

Standard 8: The student will describe and explain interest, credit cards, and online commerce.

Credit Cards: Shopping Online

Priority Academic Student Skills

Personal Financial Literacy

Objective 8.1: Compare costs and benefits of using credit cards and making online purchases (e.g., interest rates, fees, repayment schedules, and personal information protection). 

Objective 8.2: Evaluate options for payments on credit cards (e.g., minimum payment, delayed payments, or payment in full).



Lesson Objectives

- ⇒ Describe the costs and benefits of online shopping.
- ⇒ Compare shopping online to shopping in person.
- ⇒ Evaluate payment options for online purchases.

Personal Financial Literacy

Vocabulary

Credit card: A plastic card that authorizes the delivery of goods and services in exchange for future payment with interest, according to a specific schedule.

Revolving credit: A consumer line of credit that can be used

Peter hates to shop, so he prefers to buy everything he can online. He does not have a credit card; instead, he relies on drafts from his checking account to pay for his purchases.

Mary Jane loves to shop. She goes with her friends to the mall, and surfs the Internet almost every night looking for good bargains. She has two credit cards. She uses one credit card for shopping and the other card for emergencies.

Harry only shops when necessary. He uses the Internet to research the products he wants to buy, then visits the local store to see which has the best deal. It takes a little more time, but Harry does not mind. His friends call him “cheap,” but Harry says he is “informed.”

Which of the three is the “best” shopper: Peter, Mary Jane or Harry?

up to a certain limit or paid down at any time.

Introduction



Online shopping has costs and benefits, like any other choice people make. It can be fun, convenient, and economical, but also expensive and addictive. Consumers use the Internet to find information on specific products and compare prices with local merchants before buying. They also enjoy the opportunity to shop 24 hours a day, seven days a week because Internet merchants never close. While convenient and fun, online shopping provides opportunities for dishonest sellers to steal a person's identity or defraud potential buyers.

Lesson

Sometimes, things are not always what they seem. That can certainly be the case when buying online. When making decisions in virtual space, you are relying solely on the information provided by the merchant because you cannot see or touch the merchandise being sold, and you really have little information on the seller unless it is a widely recognized name.

Online shopping has grown in popularity in recent years and is often a great source of information for bargain hunters or information seekers. As an online shopper, you can save money on gasoline, avoid crowded parking lots and malls, and comparison shop without leaving home. In addition, you do not make wasted trips driving around trying to find exactly what you want.

A recent study by the Pew Research Center shows that two out of three Americans who use the Internet have purchased a product online. In addition, the study found that over 60% of those using the Internet in 2007 researched a product online – double the amount in the year 2000. The study, however, is not all positive. The same report shows that over half of the people who make online purchases said they were frustrated, confused or overwhelmed with the problems they encountered while shopping online. The study also finds that most people are still concerned about entering personal data, such as credit card numbers, on a Web site.

ONLINE RESOURCE

For more information on the Pew study, go to <http://pewinternet.org/>.

PRESENTATION

The slide presentation for this lesson outlines the content in this section. You may want to use it with your students, or print off the slides to use as lecture notes.

As you can see from these findings, online shopping is growing even though people have some concerns about the potential costs or risks associated with online shopping. While fun and convenient, it can also be frustrating and costly. To know if you are getting a good deal, look at more than just the final price of the product.



When shopping online, it is important to pay special attention to the details, such as the level of security for the Web site, return policies, warranties, shipping and handling charges, and other conditions affecting your purchase. Paying attention to the details will help improve your satisfaction with online shopping. In fact, examining the “fine print” of an online purchase is even more important than when buying from a local retailer. Why? Because you have limited options for recourse against the seller. In other words, you have fewer options for resolving any potential problems that may arise after the sale.

Reading the customer services sections on the Web site should answer any questions you have about the product and its purchase. If not, you may need to call the company before making your purchase. Be sure to document the time you called, the person you talked with, and the answer you received. You may also want to ask them to email or fax you all terms of the purchase in writing before giving them your credit card information.

ONLINE SHOPPING TIPS

- **Know exactly with whom you are dealing.** Confirm the online seller’s physical address and phone number in case you have problems or questions and need to contact them.
- **Know exactly what you are buying.** Carefully read the seller’s description of the product, including the fine print.
- **Know exactly the terms of the deal.** Understand refund policies, warranties, delivery dates, etc.
- **Know exactly how much you will be charged.** Include sales tax and shipping and handling in the total cost of the order.
- **Pay by credit card or charge card.** Never send cash or a check; credit or charge cards provide more consumer protection in case of problems.
- **Print and save records of your online purchases.** Keep them in a safe place until the transaction is completed and you are satisfied with your purchase or the warranty has expired.
- **Check the site’s security.** Look for indicators that the site is secure, like a lock icon on the browser’s status bar or a URL for a Web site that begins “https:” (the “s” stands for “secure”).
- **Check the site’s privacy policy.** If you cannot find a privacy policy or do not understand it, go elsewhere to shop.

Sometimes the promises made in their advertising or other written materials are still not kept, leaving you with the responsibility of resolving any problems you have with the product or the sale. It will probably be easier to resolve any problems with a local dealer than with an online seller, but knowing the terms of the purchase in advance is still your best defense.

With more people using Internet services, shopping online has become big business. In the beginning, most companies utilizing Internet sales were small companies wanting to expand their market. Today, however, virtually every major retailer has an online presence to broaden its appeal to more customers. Sometimes, the local store will even refer you to their Web site to find products not available in their store or area.

