

## Online Shopping Insecurity

By Dr Jaime S Ong

Consumer and retailer concerns over online shopping are amply documented in the research literature on e-commerce.

A master's thesis on online mall buyers in Beijing, for instance (Guo Luomei, De La Salle University college of business & economics, 2004), cites the Computer Security Institute as saying that Internet retailers from Asia, Europe and North America have lost billions of dollars to hackers who steal customer credit card numbers after infiltrating retailers' computers. A Reuters story estimates losses due to financial fraud at \$15 billion in 2005, with 10 million victims falling prey to identity theft.

Another graduate student currently working on her thesis (Farah Ramos, De La Salle U college of business & economics, 2005) explains that credit card (in)security refers to more than the risk of hackers randomly generating card numbers until they find one that is active. By using electronic tails called cookies that can be downloaded into a browser's hard drive, merchants can amass reams of data about a particular browser's favorite buys and interests – and then use the data unethically.

Even more scary is the news that cybercriminals peddling programs to hack into computers are moving to abandoned websites which are harder to detect. When authorities shut down such a site, the malefactorss simply look for another website that arouses little suspicion.

Consequently, while Internet users keep multiplying, many are reluctant to disclose sensitive personal information to websites. Internet security and privacy are global concerns.

Yet online shopping keeps growing too, and the latest indicator of this is what's happening to metropolitan daily newspapers all over the U.S. The International Herald Tribune reports job cuts at the New York Times Co. (which owns the Tribune), the Philadelphia Inquirer, the Los Angeles Times, Wall Street Journal and the Washington Post, because advertising revenues are flat. The money is migrating to the Internet.

Two-thirds of all US households are expected to have high-speed Internet connections, or broadband, by 2010 -- double today's figures. Ford Motor has found that 80 percent of its customers shop online, doing initial

research, getting quotes from dealers, even setting up test drives. Given statistics like these, Tribune reporter Katherine Seelye predicts that advertisers will shift up to 20 percent of their budgets to the Internet over the next three years, from today's 5–8 percent.

It might be noted that in the Philippines, the no-frills airlines still advertise in the broadsheets; but their print ads are designed to get would-be tourists to check out the airline website – and the rest of their transactions are online. As frequent flyers become more computer-literate and deal-savvy, the importance of newspaper ads to no-frills airlines may diminish.

So where are consumers headed? Is the migration to Internet advertising inexorable because more and more consumers opt for the convenience and speed of online shopping? Or will buyer caution over credit card security and data-mining act as a continuing brake?

On the one hand, graduate student Farah Ramos is testing intriguing, even counterintuitive, hypotheses: that Filipino Internet users with longer online experience will actually have higher, (not lower) anxieties over the security of their credit card transactions and the privacy of their personal information.

On the other hand, the level of anxiety may not be intense enough to discourage on-line shopping altogether. Google Inc. is currently testing a system that would let users submit classified-ad-type listings of items for sale. This would increase Google's advertising content, and make it a formidable competitor of eBay, newspapers and other sellers of classified ads.

Being neither fortuneteller nor professional economist, I'm not paid to prophesy. But it seems fair to expect that the lure of credit card use will on the whole overcome the misgivings of the moment. The Philippine banking sector's credit card receivables rose to P76,1 billion at the end of the 3<sup>rd</sup> quarter of 2005, up by 22 percent over the same period last year. Some of that hefty amount has got to represent on-line transactions. Filipino tourists and overseas workers may have qualms about using credit cards to buy tickets on-line, but they know budget airfares are cheap precisely because Web transactions bypass travel agents and reduce airline overhead expenses.

When you come down to it, is shopping on the Web any less secure than surrendering your credit card to a store clerk for a minute or longer? Shakespeare may have been talking about intrepid online shoppers when he wrote: "Present fears are less than horrible imaginings."

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