

SOCIAL, LEGAL AND ETHICAL ISSUES OF E-COMMERCE

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1. Introduction to Social Commerce

With all of these benefits come a number of ethical as well as legal considerations to address. In this chapter, we first define social commerce and then discuss ethical issues. Next, we discuss a variety of legal issues, including those that arise with promotions and advertising, consumer review fairness, intellectual property, the use of social data, and jurisdiction. It is important for merchants, as well as consumers, to be aware of and address these considerations to ensure that social commerce's full potential can be realized in a responsible way.

In the 21st century, it's all about being social online. Social media platforms, such as Facebook, Instagram, and Twitter, have created virtual spaces where people can interact, share ideas, and collaborate like never before. Social commerce (s-commerce) takes e-commerce to the next level by facilitating and enhancing the online shopping experience through the use of social media. With social commerce, consumers can share, like, comment, and review products as well as make purchases all in one place. Merchants can then take advantage of the social data generated by consumers to provide highly personalized shopping experiences. This data can also be used to target specific consumer groups for marketing and advertising purposes.

Keywords: E-commerce, Legal, Ethical, Issues, Social, Commerce

1.1. Definition and Evolution of Social Commerce

Web 2.0 and the evolution of the social web have generated mass collaboration and collective intelligence on an unprecedented global scale. New social tools, technologies, and platforms help us share, communicate, play, and work together. As a social society, we are now empowered to fulfill our social, self-esteem, and self-actualization needs. With social media, we can easily connect and share our experiences, knowledge, and wisdom to benefit others in the commercial world. Social commerce enables us to help others while engaging in commercial activities that can generate revenue for us as well. Social commerce will help the world economy as it empowers the world population to benefit from active involvement in commercial activities

utilizing their social influence and social capital that have been gained through collaborative and social interactions.

Social commerce (s-commerce) is a new business model that integrates traditional e-commerce with Web 2.0 social applications. S-commerce empowers individuals to both generate revenue and help others as part of commercial online activities. S-commerce not only changes people from being only consumers but also creators or co-creators of products and value. The creation of social shopping malls, social marketplaces, and collaborative shopping communities will be the core of s-commerce. Businesses who develop and manage strong customer relationships and have a collaborative link between customers and business partners will lead in the social commerce arena. S-commerce will utilize social

advertising, virtual currencies, marketplace applications, group shopping discounts, goal sharing, shop together, e-commerce stores, and many types of monetization and syndication models. S-commerce combines the power of e-commerce with the strength of social buying, social interaction, and social media to monetize social influence and word-of-mouth recommendations.

2. Ethical Considerations in Social Commerce

In conclusion, social commerce seeks to achieve business goals, focusing on communication, collaboration, and relationship alignment between business and customers. Trust is the cornerstone of establishing relationships between business and customers. Therefore, from an ethical point of view, ethical behavior is an essential element required by an organization that applies social commerce to maintain and enhance the quality of transactions between business and customers.

2.2 Define Ethical and Social Commerce

Ethics is defined as a set of moral principles and values that individuals and groups have and use to distinguish right and wrong behaviors, and to justify their customs and ways of doing things. Ethics also play an important role in business activities, and business must operate within an ethical framework that is accepted by society. Business ethics are often defined as the behaviors and guidelines of business that concern individuals and groups when evaluating a company's decisions and activities. Social commerce is a new electronic business paradigm that leverages social media and other Web 2.0 qualitative tools to help online shoppers make buying decisions. Many ethical issues are involved in the concept of social commerce, such as the credibility of user-generated content, the disclosure of hidden links, the well-being of electronic communities, and user privacy.

2.1 Introduction

Social commerce has introduced a new electronic business environment. Modern

qualitative tools, such as Web 2.0, have been integrated to enhance traditional quantitative electronic business methods. As a result, social commerce has improved the quality and impact of the electronic business field. Social commerce has changed the relationship mode between business and customer to gain customer trust as a business goal. In order to achieve the goal of customer trust, businesses need to consider the ethical perspective as a necessary condition. Ethical considerations will help promote and achieve the main objectives of social commerce by removing the main barriers.

