



Chapter XIII

Monitoring and Enforcing Online Auction Ethics

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Abstract

The online auction has become an important form of e-commerce. Although using a different mode for conducting auction activities, online auctions should abide by the same code of ethics outlined in the face-to-face auction environment. Yet, ethics-related issues for online auctions have not been fully discussed in the current literature. The unique features of online auctions present an opportunity to address how ethical conduct could be supported, monitored, and enforced in an online auction environment. With technology being the backbone of online auction, information systems appear to be a useful tool in facilitating ethics enforcement. This article summarizes ethics-related issues that are particularly relevant in online auctions, and recommends a code of ethics that could be applied to online auctions. Based on this set of ethics, this article proposes a model for an information system that will support and enhance ethical conduct in an online auction environment.

Introduction

After several years of proliferation of e-commerce, online auctions have become an important means of selling merchandise (Klein & O'Keefe, 1999; Reck, 1997; Turban, 1997). Online auctions constitute a \$6.4 billion per year industry, with that figure estimated to increase to \$15.1 billion per year by 2004 (Albert, 2002). More recently, during the 2005 fiscal year, eBay experienced accelerated growth in many areas. Consolidated net revenues generated by the company nearly exceeded \$4.552 billion, representing a 39% increase over the previous figure of \$3.271 billion earned in 2004. Confirmed registered users increased by 33% over the previous year to 180.6 million users. Experts are estimating that as the online auction industry continues to grow that eBay's consolidated net revenue could increase to \$5.900 billion (eBay, 2005).

Online auctions have been brought about through the synergetic combination of the Internet technology and the traditional auction mechanisms (Bapna, Goes, & Gupta; 2001). In the early development of online auctions, much of the focus was on single-item auctions in isolation from the market context with which they are typically associated. According to Bapna, Goes, and Gupta (2003), the previous limitations of traditional auctions such as space, geography, and time have virtually disappeared with the onset of the online setting. Traditionally, auctions have been used for selling unique and unusual items such as celebrities' personal property and art. Since the Internet became the e-commerce media, online auctions are virtually adopted for all kinds of commodities ranging from low-price books to expensive real estate (Amazon, 2005; eBay, 2005; eShop, 2005). Huge revenues have been generated by online auctions.

Online auctions create virtual auction houses for businesses and consumers. They enhance the cooperative as well as the competitive environment for trading. In addition, they could have a profound implication on participants' behaviours in auctions (Standifird, 2001). Recently, countless reports on fast-growing cases of online auction fraud (Anonymous, 2003; Gatlin, 2003; Keefe, 2003) have brought the attention of law enforcement to the industry. This includes fraud due to the misrepresentation of a product that has been advertised for sale through an Internet auction site as well as nonpayment or nondelivery for those items (Royal Canadian Mounted Police, 2005). While legal cases are often associated with poor morality and ethics in the organizations, ethical issues in online auctions are often overlooked, ignored, or silenced. Little literature on business ethics of online auctions exists. Research concerning this issue is imperatively needed to understand the ethical responsibilities of the different parties involved in online auctions. According to Wieland (2001), there is an interrelated connection between the need for a code of ethics in regards to ethics management systems. Corporate ethics programs must be implemented in order to control, protect, and further develop the integrity of all transactions. There

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