

## **Cyberspace Marketplace: Opportunities for Consumer Education**

*Linda Simpson and Pat McCallister, Eastern Illinois University*

From 1994-1996, the number of personal computers in households grew from 29.7 million to 34.8 million while the number of Internet users grew from 3.1 million to 15.1 million (Miller, 1997). By the year 2000, it is projected that personal computers will be in 42.7 million households and Internet usage will peak at 36.5 million households (Miller). The majority of Internet users appear to be males (62%) with an average age of 38.2 years. Most users are married (76%) and are college graduates (70%) (Miller).

People tend to use the Internet for a variety of reasons, such as for educational purposes, a research tool, or as a new way of shopping, banking, and conducting business (Miller, 1997). Previous literature suggests that many online consumers view the Internet primarily as a channel for information gathering rather than for purchasing products (Martin, 1996; Vaughan-Nichols, 1996). Information most often sought by Internet users includes news (80%), hobbies and leisure (68%), special interest group (66%), education and training (60%), music and entertainment (57%), product information (47%), health and medicine (38%), and investment (32%) (Miller). Vaughan-Nichols suggest that consumers use the Internet to obtain consumer information prior to purchasing in the product categories of music, movies/videos, home electronics, hardware, software, and vacations. The products or services are then purchased at retail locations rather than from the Internet.

While the Internet provides a valuable new information source for consumers, cyberspace also welcomes the opportunity for fraudulent activity. In fact, research suggests that the a major concern of consumers with online purchasing is the privacy issue and fear of providing personal and credit card information on the Internet (Vaughan-Nichols, 1996). However, previous literature suggests that one of five Internet users has shopped online (Miller, 1997).

Future predictions for the year 2000 in the number of cyber consumers vary greatly in the literature. The exact dollar amount may not be as important as the fact that use of the Internet will undoubtedly continue to grow at a phenomenal rate, thus, greatly increasing opportunities for cyber consumers to purchase products and therefore increasing their chances for becoming victims of fraud.

During the 1980s, catalog shopping - another form of non-store retailing - experienced an explosion in the retail market as it grew one-third faster in retail sales than did sales in traditional retail stores (Buying

from non-stores, 1987). However, due to escalating postal and shipping rates in the 1990s, catalog retail sales have declined (Catalog retailing, 1992). Will Internet shopping gain the market share and customer confidence, as predicted, that other non-store retailers have experienced in the past?

A typical Internet shopper is male, aged 25-35, college-educated, middle to upper income, and has an aptitude for electronics (Giese, 1996). However, it is estimated that younger consumers who grew up using computers in their homes are four times more likely than other consumers to shop by computer (Litvan, 1996). The Internet is providing a new vehicle for younger consumers to purchase products and serves as a convenience factor for those consumers who are unable to travel to the retail store (Thompson, 1998). The world of online merchandising may be changing shopping habits, particularly in this consumer market (Epstein, 1998).

### Purpose of Study

Given the significant increase as well as the future projections in the popularity and usage of the Internet, the purpose of the study was to examine college-age students and their a) current use, such as product information research, and b) shopping practices in the cyberspace marketplace. The results of this study will provide information concerning the Internet usage of college students in order to evaluate their need for consumer education in the topic area of Internet fraud.

### Method

Self-administered questionnaires were completed by a convenience sample of 137 college students enrolled in a Midwestern university. Of the total respondents, 32 were male and 105 were female. Forty-six percent of the respondents were seniors, 31% juniors, 17% sophomores, and 7% freshmen with 85% of the respondents between the ages of 17 and 22. The majority of the respondents were Family and Consumer Science majors (59%), followed by Business (17%), Education (10%), Journalism (9%), and other specified areas (19%). Respondents were asked to indicate, on a scale of 5 (always) to 1 (never), how often they utilize the Internet for purchasing products, seeking product or service information, e-mail, participating in chat rooms, playing games, and on-line banking.

## Results and Discussion

Table 1 shows the means and standard deviations for Internet usage by students. As noted, the majority of the students who access the Internet use e-mail (M = 3.49) more frequently than the other items examined. Previous research suggests that males use e-mail more readily than females (Miller, 1997). Seeking information (M = 1.63 through M = 2.85), playing games (M = 1.61), on-line banking (M = 1.59), participating in chat rooms (M = 1.58), and purchasing products (M = 1.50, 1.31) all ranked lower than e-mail usage by the sample used in the study. In fact, purchasing products, especially clothing, ranked the lowest for all items examined indicating that the college students who participated in this study are not yet cybershoppers. Harmon (1998) suggests, however, that clothing is one of the most difficult products to purchase online because the consumer must make an educated guess at sizes.

Table 1. Internet Usage: Means and Standard Deviations for Sample

Usage	M	SD	n
E-mail	3.49	1.57	137
Education and training information	2.85	1.26	136
Hobbies & leisure information	2.75	1.32	137
News information	2.54	1.21	136
Music and entertainment information	2.42	1.23	137
Travel Information	2.39	1.43	137
Health and medical information	2.06	1.16	137
Nutrition information	2.02	1.22	137
Product information	1.99	1.09	137
Investment information	1.63	1.01	137
Playing games	1.61	.97	137
On-line banking	1.59	1.28	137
Chat rooms	1.58	.89	137
Purchase other products (books)	1.50	1.04	137
Purchase clothing	1.31	.76	137

5=Always; 1 = Never.

A few of the college students who participated in this study apparently use the Internet for product and service information. Since the students in the sample are even less likely to purchase products via the Internet, these particular students might utilize the product or service information obtained from the Internet but make the actual transaction at the retail store. The literature supports this finding that consumers, in

general, use the Internet to obtain consumer information prior to purchasing products, yet make the final purchase at the retail store (Vaughan-Nichols, 1996).