Shopping Online versus Local Purchases

While shopping online provides many advantages, it is not always the best option. Local merchants may have better prices, better customer service, and better availability than online merchants. In some cases, the exact opposite may be true.

Following are several benefits and costs of buying online as opposed to shopping with local merchants:

Benefits of buying online:	Costs of buying online:
Stores never close	Must wait for delivery
No parking problems	Shipping and handling fees
No aggressive salespeople	Reliability of sellers is difficult to determine
Easy to compare products and prices	Difficult to negotiate prices and payment terms
Can find products not available locally	Cannot physically see or handle the actual product before purchasing
No local sales tax	Delay in receiving products, especially if they are put on backorder and you are not notified immediately
Bargain prices	Greater potential to receive inferior products or be deceived

When trying to determine which option is best, the answer is: It depends. If you need a product immediately, it is probably easier and cheaper to buy locally. However, if you live in an area with limited shopping, you may be better off to buy online and pay the additional shipping fees to overnight the product to you.

In the chart below, identify a product you would like to buy. Make a list of the reasons you would buy online and the reasons you would buy locally.

The product I want to buy is _____.	
Reasons to buy online:	Reasons to buy online:
1.	1.
2.	2.
3.	3.
4.	4.
5.	5.

When considering the reasons you listed, what would be your best option: to buy your product online or to buy locally? Explain your answer in the box below.

Answer:



COMPLETE: Online or Local? – Activity 8.2.1
Review student answers before continuing with this lesson.

Paying for Online Purchases

Online payment and escrow services have become extremely popular, especially with the increase in online shopping and Internet-based auctions. Online payment services allow buyers to use a credit card or electronic bank transfer to pay sellers who may not be equipped to accept these kinds of transactions. Online escrow services accept and hold a buyer's payment until the merchandise is received and approved; then, they forward the payment to the seller.

The establishment of these services is not without problems, however. The Federal Trade Commission (FTC) advises online buyers and sellers to watch out for phony online payment and escrow services. The consumer protection agency says that occasionally operators of these sites pose as sellers and buyers to improperly obtain money or goods. In addition, even those services can be victimized by hackers wanting to steal your personal information and use it for their benefit.

The FTC offers these tips to determine whether an online payment or escrow service is legitimate:

- Read the service's terms of agreement. If it is an online payment service, find out whether it offers buyers any recourse if sellers fail to keep their end of the bargain; whether it prevents sellers from accessing their funds if buyers are not satisfied with the product, and who pays the fees for credit card charge backs or transaction reversal requests.
- Examine the service's privacy policy and security measures. Never disclose your financial or personal information unless you know why it is being collected, how it will be used, and how it will be safeguarded.
- Check out the online payment or escrow service's Web site. If it is poor quality, has misspelled words, claims to be affiliated with the government, or is based in a foreign country, be very careful about using the service.
- Check out the customer service line. If they do not have one or if you call but cannot talk to someone, then do not use the service.
- Beware of any online escrow service that does not process its own transactions or requires you to set up an account with an online payment service before using the escrow service.

TEACHING TIP

Go to the FTC Web site at <http://ftc.gov/onlineshopping/> for more information. Print off copies of the readings on the Web site. Put students in groups and assign each group a topic to read and make reports on their topics to the class.

ONLINE PAYMENT TIP

While credit cards provide the greatest protection for online shopping, be careful not to overspend! Remember that those charges must be repaid — with interest.

In addition, using a credit card or a company charge card for your online purchases offers you much more protection than using a draft from your checking or savings account, a check or cash. The credit card company becomes an intermediary and can help resolve any problems. It also limits your liability if anyone gains access to your personal information, and your transaction is protected by the *Fair Credit Billing Act* should any problems arise.

A debit card does not provide as much protection because debit cards withdraw funds immediately from your checking account, leaving you without your money in case of a dispute over the purchase. The same would be true of “stored value” cards such as gift cards; once the amount is subtracted from your card, it can be difficult to get it back.

It is your responsibility to check out the seller and the payment process before making your purchase. Once made, it is much more difficult to resolve any problems that may arise.

Conclusion

Whether buying goods and services locally or online, your best bet is dealing with a reputable company that stands behind its products and keeps its promises. Online shopping may offer many advantages, but it is not always the best choice. You will make a better decision if you identify your options and weigh the costs and benefits before determining what to buy, where to buy it, and how to pay for it.

Harry wins this one, hands down! He is taking the time to think through his purchases and make an informed decision.

Peter is eliminating the possibility of buying something from a local merchant and supporting the local economy. Peter is also playing a game of high risk by giving any online merchant, escrow service or online payment service direct access to his checking account.

Mary Jane is headed for credit card trouble! Recreational shopping is a budget buster and will hinder her ability to meet future personal and financial goals. While using a credit card for online purchases tends to be the best form of online payment, she needs to get control of her spending before it starts controlling her.

Name: _____ Class Period: _____

Online or Local? – Activity 8.2.1

Read through the following scenarios and determine whether it is best to buy online or buy locally.

1. You want to order software for a project due next week.

ONLINE

LOCAL

Why? _____

2. You are looking for a specific kind of DVD recorder/player that is hard to find because of the features you want.

ONLINE

LOCAL

Why? _____

3. You want to buy a new printer, and you have a limited amount of money to spend.

ONLINE

LOCAL

Why? _____

4. You check the Web site for a discount store and find the exact CD player you want. It is in stock at the store in your town.

ONLINE

LOCAL

Why? _____

5. You need a new pair of shoes, but you have trouble finding shoes that fit.

ONLINE

LOCAL

Why? _____
