

# **BARGAINTOWN.COM**

## **TEACHING NOTE**

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### **CASE DESCRIPTION**

*The case focuses on a (fictitious) small but growing website that competes with market giants such as eBay.com, Craigslist.com and many others. The entrepreneur behind Bargaintown.com is troubled by one aspect of his business – sellers who may be obtaining their products through illegal and/or illicit means. While the business is quite profitable, the entrepreneur (Lars Bobnock) wonders what, if anything, he can or should do about this potential problem. The primary purpose of the case relates to business ethics, and how a firm should respond to the potential of unethical and illegal practices. The case has a moderate level of difficulty (3-4), and is designed for 2<sup>nd</sup> to 4<sup>th</sup> year undergraduate students; it can be taught in one class session, or spread over two or more class sessions. Students can expect to spend 2-4 hours to complete the case, outside of normal class time.*

### **CASE SYNOPSIS**

*Lars Bobnock, and his wife Tuula, had an idea and started a local or regional version of a website similar to eBay.com or Craigslist.com, and they called the business Bargaintown.com. A unique feature of Bargaintown.com was that buyer and seller could drop off / pick up items at the garage connected to the Bobnock home. Sales revenue for Bargaintown.com started to accelerate after several years, and Lars began to wonder whether or not some of the sellers on Bargaintown.com were actively engaged in criminal activities – namely stealing products from brick and mortar retail stores and then selling them on Bargaintown.com. Lars contemplates 5 different options as a way to deal with the possibility of his involvement in illegal, immoral and/or unethical behavior via Bargaintown.com.*

### **NOTES TO INSTRUCTORS**

This case can be used in a variety of classroom settings, most notably when the topics of marketing ethics and/or social responsibility are being addressed in the course. These topic areas might be found in an introductory marketing course, introduction to business course, entrepreneurship course, or as a case early in a course related to marketing strategy or marketing management. Students, working individually or in teams, can be assigned the possible case teaching questions discussed below. The case is a good example of a broader set of issues given the changing nature of transactions in many economies throughout the world (i.e, the evolution towards consumer-to-consumer (C2C) transactions).

It should also be noted that Bargaintown.com is a fictitious company (or it was at the time that this case was authored – August 2017), but the issues and examples used in the case reflect a range of research and experiences developed by the case author over time. A number of comparisons can be made between Bargaintown.com and similar competitors such as eBay.com, Craigslist.com, and numerous other smaller competitors.

## POSSIBLE CASE TEACHING QUESTIONS

### 1. *Is Bargaintown.com engaging in unethical practices ? Are they socially irresponsible ?*

This question should spur some lively debate among students. The first place students should start or begin in approaching this question is to figure out what these terms mean – ethical and socially responsible. First, according to Pride and Ferrell, marketing ethics is defined as “principles and standards that define acceptable behavior as determined by various stakeholders, including the public, government regulators, private-interest groups, consumers, industry and the organization itself. The most basic of these principles have been codified as laws and regulations to encourage marketers to conform to society’s expectations for conduct”. Based upon this definition, Bargaintown.com may be in violation of existing laws (assuming the rule of law or context is similar to what exists in the United States of America) in that they are either knowingly or unknowingly facilitating the sale and distribution of stolen goods (especially given the drop off / pick up service offered by the company). A notable issue would seem to be whether or not Lars and his wife, Tuula, have any knowledge that they are actively involved in facilitating the sale and distribution of stolen goods. It would seem difficult, if not impossible for any website or mobile app similar to Bargaintown.com to determine whether or not the items being sold are stolen goods. However, if notable patterns exist (i.e., the same seller selling large quantities of new products (still in the original packaging) with no rationale explanation as to where these new products came from), then some burden of responsibility seems to lie with Lars, Tuula and Bargaintown.com. In fact there have been examples where law enforcement agencies have located stolen goods being sold online, sometimes with the cooperation of the company who owns the website or mobile app.

The case text refers to several of the major theories related to ethics, such as egoism, utilitarianism, duty-based ethics, virtue ethics. Students should be encouraged to do additional research on what each of these theories represent and how they might be applied to the situation at Bargaintown.com.

Additionally the case text also poses some additional ways to think about ethics, such as the golden rule (act in a way that you would hope others would act toward you), and the TV test (what would you say if the “60 minutes” TV crew or the local TV station suddenly showed up and starting asking you questions). This is sometimes referred to as “how would you explain this to your mother”. Students can be asked to comment on these scenarios, as well as be encouraged to seek out professional codes of ethics (the American Marketing Association might be used as an example or starting point).

Turning to the issue of social responsibility, Pride and Ferrell define social responsibility as “An organization’s obligation to maximize its positive impact and minimize its negative impact on society. Social responsibility thus deals with the total effect of all marketing decisions on society”. Based upon this decision, it does not seem entirely clear that Bargaintown.com is socially irresponsible. Assuming some stolen goods are being sold via the website, and that Lars and Tuula are truly unaware (and have made good attempts to ensure that no stolen goods are sold), the positive benefits that the website provides would seem to outweigh the negatives. For example, Bargaintown.com provides a valuable service to legitimate sellers, and allows for the “repurposing” of many used products, which in turn helps the physical environment by not throwing out used products which would fill up landfills and require more resources to replace these discarded products.

