

Shopping.com: When e-commerce isn't a bargain

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The shopper mentioned in the case provided information including transaction documents, e-mail records, and links to pertinent information available the internet. Only the shopper's name and other identification information have been changed. As noted at the end of the case, Shopping.com's ownership changed subsequent to the events reported here.

Hereford Bottleberry, professor at a major California university and author of a leading text on the history and philosophy of surfing, was angry and frustrated. On October 17, 1998, over five weeks ago, he had ordered two software products from Shopping.com, an online merchant that operates through the World Wide Web. According to the Shopping.com Web site, "computers, music, and books [were] usually delivered within 3 to 5 working days" and "most departments deliver within 7 to 10 days." After many email messages and unanswered phone calls, UPS delivered two packages on November 23, 1998. One contained a voice recognition product he had ordered, Dragon Naturally Speaking Preferred, Version 3.0. The other contained an incorrect product. The second product on his order was an IBM compatible version of Pagis Pro 2.0, a scanning suite and data organizer produced by Xerox. Instead, he had received a Macintosh compatible version of TextBridge 8.0, a different scanning product produced by Xerox. He had already wasted a lot of time on what seemed like a simple matter, placing orders for two software products, and now he would have to waste even more time documenting what had happened in order to convince his credit card company to reverse the credit card charges for the erroneous shipment.

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Deciding to purchase software through Shopping.com

For several months prior to October 1998, Professor Bottleberry had become increasingly dissatisfied with his ability to record information efficiently and manage his flow of email messages, internet downloads, and other documents related to surfing and other areas of interest. On the recommendation of several colleagues, and after looking at a series of product reviews available through the Internet, he decided to purchase Dragon Naturally Speaking, Version 3.0 and Pagis Pro 2.0. He called Office Depot, where he often shopped, but was told that these products were not currently available in the nearby store even though he might order them. He had heard about buying things using the Web, and had successfully used the Web to find economical hotel rooms for several trips earlier in the year.

He decided to look at CNET.com, which contains or links to a great deal of computer related information such as product reviews, reports, downloads, and shopping information. One of the services accessed through cnet.com is Shopper.com, which provides a table comparing prices and availability of selected products at a selected set of online retailers. Exhibit 1 shows the table of prices for Dragon Naturally Speaking, Version 3.0 that was generated on Dec. 21, 1998. On Oct. 17, 1998, Bottleberry had used Shopper.com to generate a similar table for both Dragon Naturally Speaking, Version 3.0 and Pagis Pro 2.0. The range of prices at that time was similar to the range of prices shown in Exhibit 1.

Bottleberry had never heard of most of the companies on the list, but assumed that Shopper.com would not have included a company with a bad reputation. Otherwise it would quickly become known that Shopper.com listed online merchants who were unreliable, and buyers would then avoid the Shopper.com Web site. Bottleberry noticed that the company offering the least expensive price for Dragon Naturally Speaking was not cheapest for Pagis Pro. He decided to look at the Web sites of two or three online merchants that had both products in stock and whose total price for the entire order would be among the lowest. The first site he looked at seemed somewhat confusing. The site for Shopping.com seemed understandable and he decided to place his order there.

Placing the order was simple. Bottleberry identified the products he wanted and put them in his "shopping cart." He then indicated he was ready to order. He filled in his name and address information along with his credit card number. Shopping.com replied with a "pre-receipt" showing the price of each item, the price for shipping, and the total price for the order, which was \$248.25 including shipping and tax. The following statements were printed under the total:

If you ordered items from more than one department you will be receiving more than one delivery.

DELIVERY: Computers, Music, and Books are usually delivered within 3 to 5 business days. Most departments deliver within 7 to 10 days.

You will be contacted by e-mail in the unusual case of a vendor being out of stock or an item being unavailable.

Once you have saved your pre-receipt please take this time to fill out our short survey.

Order related questions should be sent to orders@Shopping.com For all other inquiries please e-mail infogrp@Shopping.com or call 1-888-LOVE-2-SHOP (1-888-568-3274)

Later on Oct. 17, Bottleberry received an email message confirming that the order was entered. The email message is shown in Exhibit 2 in the format in which it was received.

Wondering what happened to the order

Based on the information on the pre-receipt, Bottleberry assumed that the software would probably be shipped by the computer department and delivered within 3 to 5 business days. He therefore expected delivery on Oct. 24, and at worst, during the business week of Oct. 26 through Oct. 30. Since he really wanted to get started with the software, he sent the following email message to orders@Shopping.com on Tuesday, Oct. 27.