2.1. Transparency and Privacy Issues

Confusion can occur when a social commerce site's operator makes postings that appear to be from independent users. In 2009, the FTC sent letters to 10 companies and reminded them that "disclosures should be present in all social commerce communications and that failing to disclose material connections to the company when making endorsements is likely to be deceptive" (FTC, 2009). When celebrity Twitter users were paid to endorse products and did not disclose the relationship, the FTC notified their attorneys that this is illegal. Yahoo has confirmed that "brands are allowed to pay a fee to have their product mentioned alongside the offering of a discount. This includes having an image of the product... and a link to the brand's e-commerce site" (Perez, 2009). Facebook "intends to charge providers for offering their wares via storefronts on Facebook pages but is exploring an array of options, including transaction fees" (Sharma, 2009). Social commerce websites should clarify and disclose all these types of material connections.

Social commerce is a developing business model in e-commerce that combines social media and online shopping. Peer recommendations and advice that help consumers in decision-making are central to social commerce. Hence, building trust with the customer is vital for social commerce, as it

influences the customer's intent to buy and the retailer's reputation. Providing transparency in the information exchange can enhance social commerce to build consumer trust. This includes making it clear to consumers how their personal data is being used, who is posting the information, and what the connection is to the person providing the information. Failure to disclose material connections can result in legal punishment by the Federal Trade Commission (FTC).

2.2. Truthfulness and Authenticity in Marketing

The social commerce environment combines characteristics of traditional e-commerce, Web 2.0, and social networks. It allows users not only to exchange information, experiences, and media but also to engage in online buying and selling activities. Social commerce typically utilizes commercial platforms such as Facebook, Weibo, and Taobao. The commercial platforms concentrate commercial activities, create an identifiable social commerce environment, and provide social commerce participants with a variety of services. From an autonomy perspective, truthfulness and authenticity are essential elements in ensuring that the social commerce environment operates effectively. Commercial activities should be free from deceit, fraud, and misrepresentation. Promoting marketing truthfulness and authenticity as legal requirements can reduce law enforcement costs.

Ethical and legal considerations of social commerce have become hot topics of academic investigations. The social commerce environment is decentralized, where many individual merchants or small-scale business entities conduct their micro-businesses. Making marketing truthfulness and authenticity legal requirements can reduce law enforcement costs. The lack of such legal regulations can destabilize an economy in which many legitimate business owners currently engage in small-scale design, production, and sales. Ethical and legal concerns about the autonomy

of the social commerce environment are also discussed. Legal intervention that promotes governance transparency of commercial platforms is necessary. It can reduce the likelihood of platform bias and enable platform users to make their own judgments concerning the disclosed rules and constraints.

3. Legal Considerations in Social Commerce

Social commerce has appeared as a new pattern of e-commerce. Not only marketing experts, but also lawyers, have stressed the important and special new features of social commerce. The dynamic use of social networking technologies with e-commerce is creating new ways of commercial exchange and leading commercial law figures to uncover new shades of sales, services, advertising, and payment methods. However, it should be stressed that, in order to fully research social commerce, not only commercial law experts are required, but also legal ethicists, who double-check if the commerce innovations are ethically and socially compliant.

Ethical and legal considerations of social commerce. There are a number of legal issues that need to be considered in social commerce. They include the legality of: (1) incorporating social networking elements in e-commerce websites; (2) using user-generated content in commercial websites; (3) implementing social targeting in online marketing; and (4) creating S-commerce mobile applications. The legal concerns of social commerce range from intellectual property to privacy rights. The fast development of internet techniques, especially of the Web 2.0 model, is making the current legal regulations lag behind actual social commerce practices. It is paramount for legislators to collaborate with industry and with self-regulatory bodies to guarantee an always updated legislative framework that encourages social commerce innovation.

3.1. Intellectual Property Rights

Entrepreneurs and small business owners have always been concerned with protecting their

creations. Social commerce platforms can help these merchants by offering a fast and new distribution channel but, at the same time, can also threaten their ideas by facilitating the flow of information and products. Although the internet has allowed faster product distribution and information transfer, it has also increased the risk of more easily and readily accessible intellectual property. Helping users in growing their social commerce activity can come into conflict with proprietary interest if it does not consider the protection of intellectual property rights of the user. These intellectual properties can include trade secrets, trademarks, commercial identity, and publicity of the entrepreneur. Given the potential conflict, the social commerce development may require an ethical framework that emphasizes the importance of respecting proprietary interest in user- and entrepreneur-generated content. From a legal perspective, it might be a good idea to evaluate the in-depth study and review the Digital Millennium Copyright Act or the Electronic Commerce Directive to make necessary exemptions on hosting elements.

