performance of on-line stores compared to brick and mortar stores with regard to eleven complaint categories, the higher the dissatisfaction of consumers about on-line stores.
P5: The higher the dissatisfaction of a consumer from an on-line store, the higher the tendency of a consumer to associate his/her negative experience with well-known but unfavourable societal, economic, or political events.

In addition to consumer dissatisfaction, the way consumers express their feelings and attitudes about on-line shopping are also given. The words used by consumers to express their feelings, and the expressions used to define complained companies are also given with their frequencies. Some examples to most commonly used phrases are as follows: "buyers beware", "save your hard-earned money", "alert others", "it's a matter of principle", and "let's spread the word". Finally the expectations of consumers from the complained stores are also presented.

In the final part of the findings chapter, depending on the complaint categories a framework is developed, which takes the transaction between consumers and companies as a three-phase process. Each of the phases in an electronic commerce transaction has its own complaint areas, which leads to the rise of ethical issues.

During the pre-transaction phase, there are three parties: suppliers of a company, company, and its potential consumers. The encountered complaint categories, which cause unethical practices, in that phase, are as follows: web site content and technology, customer relations and services, and promotion and advertising related complaints. Web site content and technology related issues can either stem from company's suppliers or from the company itself. On the other hand, during the transaction phase the parties involved are: suppliers of a company, company, delivery carriers of the company, and the company's consumers. The problems that occur in this phase are: web site content and technology, order process, promotion and advertising, pricing, customer relations and services, billing and payment,
delivery, and product and product supporting services. During the transaction phase
web site content and technology, and order process related issues can also be rooted
from the suppliers of the company or company itself. In the final phase-so called post
transaction phase, consumers can encounter return and refund related issues, privacy,
company, promotion and advertising, customer relations and services, and product
and product supporting services related issues. In this phase, and product and product
supporting services and company related issues can be rooted from both the company
and its suppliers. The figure below shows the complaint areas encountered during the
different phases of transaction. These complaint areas, most of which can be
evaluated as ethical issues, cause consumer dissatisfaction; so after determining the
ethical issues at each transaction phase some suggestions are presented.
Figure 5.1 Development of a Framework on Ethical Issues Based on Complaint Data about Electronic Commerce

I. Pre-transaction Phase

II. Transaction Phase

III. Post-transaction Phase
In the final part, some suggestions related to these complaints are given, which can lead to the formation of an ethical framework for electronic commerce.

Since 1999, electronic commerce has been developing at a very fast pace; however, it still constitutes a very small portion of total retail sales. In order to actualise a sustained growth for the forthcoming years, companies must listen to consumers. In order to be successful, companies must provide an opportunity for consumer feedback through complaining systems.

In today's highly competitive environments, companies offer high-quality products at low prices; however, what makes differentiation among companies is the value that they give to business ethics. Ethical business leads to higher customer satisfaction, which in turn, increases consumers' loyalty to the company, and prevents consumers' switching to competitors' brands, and increases profits in the long-run. In the past three decades, companies that perceive the value of ethics in business life develop ethical standards for the industries that they operate. Today each profession, such as accountants or journalists has their own code of ethics.

Electronic commerce as a recent way of conducting business, however, does not have a legal and ethical framework. Therefore, in this study it is assumed that if the issues that make consumers dissatisfied about e-commerce are identified, it will be possible to develop an ethical framework for e-commerce. Taking this knowledge as the starting point, this study reviews consumer complaints and finds out 11 different complaint categories related to activities of on-line companies. In order to overcome these issues, some suggestions related to each of these complaint categories are also provided. It is found essential that the future of e-commerce depends on its reputation and positive image, which can be achieved through ethical business; and highly satisfied consumers will probably create a bright future for e-commerce.
5.3 Implications of the Study

Based on the findings of this study, the following implications can be made for four groups that are directly related with electronic commerce activities. The first group of implications is given for the consumers. It is followed by companies/managers, and legal and governmental entities. The final group of implications is given for the academia.