I placed order #8582447 on Oct. 17. The pre-receipt said computers, music, and book departments usually deliver in 3-5 days and other things in 7-10. Since my order was for two computer software products I would like to make sure the order is on its way and when it will probably arrive.

Thanks.

Hereford Bottleberry

When nothing had arrived by Friday, Oct. 30, Bottleberry became concerned and tried to call the telephone number provided on the pre-receipt. He called several times on Nov. 1 and 2, but the line was busy. On Nov. 3, he sent the following e-mail message to orders@Shopping.com:

I placed order #8582447 on Oct. 17, 1998. I ordered Dragon Naturally Speaking V3.0 preferred edition and Pagis Pro 2.0 for Win95/Win NT. I expected to receive the order within a week because you said computers, music, and books are usually delivered within 3 to 5 business days. It is now two weeks later. When can I expect to receive these products? I need

them for my work.

Hereford Bottleberry

On Nov. 6, he received the following response from bgreene@Shopping.com

Dear Hereford Bottleberry

In regards to your Shopping.com order #8582447, your Customer Service Representative is diligently working on your request. However, due to the nature of your request we will require more time to research the specifics of the order, so that we are able to provide you with the most accurate response possible. We apologize for this delay and we are doing our best to get this information to you as soon as possible. We greatly appreciate your patience and understanding. Your customer service representative will be contacting you with this information shortly. In the mean time if you have any further questions or comments please feel free to contact our toll free number (888) 568-3274 and one of our representatives will be more than glad to help you. Again thank you from Shopping.com.

Sincerely,

Customer Service
Shopping.com

Bottleberry was now becoming concerned. It sounded as though Shopping.com didn't know whether it had shipped the order. It seemed unusual for a distributor to respond to a completely typical customer question with an ominous phrase such as "due to the nature of your request we will require more time to research the specifics of the order." Knowing whether a very simple order for in-stock items had been shipped should not seem like rocket science for a company that is in the distribution business.

At this point he called Credit Ahoy, his credit company, to find out whether the order had been billed. The customer service representative at Credit Ahoy said it had been billed on Oct. 27. This seemed strange to Bottleberry. He had placed the order on Oct. 17 for merchandise that was in stock according to Shopper.com. Why would a merchant with merchandise in stock not ship the order and bill for it immediately?

Bottleberry phoned several additional times but only received a busy signal. On Nov. 10 he sent another email message to Shopping.com asking what happened to the order. The subject of the message was "Re: order # 8582447." The message itself was brief:

What happened to this order? I ordered it on Oct. 17 and need this software. Did you ship it? Please respond so that I can know what is happening.

Shopping.com under fire

After sending the email message Bottleberry decided to look for Internet sources that might explain more about the problems at Shopping.com. He entered Shopping.com into several search engines and found several articles.

A November 3, 1998 article titled “Shopping.com under fire” had been posted on CNET News.com and can be found at <http://www.news.com/SpecialFeatures/0,5,28595,00.html>. The article stated that Shopping.com had received hundreds of customer complaints over purchase delays and lack of company response in recent weeks, and that these were the latest in a series of troubles to have beset company. One shopper complained that “While Shopping.com shows a very thorough customer support infrastructure, they have not responded to any of my dozen of emails requesting information on my orders”.... [and] he has not been able to get through to the customer service phone line either. "I've gotten nothing, but been billed for everything." He had filed a complaint with the Better Business Bureau and the California State Attorney Generals' office with allegations of consumer fraud. The company's executives acknowledged problems in customer service, especially due to a 10-fold increase in sales volume 30 to 40 days earlier after the company was added to an Internet shopping site. Its chief executive said Shopping.com was in the final process of securing a "significant investment" by a Fortune 200 company and that “We had a blip here but we'll recover.” The article went on to state that two Web sites, Excite.com and CNET's Shopper.com, had removed Shopping.com from their lists of e-commerce sites to visit.

The Web site of eSmarts.com which describes itself as “the community for bargain shoppers” included Shopping.com in a short list of questionable merchants. Its notice, dated Nov. 3, said “eSmarts is concerned about Shopping.com's ability to ship orders because they are running out of cash. An order placed by a representative of eSmarts on October 12, 1998 has not yet been delivered. After over fifty busy signals and thirty minutes on hold, the customer service representative confirmed that the order had been received. He said that it had been sent to the distributor several weeks ago, but he was unaware of its current status. He could not promise a delivery date, nor provide any additional information. We were unable to reach anyone in the executive offices for additional comments.” The notice went on to say that further proof of Shopping.com's problems were in a recent government filing, in which Shopping.com said that its ability “to survive and grow for the immediate future will depend on the company's ability to promptly raise additional capital from public or private equity or debt sources.”

