Chapter 13

Credit Card Use and Risks in the E-Market: A Case Study in Melbourne, Australia

Huong Ha
University of Newcastle, Singapore

ABSTRACT

This chapter aims to (1) examine the awareness and experience of undergraduates in Melbourne, Australia of current and potential online risks, (2) explore how undergraduates deal with online incidents, and (3) make policy recommendations on how to enhance e-consumer protection. A total of 802 valid responses were received from the surveys conducted in Melbourne, Australia in 2007-2008. Findings demonstrate that most of the respondents were not aware of online incidents which could lead to credit card fraud. A number of them have encountered online incidents. Also, several respondents would less likely seek help from government and/or non-government organisations when encountering online incidents. Overall, credit card use and risks in the e-market is an under-research area in Australia, and this is a pilot study in this field. Findings from this chapter would contribute to the body of knowledge of credit card use and debt due to online shopping, and e-consumer protection.

INTRODUCTION

The number of young people who become e-shoppers has significantly increased in Australia (Australian Bureau of Statistics [ABS], 2002, 2005). However, the amount of money spent in online purchases by young e-shoppers was disproportionate to their income, and 73% of respondents in a survey by the Australia Institute agreed that “credit cards are often targeted at people who don’t understand what they’re signing up for” (Fear, 2008a, p. 1). Young people who have no income or low income may face the problems of overspending. Thus, they may turn to credit card which is an alternative means of spending now and paying later.

Credit card debt may incur not only from offline, but also from online shopping. In addition, only a small percentage of young e-consumers showed concerns about online security and privacy.
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incidents (Consumer Affairs Victoria, 2004a, 2004b). Furthermore, young people do not have sufficient knowledge and skills to handle financial stress caused by credit card debt and online incidents (Australian Securities and Investment Commission [ASIC], 2006).

Nevertheless, there has been insufficient research on the use of credit card to shop online by young people in Australia. Also, there has been little research on how they deal with problems associated with online credit card fraud. Since security attacks are based on either human nature and technical exploits or both (Krone, 2005), it is important to conduct research pertaining to the attitudes and behaviour of young people towards the common issues and patterns of using credit card to purchase online in order to make appropriate recommendations on how users can be adequately protected in the e-market. This research topic is significant given the lack of academic research in this area and the increased number of problems relating to credit card use and debt in both the online and offline markets. Data collected from this study would be valuable for further research on credit card use and debt in relation to young people in Australia.

LITERATURE REVIEW

Credit Card Phenomenon in Australia

In Australia, credit card use is booming, likely fuelled by increasing acceptance of credit as a part of everyday life, and as instant credit facilities (Malbon, 1999; 2005). The number of credit card holders has increased from 13,915,000 in 2007 to 15,010,000 in 2012 (Reserve Bank of Australia, 2007; 2012).

The amount of credit card debt increased from A$17.4 billion in 2000 to A$50 billion in 2012, and the average debt is $3,333 per card in 2012 (Valins, 2004; Credit Card Compare Australia, 2011; Yeates, 2012). The amount of the cash advances reached A$863,000,000 in March 2011 and A$858,000,000 in May 2012 (Reserve Bank of Australia, 2011, 2012). In February 2007, the average credit card balance was about $3,000, and this amount increased to $3,141 in October 2009 (Saulwick, 2007; Schulz, 2011). However, statistics about credit card debt due to online purchases are not available.

Online Shopping and Online Payment

Marketing specialists are seeing a rise in online shopping. In a study in the US, over 95% of college-age people use the Internet, with 91% of these making online purchases, mostly with their own credit cards. Most of the students (75.6%) had over $101 monthly income and 31% have over $300. About 91% purchased goods online at least 2 times per year, 79.2% spent more than $100, 23% spent over $500 per year and 55.7% used their own credit cards (Lester, Forman, & Lloyd, 2005). In 2009, the volume of online sales in Australia was between A$19 and A$24 billion, and 82% people aged 25-34 years purchased online (Australian Bureau of Statistics, 2011). Frost

RESEARCH OBJECTIVES

The objectives of this paper are to:

1. Examine the awareness and experience of undergraduates in Melbourne, Australia, of current and potential online risks associated with credit card use,
2. Explore how undergraduates deal with online incidents, and
3. Make policy recommendations on how to enhance consumer protection in the e-market.