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## **A Hot Time On Cyber Monday**

**By Tom Van Riper**

Everybody loves to get Christmas shopping done quickly, but how many people are willing to risk exposing their financial information on the Web to do it?

Not enough, the retail industry thinks. Which is why, in preparation for Nov. 27-- aka "Cyber Monday," the unofficial kickoff to the online holiday shopping season--stores are redoubling their efforts to draw shoppers to their Web sites by getting more creative promotionally and by embracing alternative payment methods that don't necessarily require a credit-card number or a PIN.

Meanwhile, the nation's retailers had a strong start to the holiday shopping season, according to results announced Saturday by a national research group that tracks sales at mall-based stores. One big exception was Wal-Mart Stores (nyse: WMT - news - people ), which said it expects to report same-store sales in November below its already lackluster forecast.

According to ShopperTrak RCT, which tracks total sales at more than 45,000 mall-based retail outlets, total sales rose 6% to \$8.96 billion on Friday, the start of the holiday shopping season, compared to the same day a year ago.

"Although we anticipated a solid consumer turnout for Black Friday, this data shows an even larger increase than expected as consumers proved they were willing to spend," said Bill Martin, co-founder of ShopperTrak, in a statement.

More Internet stores figure they'll be able to win over Nervous Nellies by accepting payments from services like BillMeLater, PayPal and Secure-ebill, which either allow a customer to pay directly from a bank account or allow personal financial information to be stored in one place, rather than spread out among numerous merchants.

"There are basically two types of consumers: those who use credit cards and those who don't," says Marwan Forzley, CEO of MODA Solutions, a payment processing service. Of course, some of the alternate payment methods on the rise bring risks of their own. BillMeLater, for example, doesn't require a credit card or debit card number, but it does ask for a customer's Social Security number and date of birth. Floating that information into the cyber world always carries the risk of identity theft, Forzley points out.

The safest alternative payment service, according to Forzley, is Secure-ebill, where a customer provides only a name and e-mail address to the merchant, which in turn sends a bill electronically. The customer then logs on to



In Pictures: Caveat Emptor Online

his or her personal bank account to authorize a payment transfer to pay the bill. The downside, though, is that the service is relatively new, and few major retailers having signed up so far.

Still, experts think non-credit-card payment services will be a growth business over the next few years. A study by business strategy consultant Celent predicts that 26% of all Internet purchases will be done through an alternative payment method by 2009, reducing the percentage of payment volume transacted through credit cards used directly with online merchants to less than 50%, from 90% in 2000.

Companies hope that more payment choices will provide some punch to online sales, still a small part of the overall retail pie. A recent Jupiter Research forecast predicted that online holiday sales will grow 18% this year compared with 2005, to \$32 billion, while the number of consumers doing at least a portion of their gift buying online jumps 6% from last year, to 115 million. But that still leaves the Web with only 7% of the \$457 billion in retail holiday sales forecast by the National Retail Federation. And that figure isn't predicted to rise very much over the next few years, according to Jupiter Research.

"Of those who don't shop online, 67% of women and 51% of men say they're concerned about their financial transactions being secure," says Jupiter analyst Patti Freeman Evans. That beat out the desire to "touch and feel merchandise" before buying as the number-one factor keeping shoppers in stores and off the computer.

Retailers don't necessarily lose business from a relative dearth of online sales, since many consumers are simply embracing the alternative choice of shopping at traditional stores. But the greater economies of scale in inventory and distribution linked to Web sales makes them more profitable. Everything else being equal, a retailer would rather sell a television set or a toy over the Internet than through a store any day.

The industry is hitting the promotional pedal hard this year in an attempt to jump-start online sales. Over 400 retailers, including heavy hitters like Barnes & Noble (nyse: BKS - news - people ), Home Depot (nyse: HD - news - people ) and Staples (nasdaq: SPLS - news - people ), have collaborated on a brand new Web site called CyberMonday.com, designed to give consumers a one-stop shop from which to find good promotional deals over the Web.

The site, coordinated through Shop.org, the National Retail Federation's online arm, is geared toward busy professionals who are inclined to get some holiday shopping done during working hours. Over 60 million of the 115 million people expected to shop online this holiday season will do so from work, almost 10 million more than last year.

But that practice can lead to its own set of risks, experts say. Logging on to a laptop from the airport, or popping into to a Wi-Fi hot spot like Starbucks (nasdaq: SBUX - news - people ), means leaving yourself open to hackers. At the office, shopping on company time, no matter how unobtrusive it may seem, can be a violation of policy, says security expert Richard Rushing of AirDefense, a firm specializing in wireless security. It's also not a secure environment.

"When you're sitting in your office, you just don't know who you're connected to, and you're left with vulnerabilities," he says.