5.3.1 Implications for Consumers

Consumers being a major actor in a transaction have some responsibilities too. This study shows that consumers have several complaint areas, which can be grouped under 11 categories. In order to minimise these complaints, consumers have to be careful about the following topics:

- The web site of the on-line company should provide information about the products/services, policies (return/refund, shipping and handling, warranty and guarantee, privacy), promotions (terms and conditions), business partners (legal names, physical addresses, contact e-mail address) and the company itself (legal names, physical addresses, contact e-mail address, telephone number),

- All information should be clear, comprehensive, and easily visible,

- If the consumer have any questions about the products/services or policies, they should contact with the company prior to transaction,

- If the consumer have some suspicions about the company, it will be recommended to review the web site of company rating organisations or the web site of institutions such as Better Business Bureau, in order to get some more information about the company and its business practices,
• View the company page carefully for its navigation, ease of use, and technical structure,

• Explore the web page for cancellation options, payment and delivery methods or alternatives, and alternative delivery carrier options,

• Consumers must be sure that the prices listed on the web page includes shipping and handling fees, taxes, and other costs (such as other government imposed fees, tariffs, and etc.) then compare prices with other on-line or off-line stores,

• If there are inconsistencies between the information about the product and its demonstration, either visit other web sites selling the same product or go to the web site of the manufacturer in order to verify the information,

• Since some of the complaints arise because of the business partners of a company, it is crucial that these partners are well known and trustworthy.

The above are some recommendations that consumers have to explore prior to on-line purchases. If any of the above recommendations are not sufficiently fulfilled by the company, then the consumer must know that the transaction, which he engages in, will be a riskier one. Finally, consumers must always take a print out or download the information about products, promotional terms and conditions, bills, order confirmations, and all related things in a transaction.

5.3.2 Implications for Companies/Managers

Today companies that use the Internet to buy, sell, distribute and maintain products and services are realising significant cost savings and increased sales opportunities. However, these benefits can only increase if and only if the number of satisfied on-line consumers increases. The complaints of consumers can be a guide
for on-line companies in order to improve their processes and prevent ethical issues during these processes. The followings are the managerial implications of this study:

- Companies can use Internet in order to enhance their customer services. Product information through the web page, on-line technical assistance, on-line live chat opportunities for consumer questions, order status information, order tracking systems on the web site, are the methods, which lead to more satisfied consumers and help company’s customer service staff to handle more complicated questions and manage customer relations. In addition, this is a cost efficient and time saving way of communicating with customers. Internet shopping systems that have human agents to clarify consumers’ questions about products, or respond to their questions have significant importance. Likewise, toll free numbers of a company that help consumers contact with customer service play a crucial role. The questions have to be answered quickly and in a responsive manner. However, this indicates a demand for a more highly trained customer service staff, who is both competent in computerised environments and in one to one customer relations. The recruitment stage of customer relations staff also gains importance due to aforementioned reasons. In other words, it becomes easy and cost saving to contact with consumers through information technologies, if they are used effectively and efficiently by the competent staff. From the managerial perspective, empowering customer relations staff to take more initiative to solve problems is a way to decrease the need to communicate consumers with upper level managers. However, this does not mean that customer relations staff should act like gatekeepers. Companies should use Internet technologies in order to reduce the number of organisational levels in order to get closer to the
consumers. For instance, e-mails of the managers can be used effectively for this purpose.