In contrast to the negative publicity from these two sites, a press release by Shopping.com posted on the Internet Nov. 10, 1998 (available at http://biz.yahoo.com/prnews/981110/ca_shoppin_1.html) announced much better news.

In the words of the chairman of the board, “Preliminary results show the company achieved record revenues for the third quarter, which ended October 31, 1998. Revenues for the quarter of \$2,150,000 were up 207% over revenues of the previous quarter. Final audited figures will be released to the public on or before December 15, 1998. ... This has been a quarter of tremendous significance for Shopping.com ... The tremendous increase in our revenue run rate from \$4.1 million annually at the end of the second quarter to \$8.8 million at the end of the third quarter is comparable, if not superior, to almost any other web retailer at our stage of development. What is truly significant is how little capital it took us to accomplish such growth. I believe that the volume of up to 1500 transactions per day with an average value approximating \$200 per transaction is a validation that Shopping.com is becoming a retail leader across a broad spectrum of consumer-products and validation of the unique business model our Company offer to Internet shoppers worldwide.”

Response at last ... more or less

On Nov. 18, 1998, after more busy signals on the telephone, Bottleberry decided to try one more email:

Shown below is a copy of an email message I sent to you on Nov. 3 asking you about an order that I placed with you and that you billed to my Visa account on Oct. 27, 1998.

Where is the software? I ordered it on Oct. 17, with an estimate of 5 day delivery for computer products. I need it, but now I am stuck waiting for it. Please tell me what is happening.

– Hereford Bottleberry

He received no response to the email, but on Nov. 23 received two packages via UPS. One contained a voice recognition product he had ordered, Dragon Naturally Speaking Preferred, Version 3.0. The other contained an incorrect product. The second product on his order was an IBM compatible version of Paxis Pro 2.0, a scanning suite and data organizer produced by Xerox. Instead, he had received a Macintosh compatible version of TextBridge 8.0, a different scanning product produced by Xerox. He was not amused. In disbelief he looked at the packing list inside the second package. It said that the product was supposed to be Paxis Pro 2.0. He saw a certain irony in the message at the bottom of the packing list: “I take pride in the quality of my work and because of that, I have scanned and verified that this order contains 1 units. Gzepeda”

On Nov. 27, Bottleberry was at an Office Depot store for an unrelated purchase and happened to see both Dragon Naturally Speaking Preferred, Version 3.0 and Paxis Pro 2.0 in stock on the shelves. The Office Depot price for Naturally Speaking was \$179.99, around \$40 more than the price through Shopping.com even when shipping was included.

The pre-tax price for Pagis Pro 2.0 was \$99.99, or about \$8.50 more than Shopping.com's pre-tax price for the product and shipping. He bought Pagis Pro on the spot and later that day sent a final email to Shopping.com. The email message started:

Gentlemen:

On Nov. 23 I received two packages from you, one of which contained a product I did not order. I have withheld payment on my Visa card as a result. The sequence of events is shown below. Please tell me how to return the software that I did not order. I will take no further action on this until you tell me what to do.

I hereby cancel my previous order because I needed that software a long time ago and I must purchase it from a different vendor so that I can do my work.

– Hereford Bottleberry

The email message then recounted the numerous phone calls, email messages and delays, culminating in receiving the wrong product. At the end it once again asked how he should return the TextBridge 8.0. He received no reply in the following six weeks, and assumed none would be forthcoming.

Reversing the credit card charge

On Nov. 26, 1998 Bottleberry wrote to Credit Ahoy, his credit card company, asking that they reverse \$87.53 of the charge for Shopping.com that appeared on his credit card. He enclosed a copy of the original invoice along with a copy of the cover of TextBridge 8.0, the product he had received instead of Pagis Pro. He explained that Shopping.com had been very late in delivering the order, that they had never answered his phone calls, that the one email response they had provided seemed confused, and that he had learned via the Internet that Shopping.com was unreliable.

