



Credit Cards: Shopping Online

Standard 8

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

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.

Introduction

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 every weekend 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 stores 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?

Lesson

Online shopping has costs and benefits, like any other choice people make. It can be fun, convenient, and economical, but also expensive and addictive. People often check various sources online to find information on specific goods and services or to compare prices before shopping with local merchants, while others like the convenience of being able to make purchases online 24/7/365. However, shopping online can also create problems with overspending or buying from fraudulent web sites whose main purpose is to steal your identity or deceive you. Online shopping is a great example of the old saying: Things are not always what they seem

Online shopping has grown in popularity in recent years and now accounts for about 10 percent of all purchases in the United States. However, some experts are predicting that percentage will soon exceed 50 percent of all sales in the U.S. as the number of merchants, apps, and mobile Internet users continue growing. A recent marketing study found that over 40 percent of those between 18 and 35 either shop or surf online shopping sites on a regular basis; but they are not the only ones. Over 60 percent of adults over 50 are also making online purchases. At the same time, satisfaction with online purchase has increased significantly in the last few years, with more than 80 percent of online shoppers reporting a positive experience. Concerns about personal security or identity theft remain the number one concern of online shoppers, with online scams as second.

As an online shopper, you can avoid crowded malls and parking lots, comparison shop wherever you are, and save time trying to find exactly what you want. It also provides greater access to goods and services not available locally. However, online shopping can also create problems and additional expenses with returning items, resolving shipping or billing disputes, and other similar issues. While these same problems may happen with local merchants, they tend to be more expensive and more challenging to resolve when dealing with virtual sellers.

When shopping online, you want to pay special attention to the details posted on the merchant’s Web site. These include the site’s level of security, return policies, warranties, shipping and handling charges, and other conditions affecting your purchase. It may require you to “read the fine print” to gather enough information to make a good choice. Knowing your rights and responsibilities is important to understand before the purchase, rather than being surprised after they have your money.

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 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. Now, however, almost every major retailer has an online web site to broaden its appeal to more customers. Sometimes, the local store will even refer you to their online portal to find products not available in their store or area. And sometimes, you may be able to negotiate the price with a local merchant if it is available for a lower price online.

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. Also, it is

important to remember that local merchants support local charities, youth groups, school teams, and other community causes. Plus, the money you spend locally provides jobs for others in the community and local sales taxes to build better roads, parks, and community events.

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 more 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, it may be a better decision to buy online and pay the additional shipping fees to overnight the product to you.

Paying for Online Purchases

Online payment and escrow services have become popular due to the increase in online shopping and Internet-based auction sites. Online payment services, such as PayPal, allow you 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 your payment until the merchandise is received and approved; then, they forward the payment to the seller.

Using these services, however, can present some problems. Hackers may penetrate their sites and take your personal information to either use or sell to other unscrupulous users. Also, the

Federal Trade Commission (FTC) recommends that online buyers and sellers watch out for fake online payment and escrow services. The FTC warns that these sites may pose as legitimate sellers and buyers when their only intent is to steal your money, your purchases, or your payment information.

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.

REMINDER

When shopping online, you want to pay special attention to the details posted on the merchant's Web site. These include the site's level of security, return policies, warranties, shipping and handling charges, and other conditions affecting your purchase.

As a general rule, using a credit card or a company charge card for your online purchases offers you considerably more protection than using a draft from your checking or savings account, a check, cash or even your debit card. 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 or your checking account, and your transaction is protected by the *Fair Credit Billing Act* should any problems arise. But, just because you use a credit card does not mean you can charge as much as you want because those charges are loans that must be repaid with interest.

A debit card does not provide as much protection because debit cards withdraw funds

immediately from your checking account, creating the potential to have your funds wiped out or your account frozen in case your account is hacked or you dispute a purchase. The same situation is true when using a gift card or other “stored value” card; once the amount is subtracted from your card, it can be difficult to get it back.

Bottom line is this: It is your responsibility to check out the seller and the payment process before making your purchase. Once made, can be very difficult to resolve any problems that may arise.

Conclusion

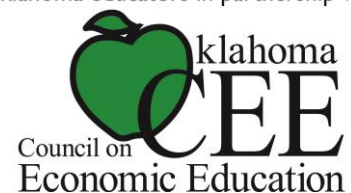
Whether buying goods and services locally or online, your best bet is dealing with a reputable company that stands behind its products and keeps its promises. Online shopping may offer many advantages, but it is not always the best choice. You will make a better decision if you identify your options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

FINAL NOTE: 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. He 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.

This lesson was written and created by
Oklahoma educators in partnership with



Name: _____ Class Period: _____

Credit Cards: Shopping Online Review 8.2

Answer the following questions and give the completed lesson to your teacher to review.

1. Explain one benefit of buying online.

2. Explain one cost (vs. benefit) of buying online.

3. List three things to consider before deciding to buy online versus buying in-store.

4. Identify three things to consider before paying for a product online.

Name: _____ Class Period: _____

Online or In-Store? Activity 8.2

Read through the following scenarios and determine whether it is best to buy online or buy in-store, circle your answer.

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

ONLINE

IN-STORE

Why? _____

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

ONLINE

IN-STORE

Why? _____

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

ONLINE

IN-STORE

Why? _____

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

ONLINE

IN-STORE

Why? _____

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

ONLINE

IN-STORE

Why? _____