Social commerce platforms usually allow users to create their shop profiles through their stories, trademarks, logos, and other brand-related identifiers. Entrepreneurs are associated with their ideas, taste, style, and decision-making process, which form the core of their business and trade secret. Therefore, they can be harmed if others use their trade secrets, trademarks, and publicity to attract consumers in a social commerce environment. While building a social commerce platform, one has to clearly understand and consider the protection of intellectual property rights. This is not only important from an ethical perspective but also needed to avoid legal repercussions. Commercial identity is considered to be a core part of intellectual property. Therefore, both ethical and legal considerations have to be applied before starting commercial activities in social commerce.

4. Regulatory Frameworks for Social Commerce

The salience of social interaction and user-generated content (UGC) for commerce and business gives justification to the review of the major commercial laws. Compliance with established commercial rules allows SC to operate within legal boundaries that safeguard business transaction sanctity. The protection of business transactions from fraud is at the core of the design of many established commercial rules. Business organizations validate and confirm the identity of business entities before engaging in business transactions. It is argued that without trust validation and confirmation of the identity of the parties, SC is at a disadvantage in ensuring the legality of business transactions that have to adhere to established commercial rules.

Enabling the discussion of a region or country's legal support, the regulatory frameworks, and a lack of regulatory support for social commerce, this section investigates and presents a review of the major legal frameworks that have a direct impact on SC. The discussion covered in this section serves as a foundation for understanding the specifics and the nature of SC. It identifies the variations of regulative ideology that would impede or support the development of SC. The identified major commercial, consumer protection, intellectual property, and tax laws and regulations that are in operation or have a potential application within SC are discussed in a manner that identifies the industry segments or SC activities to which they are applied.

4.1. Data Protection Regulations

Considering that companies gather a lot of consumer data such as their preferences, feedback, rating scores, and sometimes even reviews for products and services advertised and sold in social commerce, it is crucial to discuss which are the data protection regulations that apply to this type of commerce. In Europe, there are the Data Protection Directive and the e-Privacy Directive that aim to

protect citizens' fundamental right to a private life when processing personal data and when respecting the secrecy of their communications. In conclusion, although social commerce has a great impact on society by enhancing the way commerce is done by adding social and economic behavior influence factors, creating a dynamic and flexible interactive web shopping environment – the social web shoppingsphere, the implementation of social commerce by companies has to be in compliance with several legal restrictions and ethical guidelines, like the respect for customers' private life and shopping preferences, the protection of consumer data against disclosure and misuse (e.g. by unauthorized access to consumer data by using newly developed technologies such as facial recognition that links to social networks databases), and the safeguarding of intellectual property rights, regarding those contents created by consumers (e.g. the consumer reviews and the rating scores of the products or services).

5. Case Studies and Examples

Ford Motor Company and their presence in Second Life
Second Life is a 3D virtual world that was created by its users, which currently number in the millions. Second Life users are represented by avatars which are graphical embodiments of the users in the virtual world. Second Life is an example of a metaverse, which is a collective virtual space that is created by the convergence of the Internet and a 3D virtual space. Second Life has a fully functioning economy; the currency in Second Life is the Linden dollar, which can be converted to US dollars, and vice versa. Companies and other organizations have set up a presence in Second Life to promote their brands and products, and to interact with customers, users, and residents. Second Life offers a way for companies to use virtual reality for marketing, sales, and customer service.

Etsy sellers and Facebook
Etsy is an online market for handmade and vintage items. Sellers on Etsy set up shop to sell their creations, which can include artwork, jewelry, clothing, and the like. What makes Etsy interesting from a social commerce perspective is that it uses a lot of social media to promote what is for sale. Sellers and buyers can become "friends" and follow each other's activities. They can also use Facebook and Twitter to tell others what they are selling or buying, and promote items for sale at Etsy. Sellers know that successfully promoting and building a brand around their creations is essential for making a profit. Therefore, many sellers use Facebook to create a fan page for their business and post links to their Etsy shop on that page. They can also post pictures of their items on the fan page and tag the items, which will cause the pictures to appear on the Facebook news feed of anyone who has "liked" the page. This gives sellers a way to communicate with their customers about new products and promotions, and it helps buyers make informed purchasing decisions.

