Consumer Trust and Market Growth
Objectives

The growth of e-commerce markets for goods, services and information is closely linked to consumer trust. Consumers take an increasingly active part in these markets, which are growing in size and number of customers. Well-tailored consumer protections are essential for the further development of these markets to the benefit of consumers and businesses alike. The revised Recommendation of the Council on Consumer Protection in E-commerce (E-commerce Recommendation) provides a robust foundation to guide policies for a global online marketplace.

The panel will discuss the special characteristics of business-to-consumer e-commerce and the policies aimed to protect and empower consumers. It will also address consumer issues raised by emerging business models and online consumer activity associated with peer-to-peer transactions.

Key issues

Although business-to-consumer e-commerce is growing rapidly, it is still a small share of overall retail sales. Effective consumer protection and competitive markets are essential for e-commerce to reach its full potential.

Half of consumers across the OECD made an online purchase in 2014, up from almost a third in 2007. Mobile commerce is also growing rapidly. These purchases still represent a relatively small share of overall retail sales, even though three-quarters of OECD consumers access the Internet every day. This may be a particular issue in some cross-border contexts, where both consumers and businesses face impediments. Effective consumer protection must be a cornerstone of any policy approach that aspires to foster a trusted e-commerce marketplace for consumers, whose interactions with businesses are typically at a distance, and often across borders.

Figure 1. Diffusion of online purchases, including via handheld devices, 2007 and 2014

Individuals ordering goods or services online as a percentage of all individuals

The revised OECD E-commerce Recommendation sets out the core characteristics of a framework for effectively protecting and empowering consumers in the online marketplace. It addresses challenges relating to information disclosure, misleading and unfair commercial practices, confirmation and payment, fraud and identity theft, and dispute resolution and redress. Its provisions have been adapted to cover digital content, privacy and security, consumer reviews and ratings, new payment mechanisms, and use of mobile devices to conclude transactions. It recognises that consumer product safety issues have become more challenging as global e-commerce supply chains become more complex. It also recognises that today's consumers actively participate in product promotion and development. They provide reviews, ratings and endorsements, which can be invaluable in helping other consumers to make informed buying decisions, but may sometimes suffer from commercial bias.

The data generated by consumer online activity has enabled the provision of “free” services in exchange for these data. The data are also used to tailor services to consumers’ preferences but also to build individual profiles. This may exacerbate information asymmetries and risks of discrimination. One response has been initiatives to provide consumers access to their data (e.g. consumption and transaction data) in portable formats to improve transparency, reduce switching costs and minimise consumer lock-in.

**Q1:** How can consumer trust be strengthened to realise the untapped potential of e-commerce, including across borders? How can co-operation among consumer authorities be improved?

**Q2:** How can consumer ratings, reviews and related tools be made more transparent and reliable, for the benefit of consumers and businesses alike?

The growing number of online platforms that facilitate peer-to-peer commercial transactions raises difficult consumer protection issues.

Peer-to-peer transactions have long played a role in commerce, but online platforms enable them on a much greater scale. Early examples include platforms for the sale of goods (e.g. online auction sites). Newer models include the rental of short-term accommodation and transport or mobility services. Using real-time geo-locational data accessed through mobile apps, mobility services rent private cars, rides and parking spaces. Other areas being transformed by these platforms involve small jobs, meal services and financial services. These business models are often described as the “sharing” economy or “collaborative consumption”, but those of interest in this panel involve commercial exchange. These business models open up economic opportunities for the individuals supplying the goods or services (“peer providers”) and for the platforms making the connections (“peer platforms”). For consumers of these services, there are advantages in terms of price, selection, convenience and social experience. Some may also be attracted to the prospect of more sustainable models of consumption.

These online marketplaces are raising new policy and regulatory challenges. It can be difficult to apply existing consumer protection frameworks to business models that tend to blur the boundaries between consumers and business. Some peer providers may generate sufficient commercial activity to suggest that they should bear consumer protection responsibilities; at the same time they appear to be in a consumer relationship with the platform. While the revised OECD E-commerce Recommendation brings some peer platform activities within the scope of consumer protection, it does not specify how its
provisions should apply. Peer platforms themselves employ trust-building mechanisms for the users of their services (e.g. reputation or rating systems, pre-screening, insurance, and complaints handling) which may help meet consumer protection objectives, but their effectiveness can be hard to assess. More generally, policies for consumer protection in this environment should be part of a wider spectrum of relevant policies in areas such as competition, taxation, labour law, licensing and insurance.

**Q3:** What are the main consumer benefits and challenges arising from new online business models that facilitate peer-to-peer transactions?

**Q4:** What kinds of initiatives best build trust among participants in peer platform markets?

**Q5:** How can existing consumer protection frameworks be applied and, if necessary, adapted to provide effective consumer protection on peer platforms while encouraging innovation?

Online platforms, as innovation spaces, offer considerable potential in terms of value creation and competitiveness.

While the development of online platforms may generate economic and social benefits in different sectors, a review of the appropriateness of policy and regulatory frameworks may be important.

**Q6:** Is there a need to assess the appropriateness of policy and regulatory frameworks to address issues associated with online platforms, especially those relating to consumer and competition policies?