On Dec. 7, 1998 he received a reply from Credit Ahoy. It said that they had issued a temporary credit for the disputed amount and that they needed more documentation including "a signed letter with the details and date of your attempt to resolve the dispute with the merchant, and their response." The letter from Credit Ahoy appeared to be a form letter with the account number and other information filled in. It provided a customer phone number and a fax number and was signed with the typed name of a customer service representative.

On Dec. 21, Bottleberry responded with the requested letter, which included the entire sequence of events plus several pages of downloaded from the internet to show that others had had the same problems with Shopping.com.

On Jan. 3, 1999, Bottleberry received an additional letter from Credit Ahoy, dated Dec. 28, 1998, saying that they had not received a response to their first request, and that “if we do not receive the documentation within two weeks, our efforts to assist you may not be as effective.”

On Jan. 4, Bottleberry tried to phone Credit Ahoy to find out whether the documentation had arrived. An automatic messaging system answered the call, saying that all customer service representatives were busy and that the caller should please call back later. Bottleberry called two more times that day, but only received the message to call back later. He tried again at 6:24 AM on Jan. 5, but received the same message. He tried once more in the morning, but with no success. He then called at 4:15 PM and got through to a customer service representative who said that the dispute resolution department was open during regular business hours in the central time zone, and that Bottleberry should try to call tomorrow.

On Jan. 6 Bottleberry got past the “call back later” message the first time he called, and spoke to a customer service agent after about one minute on hold. The customer service representative understood his question, put him on hold again, and returned around 30 seconds later saying that a dispute resolution agent had received his documentation yesterday, and that he would receive a response by letter.

Afterword

Several days later, Bottleberry was glancing through the business section of the *New York Times* when he noticed Shopping.com’s name again. According to “Executive Musical Chairs at Shopping.com, Again,” *New York Times*, Jan. 11, 1999, p. C3, Shopping.com was shifting top executives for the third time in nine months. Out of curiosity Bottleberry decided to take one more look at the Internet to see if he could find out more about what had happened. One summary of the company’s difficult journey during the past year was a chart of its stock prices in stockmaster.com. The stock (under the ticker symbol IBUY) started 1998 at around \$12 per share and zoomed to \$39 in less than 4 months, but trading was suspended by the SEC due to suspicions of stock fraud by the primary underwriter. The suspension was lifted quickly, but in September the stock plunged to \$0.96 per share. By the end of the year it was back to around \$12. (See http://news.stockmaster.com/display_news.asp?mode=news&doc_id=BW19990106BW0046&ticker=IBUY&Duration=12)

Bottleberry also found a company news release that started “Focused on optimizing its position as one of the Internet’s most comprehensive, low-price shopping destinations, Shopping.com (OTC:IBUY) has announced a new executive management team. The news release went on to say that a new chairman of the board had joined; the previous president and CEO was leaving; its founder and former chairman was becoming president and CEO again. Perhaps the change in management was the reason why the company’s stock had jumped \$5.41 to \$18.59 at the close of trading on Jan. 11.

Bottleberry went to the freeEDGAR.com site, which provides free access to quarterly reports and other required company filings with Security and Exchange Commission. A revised quarterly report for the quarter ending Oct. 31, 1998 showed revenues of \$2,056,850 and a net quarterly loss of \$5,655,986. For the first nine months of the company's fiscal year, it had lost \$18,946,933 on revenues of \$ 4,008,467.

Bottleberry started reading the report's background material concerning ownership and lawsuits, but decided that more information would be much less valuable than a bit of reflection on this whole situation. Maybe the Internet wasn't all it was cracked up to be. Or maybe he had just been foolish to send an order to an unknown merchant, even if that merchant seemed to be vouched for by being included on cnet.com's site. The only thing that was certain was that he had wasted an enormous amount of time on a trivial matter.

The next morning: The *Wall Street Journal*, *New York Times*, computerworld.com, informationweek.com and other sources announced Compaq's plan to acquire Shopping.com for \$220 million. It intended to use Shopping.com to complement the AltaVista search engine, acquired as part of Compaq's acquisition of Digital Equipment Corporation. Compaq said it would provide quick access to Shopping.com from AltaVista and would mine knowledge from consumers' online purchasing transactions at Shopping.com.