- Innovative businesses are already using the information that they gather from their consumers through the help of information technology. Database marketing becomes a crucial tool of building close relationships with consumers. However, privacy related issues are equally important at this point. Only authorised employees can access to this information when they need it. For instance while following the order, or while giving technical support, or while checking the bill of a consumer, the related personnel can access to the information of the consumer. In addition, privacy is not only limited with the internal structure of the company; business partners and affiliates of the company also can only access to necessary portion of this information. Sharing and/or selling the information about consumers is a very sensitive topic; for the privacy of the consumers, companies have to clearly state who can access to consumer information within the company, and whether or not the company will share it with third parties under certain conditions. In other words, companies have to be transparent about their privacy policies, and state these policies clearly on the web site. Also they have to state terms and conditions about the use of consumer data explicitly on the web site, and confirm that all personal data about consumers is encrypted. Another issue is the unsolicited/unwanted e-mails sent by companies. At this point companies have to use permission marketing in order to reach their potential customers, and in order to prevent the disgust of consumers from unsolicited e-mails. Moreover, consent of the consumers has to be taken in order to give them a full control over their information. A business
can add value to its offerings if and only if it leverages information technologies in coordination with privacy policy in order to protect consumers.

- Web sites become the initial meeting point of consumers and companies, therefore they carry a great importance. Consumers usually look for a user friendly and easy to navigate web sites, where they can reach the information that they need. Three dimensional product demonstrations accompanied with exact information about the product add value to the company’s web presence. The web site must not be designed in a complex way, it has to be consistent, simple, information-rich and regularly updated. The web site has to provide search option within the company web page, so that consumers can access to the exact information that they look for. From the managerial perspective, it has to be noted that information overload is something which discourages consumers from on-line shopping. Therefore, search function on the site has to be developed in such a way that information overload can be prevented.

- Companies should always recognise that web site is a marketing channel which has to be integrated with other channels such as television or print media. One managerial implication at this stage is that if companies are not allowed to make misleading and deceiving advertising on conventional media, than the same has to be applied to on-line advertising. Likewise, if traditional stores can not use bait and switch tactics, the same should be valid for on-line companies. Companies have to adapt the rules and regulations for traditional advertising and promotion to on-line advertising and promotion. The managerial implication about promotion and advertising related issues is, the self-regulation of on-line companies in addition to adaptation of existent rules of the governments about advertising. For instance, governmental agencies can not be able to follow all
web pages for controversial advertising, however, through the self-regulation online businesses can bring a standard for such activities.

- Companies have to integrate their web sites with the web sites of their suppliers and partners. For instance, an authorised staff from the supplier can access to the order page of the company in order to verify the amount of the order given by the consumer. Likewise, in order to update stocks on the company's web site, there must be integrated stock programs with the suppliers of the company. Another example is that an authorised staff from the delivery partner of the company can have access to the address information of the consumer. In addition to external integration, companies have to provide internal integration within the company from different divisions. For instance, personnel from the accounting department can access to the order status of the consumer in order to make billing upon shipping. The managerial implication is that integration of technological infrastructure both between organisations (between partners and the company) and within organisation (between the different departments of the company) is essential; but integration by itself is not sufficient, an effective coordination between organisations and within organisation is also a necessity.

- Delivery related issues are the most common problem area among consumers; however, delivery problems can be either rooted from business partners-delivery carriers-of the company or by the company itself. Hence, the first thing is to choose reputable and experienced business partners, then secondly the congruence of technological infrastructure with partners has to be provided. Technological investments, both within the company and between the organisations, also gain considerable importance. Therefore, intranets and extranets are the essential tools that help actualise on-time and accurate
information exchange within the company or with the business partners of the company. The variety of alternative delivery carrier companies makes it possible for the consumer to choose the one that he wants. Therefore, from the managerial perspective, it can be told that the importance of partnerships increases; and cross marketing can be a tool to improve this relationship. For instance, an on-line company can offer free shipping via a certain delivery carrier for orders that amount 100$ or above. And consumers may receive a coupon for their next shipping with that delivery carrier.

- Today consumers do not evaluate companies only on the basis of the quality of their products and services; the internal structure of the companies is another evaluation element. For instance, employee abuse by the company has a detrimental impact on the reputation of the company, which in the long-run can affect the goals of the company such as profitability. In addition, web communities can provide the spread of this negative word of mouth about company’s attitudes against its employees to all the on-line consumers. From the managerial perspective, this detrimental impact can be prevented by advanced internal marketing.