*2. Is there possible evidence in the case that Bargaintown.com is involved in the selling of stolen goods ?*

While the case does not provide any direct evidence to answer this question, there are hints in the case text that Lars is concerned about specific sellers possibly selling stolen goods via Bargaintown.com. Students should be encouraged to further examine the sales data contained in the case, particularly noting the 4<sup>th</sup> column, which shows significant growth in the “drop fee” category:

<u>Year 1</u>	<u>Overall Sales Revenue</u>	<u>5% Commission</u>	<u>Drop Fee</u>	<u>Total</u>
Quarter 1	\$ 1,411.27	\$ 70.56	NA	\$ 70.56
Quarter 2	\$ 3,936.33	\$ 196.82	NA	\$ 196.82
Quarter 3	\$ 7,449.49	\$ 372.47	NA	\$ 372.47
Quarter 4	\$ 12,014.56	\$ 600.73	NA	\$ 600.73
Yearly Totals	\$ 24,811.05	\$ 1,240.58	NA	\$ 1,240.58
<b><u>Year 2</u></b>				
Quarter 1	\$ 25,377.57	\$ 1,268.88	\$ 120.00\$	1,388.88
Quarter 2	\$ 33,469.03	\$ 1,673.45	\$ 710.00\$	2,383.45
Quarter 3	\$ 49,551.32	\$ 2,477.57	\$ 840.00\$	3,317.57
Quarter 4	\$ 88,479.12	\$ 4,423.96	\$ 1,290.00	\$ 5,713.96
Yearly Totals	\$ 196,877.04	\$ 9,843.86	\$ 2,960.00	\$ 12,803.86

**Year 3**

Quarter 1	\$ 105,467.14	\$ 5,273.36	\$ 3,470.00	\$ 8,743.36
Quarter 2	\$ 151,598.22	\$ 7,579.91	\$ 3,900.00	\$ 11,479.91
Quarter 3	\$ 167,429.39	\$ 8,371.47	\$ 4,620.00	\$ 12,991.47
Quarter 4	\$ 201,469.04	\$ 10,073.45	\$ 5,730.00	\$ 15,803.45
Yearly Totals	\$ 625,963.79	\$ 31,298.19	\$ 17,720.00	\$ 49,018.19

One interpretation of the 4<sup>th</sup> column, looking at the data for year 3 in particular, would be that in the 4<sup>th</sup> quarter of year three, approximately 573 pairs of buyers and sellers took advantage of the drop off / pick up service (i.e., products being left in the Bobnock garage) over a 3-month period. Doing some rough math, that would mean over a 90 day period, somewhere between 6-7 times each day (7 days a week) this service was used. Compared to the 4<sup>th</sup> quarter of the previous year, only 129 instances of the use of this service occurred over a 90 day period, which means 1-2 times per day, on average, 7 days a week. This is a huge increase in just one year. Perhaps the drop off / pick up service is perceived as increasingly valuable by sellers and buyers on Bargaintown.com. However, are some of these items being dropped off at the Bobnock's garage stolen? This is where Lars and Tuula might consider developing some internal policies and procedures, focused primarily on dealing with sellers who seem to be selling a lot of new products, still in the original packaging. As a legal fallback position, the Bobnock's should consider a stated policy requiring sellers to document the origin of the products they are selling on the website when larger numbers of new products are being sold. Students should be asked how they would proceed, with the knowledge that they might be holding (albeit temporarily) stolen goods in their garage.

**Year 2**

	<b>Drop Fees</b>	<b># of Total Drops</b>	<b>Avg. Drops Per Week</b>
Quarter 1	\$ 120.00	12	.92
Quarter 2	\$ 710.00	71	5.46
Quarter 3	\$ 840.00	84	6.46
Quarter 4	\$ 1,290.00	129	9.92
Yearly Totals	\$ 2,960.00	296	5.69

**Year 3**

	<b>Drop Fees</b>	<b># of Total Drops</b>	<b>Avg. Drops Per Week</b>
Quarter 1	\$ 3,470.00	347	26.69
Quarter 2	\$ 3,900.00	390	30
Quarter 3	\$ 4,620.00	462	35.54
Quarter 4	\$ 5,730.00	573	44.08
Yearly Totals	\$ 17,720.00	1,772	34.08

As mentioned in the case text, one option might be for the Bobnock's to contract with a local shipping business (something similar to the "UPS Store") to use their physical store and location as point of drop off and pick up. This will add additional costs for each transaction, however, which will have to be covered either by Bargaintown.com and/or the buyer and seller. On the other hand, additional traffic would be generated for the business serving as the drop off / pickup point, and this could be a selling point in negotiating with prospective business partners. Additionally, the mobile app Roadie is mentioned in the case text as a possible solution, and might be discussed in class as a possible option to make the business more scalable.