Discussion questions:

1. Under what circumstances does it make sense to order a product from an online vendor? Or from any vendor?
2. Was it reasonable for Bottleberry to order software products from Shopping.com? Explain the criteria that should be used in selecting an online merchant and then explain how those criteria apply to Bottleberry's decision.
3. The case mentions that eSmart.com provides a list of questionable online merchants. How could a more extensive "consumer alerting" service gather the necessary information in order to warn consumers of questionable merchants? Would this service require the use of internal company information such as rates of complaints and actual delivery results? Alternatively, to what extent would be good enough to just invite comments from customer and to monitor bulletin boards and other sources on the web?
4. Assume that an alerting service existed. There are many cases in which auditors have been misled by their clients. Explain why this alerting service would be more likely or less likely to be misled than typical auditor.
5. Assume that a good "consumer alerting" service existed on the Web. Would you be willing to pay for such a service? If so, explain how much you would be willing to pay to use such a service. If not, explain why you would be unwilling to pay for it at all.

6. What, if anything, does the case say about the business ethics of Shopping.com or other online merchants?

Exhibit 1: Price comparison for Dragon Naturally Speaking, version 3.0

Data in this table was generated on December 21, 1998 using the comparison features in Shopper.com. A similar table generated on October 17, 1998 listed Shopping.com as one of the companies offering a very low price.

	Merchant	Price	State	Phone	Approx. Shipping	In Stock	Last Updated	Int'l Sales
1	BuyComp.com	\$135.95	CA	888.880.1030	See Site	Yes	12-21-98	No
2	CMPEXpress.com	\$136.99	PA	800.950.2671	See Site	35840	12-21-98	Yes
3	PC Save	\$142.99	**	888.498.9884	See Site	Yes	12-20-98	No
4	firstsource.com	\$145.74	CA	800.858.9866	Two Day (best way) \$9.95+	36867	12-19-98	No
5	IC-Direct.com	\$147.38	MS	888.281.8007	\$8.00	Yes	11-24-98	Yes
6	Neutron, Inc.	\$148.66	PA	800.813.4218	See Site	Yes	12-20-98	No
7	1stMicro	\$148.66	FL	800.680.1112	See Site	36528	12-19-98	Yes
8	Computer Warehouse	\$148.85	CA	800.511.6071	See Site	Yes	12-19-98	No
9	HardwareStreet.com	\$148.99	NV	888.447.4406	\$5.70	20314	12-18-98	Yes
10	Necx.com	\$149.95	MA	800.808.3375	UPS GND: \$6.95	Yes	12-21-98	No
21	CDW	\$158.62	IL	800.726.4239	\$3.99	See Site	12-19-98	Yes
22	Libi Industries, Inc.	\$159.95	NY	800.886.5424	See Site	Yes	12-19-98	Yes
23	PC Mall	\$159.99	**	800.863.3282	See Site	46916	12-18-98	Yes
24	Computability	\$159.99	WI	800.554.2184	\$4.99	47278	12-21-98	Yes
25	MicroWarehouse	\$169.95	NJ	800.397.8508	\$9.95+ 1DAY	Yes	12-18-98	Yes
26	CompSource	\$170.13	OH	800.413.7361	\$8.00	Yes	12-21-98	No
27	Soft4U.com	\$170.66	CA	877.276.3848	\$3.00	Yes	12-10-98	Yes
28	Egghead.com	\$170.99	WA	800.344.4323	See Site	Yes	12-21-98	No
29	Software Online (Canada Only)	\$199 Cdn	ON	905.637.8890	See Site	See Site	12-18-98	No

Exhibit 2: Confirmation received by email on Oct. 17, 1998

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Received: Preliminary order number: 8582447
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Thank you for your Shopping.com order, Hereford Bottleberry
Your order is a top priority for us!

IF your order contains items from dIFferent departments,
you will receive your entire order in more than one delivery.

Your order will be billed to:
Hereford Bottleberry
563 3rd St.
Surftown, CA 92107
Phone: 831-475-5528

Email: bottleberryh@surfu.edu

Your order will be shipped to:
Hereford Bottleberry
563 3rd St.
Surftown, CA 92107
Phone: 831-475-5528
Email: bottleberryh@surfu.edu

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QTY SKU Description Price
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1 0787505333627 Dragon Naturally Speaking V3.0 \$135.53
1 0000061081691 Paxis Pro 2.0 for Win95/Win NT \$87.53
=====

|SubTotal: \$223.06

IF you have any questions or you received |Tax: \$17.29
this message in error, please contact us |Shipping: \$7.90
via e-mail at infogrp@Shopping.com or by |-----
phone at (888) LOVE2SHOP - (888) 568-3274. |Total: \$248.25
|

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Please note, your order is subject to verification.
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