- The products that are sold via virtual shops must not be against the general laws, which prevent to sell dangerous or harm giving products. Moreover, if the company is selling its own products through the on-line store, it has to improve its quality of products through the implementation of total quality management. Furthermore, on-line companies have to sell the products of manufacturers, which give importance to quality. Today consumers, through Internet, can reach to different companies from different countries, which sell similar products. This makes competition fiercer than ever. It is crucial to offer high quality products at
reasonable prices. In addition, on-line companies have to use Internet in order to communicate with customers continuously even after selling the product; this continuous communication with customers can make it possible to discover ways to produce high performance and high quality products. Through the Internet technologies it is also possible to test new developed products and take feedback from consumers, which enables companies to produce products that fit best to the needs and wants of the consumers.

- Internet enables consumers to make price comparisons among stores, which makes it a necessity for on-line companies to revise their prices according to market changes. Demanding unfair prices will probably discourage consumers from on-line buying. Besides, not reflecting exact prices by hiding shipping and handling fees or other costs, consumers will probably be mislead by companies. However, this will have a damaging impact even on the whole on-line business. Moreover, price irregularities and inconsistencies will decrease the trust of consumers of on-line companies. Therefore demanding reasonable prices, giving attention to value pricing, reflecting exact prices on the web site are among the managerial responsibilities for surviving in a highly competitive environment.

- Accuracy, convenience, availability of wide range of alternatives, and speed are the most essential features of Internet, and these are the reasons of consumers for preferring on-line shopping. Hence accuracy of bills, on time and accurate returns and refunds, alternative payment methods, alternative delivery options, alternative options for returns and exchanges, on-time delivery, on-time pay back to consumers’ accounts when incorrect billing and charging occurs, are the crucial factors that increase consumers’ trust about on-line shopping.
• It is found that complaint areas show variety across store types. For instance, a consumer who buy an electronic product can complain about lack of technical support more frequently than other consumers who buy non-electronic products. Therefore, it is highly recommended to evaluate the complaints according to the store type.

• Finally, mistakes can always occur whether it is on-line or off-line shopping. The important thing is to accept the failure by apologising from the consumer, and compensate the consequences of this failure as much as possible, and also as soon as possible.

5.3.3 Implications for Legal and Governmental Entities

Information and telecommunication technologies, particularly, Internet technologies can be expected to drive economic growth for the coming years. Some people see Internet as a marketing phenomena while others see it as a communication improvement (Burke, 1997). Whether it is a phenomenon or an ordinary improvement, it is clear that it will play a crucial role in the future. However in order to actualise this potential the private sector and governments must work hand in hand, so that they can create an effective and market driven legal framework for electronic commerce.

Several discussions have been done whether government involvement or self-regulation would bring a solution for the legal framework of e-commerce. Self-regulation advocates argue that consumer information is the foundation on which businesses can succeed and allows them to develop markets based on their customers. On the other hand advocates of governmental interference discuss that consumers’ privacy will be violated if legal action is not taken.
According to Wijnholds and Little (2001), the greatest difference between European Union (EU) and United States of America (USA) administrations is to be found on safeguarding consumer privacy; that is to say USA government prefers self-regulation while EU prefers governmental involvement. Wijnholds and Little (2001) mention that privacy, taxation, fraud-security, and determination of liability for e-commerce cases are the four major issues about regulatory policies. The authors use fraud in order to describe espionage of company data and sabotage; that is to say unauthorised access and hacking. USA administration prefers the use of encrypted data, while EU is less concerned about this issue (Wijnholds and Little, 2001). On the other hand, the authors describe determination of liability in the following example: “Is an e-tailer from one state with a web site presence in another, liable in its or the consumer’s site if the latter files a suit, e.g. about a defective product or an offensive advertisement? A tentative standard seems to be evolving in the USA where key standards are the degree of interactivity of the web site and whether a sale took place. In the EU, a recent directive stipulates that the seller’s home state will determine jurisdiction. This still leaves the international jurisdictional issue of e-tailing between the USA and EU unresolved” (Wijnholds and Little, 2001, p. 2).