### Implications for Consumer Educators

Findings suggest that e-mail is the predominate use of the Internet by the students who participated in the study. The study also indicates that students use the Internet for marketplace activities such as seeking product and service information and purchasing products; however, this study suggests that this usage is very limited. Low means reported for the gathering of information indicate that the students seldom use the Internet for product or service research. These results indicate a need for educators to introduce or encourage further use of the Internet as a valuable tool in product research and comparison. The actual and anticipated growth in the number of computer users who have access to the Internet will increase the opportunities for enhanced knowledge of consumers prior to making purchases.

While results of this study indicate that these consumers in this age group are not yet cybershoppers, previous literature predicts that this mode of shopping will increase by the year 2000. Younger consumers are expected to be more accepting of this new shopping experience due to their higher comfort level with computers. Immediate action should be taken to encourage funding and implementation of Internet consumer education programs to help students develop necessary skills before these consumers become victims of fraudulent activity.

Educators first should discuss and alert students to potential warning signs of questionable advertising and marketing in cyberspace. For example, Websites that offer products and provide references that cannot be checked, exaggerated claims of potential earnings or profit, requests for credit card numbers, promotions for investments, and work at home schemes are all examples of typical cyber scams (Federal Trade Commission, 1996). A useful activity for students to become aware of these fraudulent activities is for educators to coordinate a "scavenger hunt" on the Internet. The purpose of the hunt would be to search for reputable Websites offering consumer advice and reliable information on products and services. This information could be compared to other Websites where information may be questioned. Reputable Websites for the students to begin researching might be the Consumer Information Catalog (<http://www.pueblo.gsa.gov>), which provides full text entries, or the FTC ConsumerLine (<http://www.ftc.gov>). Students might then conduct a general product or subject search and view several Websites. Students could then peruse the Websites and

note warning signs or suspicious word phrases that appear. Educators should stress to students that since the Internet crosses international borders effortlessly, a con artist can originate from anywhere. Since the Internet is growing every day, the nature of the Internet allows criminal activity to reach more people.

A consumer research exercise in relation to comparison shopping could also be implemented. Students would be placed into "strategy teams" composed of three to four students. The number of teams would be dependent on the class size. Each strategy team would be required to compare "virtual stores" found on the Internet and in-store retail formats. Also, each team would make a comparison of domestic and international retail Websites. Finally, each team would compare products sold in the cyberspace marketplace to print catalogs to determine which form of non-store retailing is appropriate. Comparisons could be made in shipping costs, merchandise descriptions, and the ease of making a transaction. Oral presentations could then be made by each team to report and compare the findings.

Students also should be informed of ways to protect themselves when buying online, such as shopping with companies with which they are familiar, never giving out an Internet password, and never supplying personal information such as a social security number (American Express Company, 1996; The 10 laws of online shopping, 1997). Also, educators should inform the students of the Fair Credit Billing Act if paying by credit card when shopping online. This Act offers protection if a computer hacker gains access to the information. A 1970 amendment to the act establishes a maximum limit of \$50 on liability for the unauthorized use of each card if the card has been used illegally by another person (Miller & Stafford, 1994).

It is the responsibility of consumer educators to prepare consumers for this new retail resource for purchasing products. Consumer fraud is apparent in all avenues of the marketplace. However, the Internet provides a vehicle for con artists to effortlessly and easily promote their scams.

### References

- American Express Company, Consumer Affairs Office. (1996). *Cybershopping: Protecting yourself when buying online*. [Brochure]. Washington, DC: American Express.
- Buying from non-stores. (1987, July/August). *The Futurist*, 21, 55-56.
- Catalog retailing cools down after growth of 1980s. (1992, August). *Chain Store Age Executive*, 38-39.

- Epstein, J. (1998, March-April). The net generation is changing the marketplace. *The Futurist*, 32, 14.
- Federal Trade Commission, Bureau of Consumer Protection, Office of Consumer and Business Education. *Online scams: Potholes on the information highway*. (1996, March). [Brochure]. Washington DC: Federal Trade Commission.
- Geise, W. (1996, January). Surfing the cyber malls. *Kiplinger's Personal Finance Magazine*, 50, 105-106.
- Harmon, S. (1998, April). AOL clothing its consumers. *Upside*, 10(4), 170.
- Litvan, L. (1996, May). X marks the spot for low-key sales. *Nation's Business*, 84(5), 32.
- Martin, M. (1996, February). Why the web is still a no-shop zone. *Fortune*, 127.
- Miller, R. L. & Stafford, A. D. (1994). *Economic Issues for Consumers* (7<sup>th</sup> ed.). St. Paul, MN: West Publishing.
- Miller, T. (1997, February). *Interactive Demographics*. Paper presented at the meeting of the Interactive Newspaper's '97 Conference, Houston, TX. [On-line]. Available: <http://etrg.findsvp.com/resfh/intnews.html>
- The Ten Laws of Online Shopping. (1997, March-April). *The Futurist*, 31, 63-64.
- Thompson, D. (1998). The winner is... *Ivey Business Quarterly*, 62(3), 39-45.
- Vaughan-Nichols, S. (1996, March). Online shoppers: "Just looking, thanks". *Byte*, 21, 34.

Linda Simpson is Assistant Professor, Eastern Illinois University, School of Family and Consumer Sciences, Charleston, IL 61920; (217) 581-2315; e-mail: [cflds1@eiu.edu](mailto:cflds1@eiu.edu).

Pat McCallister is Professor, Eastern Illinois University, School of Family and Consumer Sciences, Charleston, IL 61920; (217) 581-2315; e-mail: [cflds1@eiu.edu](mailto:cflds1@eiu.edu).