

Online Consumers Seek New Ways To Pay

Credit Cards Don't Satisfy All

Shoppers fret about fraud, and they don't want to buy small purchases with plastic

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Consumers are ready to plunk down money for online services. But they'd like an easier way to pay the bill.

So says a new survey conducted by PaymentOne Corp., an online payment services provider.

Many consumers are uncomfortable using credit cards on the Internet. They want an alternative means of payment when downloading music or buying subscription services online, according to the survey. But the study also found that many sellers of online services are in no hurry to offer other payment options.

Exactly 50% of the 1,038 consumers who responded to the survey said they wanted alternatives to credit cards for online purchases. Desired options included adding the charge to a phone bill or getting the bill mailed to their homes.

It's a convenience issue, says Joe Lynam, CEO of PaymentOne. Consumers who download music or buy other services frequently don't want to use a credit card every time.

"Consumers want to make purchases in one place without having to re-enter their personal information such as a credit card number again and again," he said.

Finding Alternatives

Consumers instead could enter information from a phone or Internet company that would automatically bill the purchase to that account.

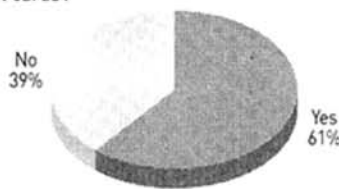
Many consumers remain nervous about entering personal information such as credit card numbers on multiple Web sites. Sixty percent of consumers surveyed want better security in making payments online.

Consumers are reacting to the

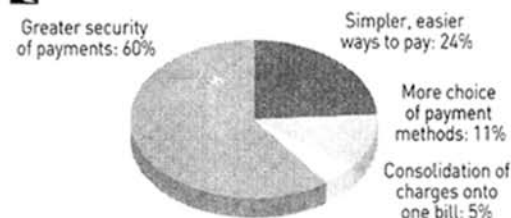
Paying The Bill

According to a recent survey, online consumers are frustrated with payment systems. They say they'd be more likely to shop on the Internet if there were alternatives to using credit cards

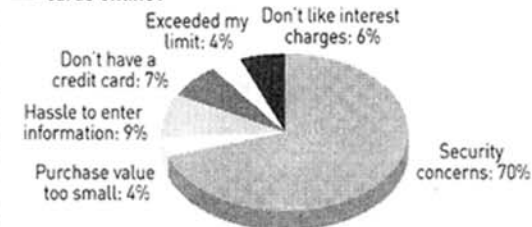
Q Would consumers be more inclined to make online purchases if there were easy and secure alternatives to credit cards?



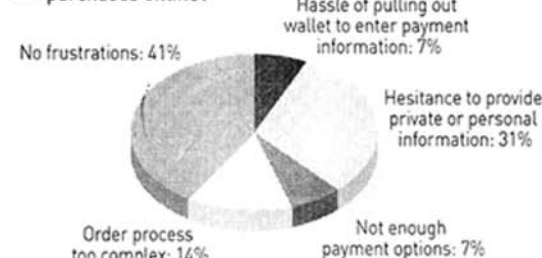
Q What improvements would consumers like to see?



Q What factors discourage consumers from using credit cards online?



Q What are sources of frustration when making purchases online?



Source: PaymentOne

threat of Internet fraud, analysts say. Online credit card fraud will account for 52% of all fraudulent credit card transactions this year, says market tracker Celent Communications.

Most incidents of fraud involve pilfered credit card numbers, says Lynam. "We have not passed that point (where data are always secure)," he said. "Your personal information is vulnerable."

Lynam says requiring consumers to re-enter data on multiple Web sites is taking the steam out of selling digital music and other services. One of the best examples is online music services that sell downloads of songs for 99 cents each.

Such a small purchase is not well suited to a credit card, says Lynam.

"When you are going to download just one song, it's not viable to charge it to a credit card," he said. "You are talking about a very fragmented system."

PaymentOne has a stake in all this. The company hopes to clean up the payment processing on the Net and

make a little money in the process.

It sells software to companies such as Internet service providers, which use it to offer new payment options to customers. The software lets consumers charge purchases to their ISP bills.

The company has 35 customers, including AOL Time Warner Inc. and United Online Inc.

Bill Me Later

Most consumers would prefer getting their bills the old-fashioned way — by physical mail. A whopping 55% of survey respondents opted for regular mail when asked how they like to be billed.

The majority of consumers aren't aware that they can charge payments to their phone or Internet service bills, says James Van Dyke, analyst for market tracker Javelin Strategy and Research, which helped assemble the survey.

"People don't react well to services they haven't used before," he said.

As part of its survey, PaymentOne

also polled 31 executives from firms that sell content services such as Internet access and music online.

Only 40% of the companies surveyed believed offering an alternative payment method would help boost sales.

Companies selling music and other subscription content aren't thinking much about payment options, says Lynam.

"Many executives were very ambivalent about it," he said. "They are more focused on how they price and package their products."

Still, there's a lot at stake. Sales of Internet content services — including pay-per-view video — reached \$1.3 billion last year, says the Online Publishers Association. That was up from \$350 million in 2000.

Sellers of online content and services will have to get more serious about meeting the payment requirements of consumers, says Van Dyke.

"There's an unmet demand for coming up with payment methods that remove the barrier (for consumers to make purchases)," he said.