According to Pattison (1997, p. 29), “The legal issues which arise out of doing business on the Internet stem directly from the differences between the Internet and traditional means of doing business”. Pattison (1997, p. 29) determines these differences as follows:

- the Internet establishes a global marketplace, where traditional geographic boundaries are not only ignored, they are quite simply irrelevant;
- the Internet allows business to be conducted electronically;
- the Internet allows business to be conducted anonymously; and
- rather than direct dealings between the parties, the Internet requires business to be conducted through the use of intermediaries of unknown trustworthiness. This means that the transactions are inherently insecure”.

This study finds that among 11 complaint categories, privacy related issues receives only a very small portion of all complaints; however, that can be attributable to the unawareness of consumers from the advanced technologies which can follow their steps on the web. Nevertheless, some complaint areas under the 11 complaint categories can be resolved by the existing legal framework. Therefore, some issues are unique to the nature of e-commerce, while others can be resolved under the existing legal framework. Through the findings of this study, the self-regulation versus government involvement debate gains a different viewpoint. The implications of this study for legal and governmental entities are as follows:

- There is a great need for non-governmental organisations, which will control electronic commerce; for instance Better Business Bureau On-line and Truste.org give “on-line privacy seals” to the companies that join to their programs. However, the presence of such organisations is not enough; they should have the right to inspect the activities and performance of the companies that join to their programs. If companies do not comply with the suggested rules of such programs, they should be encountered with jurisdiction. Moreover, these voluntary systems can be both at national and international level.

- In order to assure the security over the web there is a need to develop a more effective system of digital certification and authentication. Nevertheless, such a system can work by a network in which all countries participate. Digital certification in one country can not be valid in another country; thus, in order to
prevent such issues, international network system of digital certification becomes essential.

- As it has been mentioned in the above paragraphs, it is not sufficient to design a domestic legal framework, it is also crucial to form a global uniform e-commerce legal framework. There are no more geographical borders for companies that conduct business through Internet; for instance a Turkish company can sell its products in USA without time and geographic boundaries. When a US consumer encounters problems with that Turkish company and looks for redress, since the consumer lives in one country and the company operates in another, the consumer's access to justice becomes extremely difficult due to several reasons such as language, bureaucracy, uneasy and expensive access to legal authorities. Hence the need for a uniform legal framework for e-commerce arises. For instance, organisations like International Chamber of Commerce should try to develop a uniform electronic commerce code.

- Another crucial point is that some of the complaint areas can be resolved by the execution of existing regulatory system. However, at this point the need for a global commercial law for e-commerce arises, because as it is seen in the above paragraphs the legal system of one country may not show conformity with that of other country. In addition, this also indicates a need for the simplification of legal structures. Non-bureaucratic mechanisms must be used in order to simplify consumers’ access to courts.

- Since jurisdiction and court settlements are expensive, inefficient, and not easily accessible by all consumers due to the unique features of e-commerce (e.g. absence of geographical boundaries, language, and etc.), it is recommended to encourage out of court settlements such as mediation. This will also help to
improve the communication between consumers and on-line companies. However, out of court settlements should be done according to a universal standard so that consumers from different countries can be treated in the same way. In other words, effective, timely, and proper application must be provided.

- Turkey, as a candidate of EU membership, must provide congruency with the regulatory policies of EU about electronic commerce rather than those of US. The discussions about whether self-regulation or government involvement fits for Turkey should be done according to this criterion. For US companies, on the other hand, it can be recommended to follow the regulatory structure of the countries where they have web presence. For instance, in Turkey comparative advertising is not legal whereas in USA companies can use comparative advertising freely. So, a US based on-line company must not use comparative advertising if it has a web presence in Turkey; in other words it must adhere to the trade laws in Turkey.

