

Electronic Commerce (Part 2)

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RJA

One of your customers complains ~~that~~ about the delivery of goods that she claims she did not order.

- (1) What is needed to establish that a contract actually existed? (4)
- (2) What other information is it useful to keep about your customers, and what could you use it for? (4)
- (3) Describe some of the problems of anonymous payment schemes such as digital cash. Where might they be useful? (8)
- (4) What recourse would the customer have had if she had paid using such a system, and how would you detect whether such a complaint was fraudulent? (4)

Model answer

- (1) is bookwork; there must be offer and acceptance for a contract to come into being, and the customer should have committed a conscious act. To support this, it is useful to have authentication of the customer's identity, an audit trail, and some due diligence on the security of the system.
- (2) Normal account data such as name and address; demographic data for web page personalisation and directed advertisement; purchase history for

lifestyle modelling and collaborative filtering; and clickstream (browsing history) for site improvement

- (3) Anonymous customers cost most of (2) above, and require some kind of third party for physical delivery of goods. (If the customer isn't anonymous then the additional cost of anonymous payment is largely wasted). There are also business model issues: banks like to collect transaction fees. Security issues: some means to prevent double spending (or detect and punish it later) is needed. Convenience issues: credit cards already exist, so will the customer want a new instrument? Customer protection issues: next. Network economics issues

- (4) Customer loses recourse she currently has under the Consumer Credit Act, unless the ~~mint~~ mint provides a comparable guarantee. There's no problem giving receipts (any more than with physical cash transactions) but recourse through the courts is infeasibly expensive, especially out of the jurisdiction. If the mint did provide a guarantee, it would acquire all the problems that card issuers & acquirers have at present - tracking deadbeat merchants and so on. Finally, if anonymous cash is used to pay for intangible goods, then they can be copied + a fraudulent claim made that they were not ordered. Stopping this is hard.