

Prevent/Control Identity Theft: Impact on Trust and Consumers' Purchase Intention in B2C EC

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ABSTRACT

This study provides an application framework toward measures to prevent/control identity theft in conjunction with sources. It also identifies the impact of overall protection of identity theft on consumer trust, the cost of products/services, and operational performance, all of which in turn contribute to a purchase intention using E-commerce (EC). For the first objective, this study proposes a matrix of sources and measures to prevent and control identity theft. From this matrix, using knowledge from a literature review and judgment based on plausibility, the authors identify global laws, controls placed on organizations, publications to develop awareness, technical management, managerial policy, risk management tools, data management, and control over employees are the potential measuring items to prevent identity theft related to EC. A case study in banking sector through a qualitative approach was conducted to verify the proposed relations, constructs, and measuring items. For the second objective, this research paper conceptualizes a model based on literature review and validates that based on the case study in the financial sector. The model reflects the effects of preventing and controlling identity theft on the costs of products/services, operational performance, and customers' perception of trust, which would lead to purchase intention in EC.

Keywords: E-Commerce, Identity Theft, Prevention, Purchase Intention, Trust

1. INTRODUCTION

Though the major source of identity theft is not E-commerce (EC) transactions (Collins, 2003; Newman, 2004); identity theft plays a significantly negative role in purchase intention for the consumers of EC. Different plausible measures to prevent/control identity theft are advocated in recent literature, newspapers, and government policies. This current research addresses the issues of identity theft; source, type,

and preventive measuring tools; and the effect on consumers' purchase intention in business-to-customer (B2C) EC. Identity theft is a new type of crime, facilitated through established and traditional crimes such as forgery, robbery, stealing, counterfeiting, check and credit card fraud, computer fraud, impersonation, and pick pocketing (Mediati, 2010). With the passage of the Identity Theft Assumption and Deterrence Act.1 in 1998, the United States declared identity theft a crime. Identity theft is defined as the illegal and unauthorized acquisition of personal identity in order to engage in unlawful

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acts (Seminole County Sheriff's Office, 2003; Sorbel, 2003). California Department of Motor Vehicles (2002) described personal identifying information as a person's name, address, telephone number, driver's license number, social security number, place of employment, employee identification number, mother's maiden name, demand deposit account number, savings or checking account number, or credit card number. Identity theft may be broadly defined as the unlawful acquisition and/or use of any aspect of an individual's personal information for the commission of some form of criminal activity (Hoar, 2001; LoPucki, 2001; Slosarik, 2002). Identity theft occurs when thieves use the personal or financial information of a person (the victim) to create a fake identity. This fake identity is used to obtain money from the victim or an institution, credit, goods, services, privilege, any type of opportunity, or property to commit a felony or misdemeanor, or to hide personal identity. It is the fastest growing crime in America (Nakasumi, 2003). According to Gartner Research and Harris Interactive, approximately 7 million people became victims from August 2002–July 2003. This was a 79% increase from the previous year (Gartner Group, 2003). A national survey conducted by the U.S. Federal Trade Commission (FTC) (2008) revealed that 4.7% of the American adults surveyed reported having been a victim of identity theft that involved the use of their personal information within the previous five years. Furthermore, results from the same survey estimate that nearly 3.25 million Americans had their personal information fraudulently used within the 12 months prior to September 2007. The FTC (2008) reports that identity theft is the prime cause of the consumer complaints it receives; almost 32% of all those received in 2007. Such complaints numbered 258,427. According to the Identity Fraud Survey Report of Javelin Strategy and Research (2006), in the USA the total amount of fraud in one year rose from \$53.2 billion in 2003 and \$54.4 billion in 2005 to \$56.6 billion in 2006. The mean fraud amount per fraud victim rose from \$5,249 in 2003 and \$5,885 in 2005 to \$6,383 in 2006.

According to a report published by Privacy & American Business Survey (2003), 33.4 million Americans have been victims of identity theft since 1990. More than 13 million Americans have become victims of identity theft since January 2001. Consumers are losing \$1.5 billion annually since January 2001. Thirty-four percent of those surveyed report that someone obtained their credit card information, forged a credit card in their name, and used it to make purchases. Twelve percent say that someone stole or obtained improperly a paper or computer record with their personal information on it and used that to forge their identity. Eleven percent report that someone stole their wallet or purse and used their identity. Ten percent say that someone opened charge accounts in stores in their name and made purchases on these accounts. Seven percent report that someone opened a bank account in their name or forged checks and obtained money from their account. Another 7% say that someone stole their mail and used the information obtained to steal their identity. Five percent say that when they lost their wallet or purse someone used their identity. Four percent report that someone obtained information from a public record that they used to steal their identity. Three percent say that someone created a false ID to get their government benefits or payments. Sixteen percent say that a friend, relative, or co-worker stole their identity. The seven million victims, which the survey identified in 2002, represent an 81% rise over the numbers of victims in 2001. This is a partial picture of identity theft.

There are many collection and application sources of identity theft. The Internet is one of the vulnerable medias for identity theft and is used, especially, as an application source of identity theft. Recently, the proliferation of identity theft is presenting a strong challenge to the root of EC. The Internet is a global medium, especially as used for EC. Thus, the Internet is the source of many new legal and social issues facing the global community. The availability of personal data on the Internet, due to the rapid increase in commercial activity in the medium, has caused an increase in identity

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