As it can be seen from the implications above, self-regulation and government involvement must be hand in hand since neither is sufficient by itself. In addition, it is not enough to make regulatory adjustments at the national level, it is highly recommended to develop a legal structure at the international level. The main reason is that Internet has some unique features such as absence of geographic boundaries, anonymity of companies or consumers, etc. Moreover, the development of voluntary systems, both at national and international level, is also crucial in order to provide an efficient framework. Consumers can complain to either legal authorities or to voluntary organisations for their disputes. Usually voluntary organisations take place prior to court settlements or as complimentary to court settlements. It is usually
expensive and time consuming for a consumer to access justice through courts, but to
access voluntary organisations can be inexpensive, time saving, and efficient. Hence
it is highly recommended to give empowerment to these voluntary organisations in
order to solve the disputes between companies and consumers in a timely and proper
manner prior to court settlements.

5.3.4 Implications for Academia

Most of the studies that aim to design ethical framework for an industry usually
depend on the self-reported data of either managers or consumers. This study,
however, examines secondary data in order to determine the complaint areas of
consumers, and then these complaints are used to depict the ethical issues of
electronic commerce. Hence, there is no suspicion that consumers can distort.
Therefore, the first implication of this study for the academia is the more frequent
use of secondary data while studying such a sensitive issue of applied ethics. The use
of secondary data has been also supported by other business ethics researchers
(Cowton, 1998; Harris, 2001).

Secondly, the present study identifies 11 complaint categories that are consisted
of a total of 96 complaint areas; however an empirical test of these findings is not
conducted. Furthermore, in another part of the study six propositions about consumer
dissatisfaction and on-line shopping are presented, which are not empirically tested
either. In brief, it is recommended to test the findings of this study empirically.

Academic researchers have lagged behind in their study of on-line consumer
complaining behaviour, and post purchase complaining behaviour of on-line
consumers with regard to understanding satisfaction/dissatisfaction. In order to
understand why consumers show a resistance against on-line shopping, it is crucial to learn what makes them dissatisfied.

In their study, Day et al. (1981) find that only a small percentage of dissatisfied customers ever communicate with the store. However, on-line consumers seem to follow a different path of reaction. In this study, it is found that 41% of the complainants will go to other authorities such as government agencies, consumer advocacy groups, and etc., if their complaints are not resolved by on-line stores. Moreover, since it is easier and time saving to write complaints to on-line complaint sites, most of the dissatisfied consumers, who have time scarcity, may prefer to voice their complaints. Hence, “what type of action do dissatisfied customers take against on-line companies?” is the question, which has to be reinvestigated for the on-line consumers. Therefore, it is highly recommended to revise past studies about consumer complaining behaviour for on-line consumers.

Moreover, in this study the way in which consumers express their feelings is also presented. Nevertheless, the emotional intensity of consumers is not examined, which is another research area that needs investigation.

The impact of dissatisfied (or satisfied) on-line consumers on potential consumers is also a research area, which receives scant attention from researchers. This is particularly important because “word of mouth” (WOM) has changed as “web of mouth” through the usage of Internet as a communication device. On-line boards, newsletters, product rating web sites, and on-line communities are major tools that are used for web of mouth. Therefore, the impact of web of mouth should be investigated from different perspectives.

Finally, it seen that consumers usually make comparisons between traditional shopping and on-line shopping. For further research, it has to be examined whether
the expectations from on-line stores are affected by the performance of brick and mortar stores, or vice versa. Particularly when an on-line store has also brick and mortar stores, this relationship gains more importance.

5.4 Limitations of the Study

The limitations of this study should be considered when interpreting the study’s results and developing future research to extend its scope. The present study includes complaints about on-line stores; however, on-line business is constituted of several business areas such as Internet service providers (ISPs), on-line services, on-line auctions, etc. As it has been mentioned earlier in the findings part of this study, there are eleven on-line business areas, and this study only concerns with one of these business areas, namely with on-line stores. The complaints may show differences across these different business areas, hence to make generalisations from the findings of this study to all on-line business areas may be spurious.