*3. How do competitors to Bargaintown.com handle situations where stolen goods might be offered for sale via their website / mobile app ?*

As described in the case, an example policy from eBay.com is offered, and could serve as the starting point for class discussion on what policies and procedures should be in place for a company such as Bargaintown.com:

*The sale of **stolen property** violates state, federal, and international law, and we notify law enforcement of any attempts to sell **stolen property** on our site. We also support the investigation and prosecution of sellers who violate this **policy**. Make sure your listing follows these guidelines.*

*[Stolen property policy - eBay](https://pages.ebay.com/help/policies/stolen.html)*

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One suggestion would be to have students, in small groups, come up with a draft set of policies and procedures that would build upon the eBay.com example. Another possible thread of discussion would be to play "devil's advocate" and ask if the eBay.com policy, or any policy for that matter, would have any meaningful impact upon would-be criminals who want to sell stolen goods online. Is the eBay.com policy just a form of legal protection for the firm ? All of this discussion might also be put into the context of the overall level of theft or "shrinkage" that occurs in retailing (referring to the Wall Street Journal article that is cited in the case text). Students should be asked to come up with a current estimate of how much retail shrinkage occurs, and in general how important of an issue is this for retailers.

*4. How should Lars proceed regarding his concerns about stolen goods being sold on Bargaintown.com ? Evaluate each of the 5 options outlined in the case.*

A series of 5 possible courses of action are presented in the case. Prior to analyzing and/or discussing these options, students should be asked if they have any ideas for additional options which could be included in the subsequent analysis and discussion (i.e., is Lars missing anything in terms of possible options ?). The first option stated in the case is to develop some type of

agreement, which would be signed by sellers on Bargaintown.com, requiring some (or perhaps all) sellers to document the origin of the goods they are selling on the website. Students should be asked to consider the pros and cons of this approach (and of all of the options listed in the case and any others developed by students – perhaps developing a chart or figure that would depict all possible options, and each of the +/- for the various options). The real question seems to be what, if any, impact would such a document have on those sellers engaged in the selling of stolen goods? Is this option just a mechanism to protect Lars and Tuula from possible legal prosecution?

The second option stated in the case is a more extreme approach, in that Lars and Tuula would simply sell Bargaintown.com and let someone else worry about any potential problems. While this would ultimately eliminate the dilemma Lars feels he is facing, the downside issue clearly is the acceleration of revenue which Bargaintown.com is experiencing – selling now might mean the Bobnock's lose out on a huge amount of revenue in the future. Students should be asked to discuss this option at greater length; how much future revenue might the Bobnock's be missing out on if they sell now? Is selling now the “easy way out” and a way to “wash their hands” of the situation?

The third option stated in the case would seem to eliminate some of the concerns which Lars has in the case – by eliminating the drop off / pick up service, the Bobnock's would not be in physical possession of potentially stolen products. On the other hand, this optional service offered on the Bargaintown.com website seems to be generating an increasing amount of revenue, and is an interesting point of differentiation for the company. Many of the websites and mobile apps who serve as competitors to Bargaintown.com do not offer such a service (albeit the drop off / pick up service is most attractive to sellers and buyers who are within a reasonable distance of the Bobnock's garage). Going even further, if Bargaintown.com expands and grows (in a geographic sense) might “local franchises” or “affiliates” be established in different geographic areas in order to offer this same drop off / pick up service in many communities? Students should be encouraged to debate the short-term and long-term implications of discontinuing the drop off / pick up service. Can a partnership be forged with a local (or even regional) business which would serve as the drop off / pick off point(s) in many different geographic locations?

The fourth option stated in the case should generate, perhaps, the most discussion among students, and could be broken down into several sub options: approach the county prosecutor, approach the local police agencies, or meet with the lawyer for Bargaintown.com.

Approaching the county prosecutor and/or law enforcement agencies would be viewed as “taking the high road”, but possibly could result in some legal action being taken against the Bobnock's (albeit their initiative and cooperation might significantly mitigate any charges that would be laid against them and Bargaintown.com). Meeting with the lawyer for Bargaintown.com would be the “safest” approach, and probably would be the most popular choice for most students, when considering this 4<sup>th</sup> option, but could also be viewed as “lawyering up” in anticipation of future legal problems. On the other hand, legal counsel might be instrumental in developing a more meaningful set of policies and procedures for Bargaintown.com in moving forward (and reducing or eliminating the possibility of the selling of stolen goods).

Finally the fifth option stated in the case is a bit of an off-shoot of the last (4<sup>th</sup> option) in that the Bobnock's could do some extensive research on how other major and minor competitors approach the dilemma of possibly selling (or being involved in the sale of) stolen goods. This

might be a good exercise for students in preparing to discuss or present this case – take a look at the similar and/or relevant selling policies and procedures for competitors such as eBay.com, Craigslist.com, Decluttr.com, Letgo.com and Offerup.com, among others.

### SOURCES CITED

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