5.1. Ethical Dilemmas in Social Commerce

In social networks, customers create their profiles for the purpose of entertainment, information exchange, and social interaction. A customer is free to become a friend or a follower of a merchant or a brand, just as an employee is free to become a friend or a follower in his or her personal use of the network while operating on behalf of the merchant. The prerogative of a customer to befriend a merchant and seek commercial information does not diminish the customer's stakeholder value as a user. The power of friendship has a form of content control, but it is open to the commercial motive of providing special offers or conducting market research in the context of customer service. As customers seek reciprocity in social interactions, social network sales are contingent on the convergence of commercial and social purposes. When the employee and customer roles find common ground as stakeholders, their operational codes can then

be aligned, enabling social commerce to realize its full commercial potential.

Customers and employees act as both users and stakeholders of social commerce. As users, they operate social commerce applications. As customers, they expect benefits and products in exchange for money. As employees, they work in the business related to social commerce for the owner (who is also an operator and a stakeholder). The dual role of customers and employees introduces the study's second research question about the professional and commercial responsibilities of customers and employees in prevailing commercial ICTs. The term "seller" is used by ethicists like Thomas specifically for employees who perform a commercial role, even though they are operating an ICT. Such employees who shoulder commercial responsibilities must apply commercial ethics and professional codes to their activities. The so-called operational codes of customers and employees need to converge in social commerce. This convergence does not negate the different roles and interests of customers and employees as stakeholders with specific ethical concerns, but a lack of shared values will hinder the success of social commerce.

Social commerce has two main dimensions: (1) supporting and enhancing commercial activities, such as social shopping and group buying; and (2) commercializing social interactions, such as word-of-mouth marketing and social network sales. When social commerce platforms focus more on the commercial dimensions and less on the social dimension, the stakeholders involved in the process (primarily customers and employees) face several ethical concerns.

Although social commerce benefits customers, sellers, and society at large, how key stakeholders implement and engage in social commerce raises several ethical concerns. This results in the following research question: What are the key stakeholders, what are their roles,

and what are the ethical dilemmas in prevailing social commerce?

6. Conclusion and Future Directions

In conclusion, social commerce creates an opportunity for society to benefit from increased income, better utilization of resources, and access to service solutions. For future research, it is necessary to identify, evaluate and resolve social commerce issues in order to maximize the positive effects on society and respondents. In terms of service benefits, convenience, customization, and control are fundamental. Consequently, respondents' stated social commerce preferences can be used to guide the design of transactions to enhance their experience and, ultimately, their satisfaction. It is also essential to take into account that the social and service benefits of social commerce can in some cases exclude certain groups of people. It may be necessary to support inclusion and accessibility through some form of subsidies or income redistribution.

This chapter explores the ethical and legal considerations of social commerce. Firstly, the concept of social commerce is introduced, and its components and major actors are identified. Secondly, the chapter reviews the social and service benefits of social commerce and then discusses the social commerce concerns and challenges. Thirdly, it concentrates on the major ethical principles and theories that need to be considered in the context of social commerce, such as disclosure and honesty in advertising, authenticity, autonomy, privacy, security, and data protection as well as unsolicited commercial messages. The chapter also discusses the legal perspective of social commerce including the liability of intermediaries and electronic word of mouth (eWOM), the influence of eWOM on consumer behavior, and existing regulations relating to consumer reviews.

6.1. Emerging Trends in Ethical and Legal Considerations

In summary, in this opening section, we presented an overview of the current status, emerging issues, and future trends of the ethical and legal considerations of social commerce. The use of social media for marketing, promotion, and sales activities is known as social commerce. Sales via social commerce are expected to grow to \$30 billion by the year 2015. With growth come disturbances in the force, namely evolving trends in ethical and legal considerations. The relatively new and continually evolving nature of both social media platforms and social commerce has led to a dearth of empirical, conceptual, and case study research in the evolving landscape of ethical and legal considerations. As a consequence, the majority of existing studies constitute opinion pieces, and articles are presented in other professional or trade publications, as well as on blogs.

Thus, the purpose of this chapter is to provide an overview of the current status, emerging issues, and future trends of the ethical and legal challenges and considerations of social commerce, drawing from the extant literature of electronic commerce and the known trends of social media.

Social commerce sales are expected to increase to \$30 billion by 2015. However, along with growth come disturbances in the force, namely emerging trends in ethical and legal considerations. The relatively new and continually evolving nature of both social media platforms and social commerce has led to a dearth of empirical, conceptual, and case study research in the evolving landscape of ethical and legal considerations.

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