The consumer satisfaction/dissatisfaction is a continuum, but this study only deals with the consumer dissatisfaction end of this continuum. In other words, what makes consumers dissatisfied about on-line stores is examined, but what makes consumers satisfied about on-line stores is not investigated.

In this study two samples are used, one sample is constituted by the complaints of US consumers and the other sample is constituted by the complaints of Turkish consumers. A total of 4019 consumer complaints are reviewed from USA, and a total of 80 complaints are reviewed from Turkey. However, the difference between the number of complaints from USA and Turkey does not allow making a comparison between countries. Nevertheless, this limitation depends on the volume of electronic commerce in two countries. USA is one of the leading countries in both usage of
Internet and electronic commerce; and Internet usage and electronic commerce are both in their infancy in Turkey. Therefore, this limitation seems inevitable during the continuance of the research.

The fourth limitation of this study is that demographic information about the complainants, such as age, sex, income and education level, can not be obtained. Hence a deep analysis of consumer complaining behaviour depending on the demographic indicators can not be done.

Finally, this study depends merely on consumer complaints while evaluating the ethical issues of electronic commerce. The business perspective is not evaluated during the research. Furthermore, it is not known whether or not companies have brought resolutions to these complaints. For instance complaint handling of companies has not been investigated. Therefore, the ethical framework acquired in this study relies on the suggestions that are developed through the analysis of consumer complaints, which means that only the consumer side's views are considered.

The limitations stated above, however, can be used to extend and expand the scope of the study. In other words, the limitations mentioned above can be the further research areas.

In the following part, conclusions of this study are presented.
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VII. APPENDIX

7.1 – List of Consumer Complaint Web Sites

In this part, the list of consumer complaint web sites both in Turkey and USA is presented.

**Consumer Complaint Web Sites in Turkey:**

- Tüm Tüketicileri Koruma Derneği [www.ttkd.org.tr](http://www.ttkd.org.tr)
- Tüketicici Bilincini Geliştirme Derneği [www.tubider.com](http://www.tubider.com)
- Tüketiciler Derneği [www.tuder.net](http://www.tuder.net)
- Tüketiciyi Koruma Derneği [www.tuketicikoruma.org](http://www.tuketicikoruma.org)
- Tüketiciyi Koruma Ve Dayanışma Birliği Derneği [www.tuko-bir.org.tr](http://www.tuko-bir.org.tr)
- Şikayet.com [www.sikayet.com](http://www.sikayet.com)
- Şikayet Var.com [www.sikayetvar.com](http://www.sikayetvar.com)
- Tüketici Şikayetleri.com [www.tuketicisikayetleri.com](http://www.tuketicisikayetleri.com)
- Tüketiciyi Koruma.org [www.tuketiciyikoruma.org](http://www.tuketiciyikoruma.org)
- Tüketici Hakları [www.tuketicihaklari.com](http://www.tuketicihaklari.com)

**Consumer Complaint Web Sites in USA:**

- The Consumer Revolution [www.my3cents.com](http://www.my3cents.com)
- PlanetFeedback [www.planetfeedback.com](http://www.planetfeedback.com)
- GripeNet [www.gripenet.com](http://www.gripenet.com)
- Consumer Affairs [www.consumeraffairs.com](http://www.consumeraffairs.com)
- Consumer Complaints [www.complaints.com](http://www.complaints.com)
- Complaint Center [www.complaintcenter.com](http://www.complaintcenter.com)
- Consumer Complaints [www.complain-complain.com](http://www.complain-complain.com)
- Consumer Rating [www.biz-rate.com](http://www.biz-rate.com)
7.2 - The Classification of Complaint Areas by Three Judges

In this part, the comparison of three judges about classification of complaint areas is presented with the help of a table.

Table 7.1 - The Classification of Complaint Areas by Three Judges

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For the detailed explanation of complaint codes please look at the Table 4.8 at page 199.