

Institute for Consumer Policy

ConPolicy

Indicators of consumer protection and empowerment in the digital world

Results and recommendations of a feasibility study



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Background

Digitalisation is **profoundly changing** the everyday life of consumers



Digitalisation has a wide range of **positive effects** for consumers:

- It potentially enables consumers to more easily access and process information.
- It increases choice and variety.
- By means of transparency, it puts pressure on businesses which can lead to lower prices and encourage innovation.
- It increases consumer convenience.



Yet, there are also **barriers and risks** associated with digitalisation from a consumer perspective:

- 3.9 billion people – more than half of the world's population – are still offline.
 - Consumers are concerned about identity theft, fraud, loss of control over personal data, etc.
- Hence there is a lack of consumer trust in many digital products and services.



Evidence suggests that only if consumer concerns are taken into account, will they trust the new products and services of the digital economy.

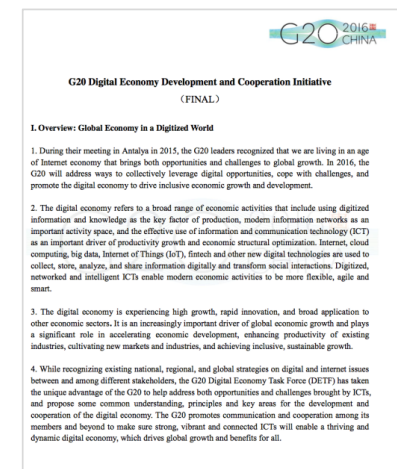
Objective of the study

In their *Digital Economy Development and Cooperation Initiative*, the G20 have agreed to bridge the digital divide, inter alia, by expanding broadband access, improving quality, education and strengthening confidence and trust.

The initiative also welcomes and encourages efforts to “**develop better metrics for important policy issues like trust in the digital economy, e-commerce, cross-border data flows, and the Internet of Things**”.

Hence in the context of a feasibility study, the **study's objectives** are:

1. **Develop proposals for a set of indicators** describing and measuring progress towards an **environment that is beneficial for consumer trust in the digital world.**
2. **Analyse the extent** to which some of the indicators might already exist and summarise best practices.
3. **Make recommendations** for how to take the objective of indicator development in the G20 context further.



Approach and methodological limitations

4 step approach:



Methodological limitations:

- Prioritisation of consumer issues
- Study should be regarded as "proof of concept" study
- The study does not aspire to develop an index
- Since only six G20 countries were covered in the consumer survey, no comprehensive picture
- Survey results should be interpreted with care

Project team

Joint project by ConPolicy, Prof Dr Lucia Reisch and YouGov



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THE RESULTS IN 8 THESES

Thesis 1: A thriving and inclusive digitalisation process necessitates consumers' trust in digital markets

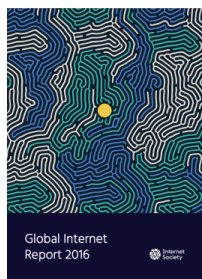
Digitalisation provides a range of opportunities for consumer welfare. **However**, consumers face **barriers** and **real and perceived risks** in the digital world that **undermine consumer trust** and **slow the digitalisation process**.

According to a CIGI global representative survey conducted in 24 countries:

Due to privacy and security concerns ...

- 39% of respondents say that they have reduced the amount of biographically accurate information they provide online.
- 23% made fewer financial transactions online.
- 21% made fewer online purchases.
- 11% used the Internet less often.

The Internet Society concludes in its 2016 Global Internet Report:

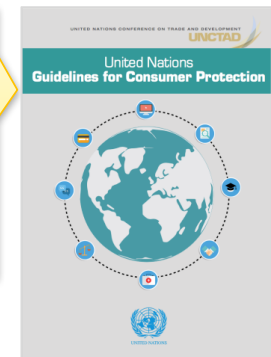


“Without trust, those online are less likely to entrust their personal information to the Internet, and, those who are not yet online will have reasons to stay offline. The Internet economy will not grow as fast as it could, and the UN Sustainable Development Goals (SDGs) will be that much harder to achieve.”

Thesis 2: In order to strengthen consumer trust, the demand-side of the market needs to be brought into the spotlight

Heads of government have put the task of consumer protection and empowerment in the digital world on **national, regional** and **international** agendas.

The United Nations Guidelines for Consumer Protection (UNGCP) call upon member states to “*work towards **enhancing confidence in electronic commerce** by the continued development of **transparent and effective consumer protection policies**, ensuring a level of consumer protection that is not less than that afforded in other forms of commerce.*”



The World Bank argues in its 2016 World Development Report that while “[f]irst-generation policies for the information and communication technology (ICT) sector, aimed at **universal access and affordability**, have proved successful for phone services [...] **[n]ext generation policies** must also focus on **demand-side issues** of **digital literacy**, as well as **privacy, cybersecurity, and internet governance**, where a global consensus has yet to emerge.”

Thesis 3: To bring the demand-side into focus, the UN Guidelines for Consumer Protection should be used as a policy framework

There are different ways in which the demand-side can be brought into focus. Due to the fact that the **UNGCP** constitute an **internationally endorsed** set of consumer protection and empowerment principles, we recommend to use them as a **policy framework**.

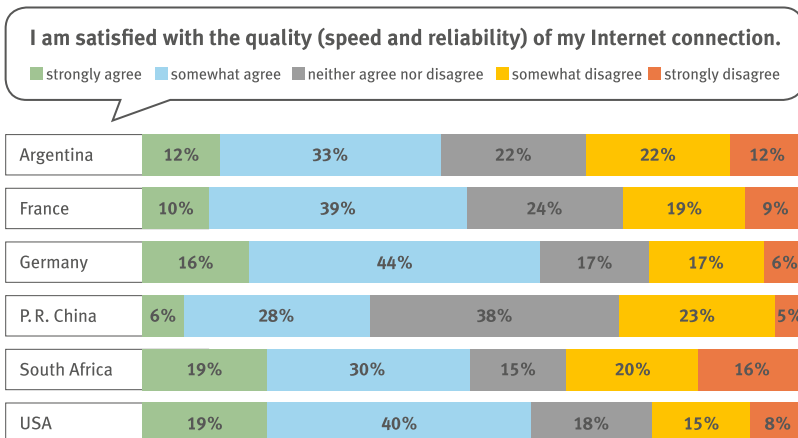


Excursus: Dimension 1 - Access



While respondents in our **online survey** are **relatively satisfied** with the **quality of their Internet connection**, **globally** there is still a **severe access and usage gap**.

Those that are online are relatively satisfied ...



... but more than half of the world's population are not yet online.



The ITU warns in its 2016 report: “*These findings suggest that the **Internet** is liable to **reinforce existing inequalities** and **leave the most vulnerable population groups even further behind**. While the mobile phone has (rightly) been hailed as a development enabler that provides crucial communication channels, access to information and new services to large population groups, including the poor and less privileged, **the full potential of the Internet remains largely untapped.***”

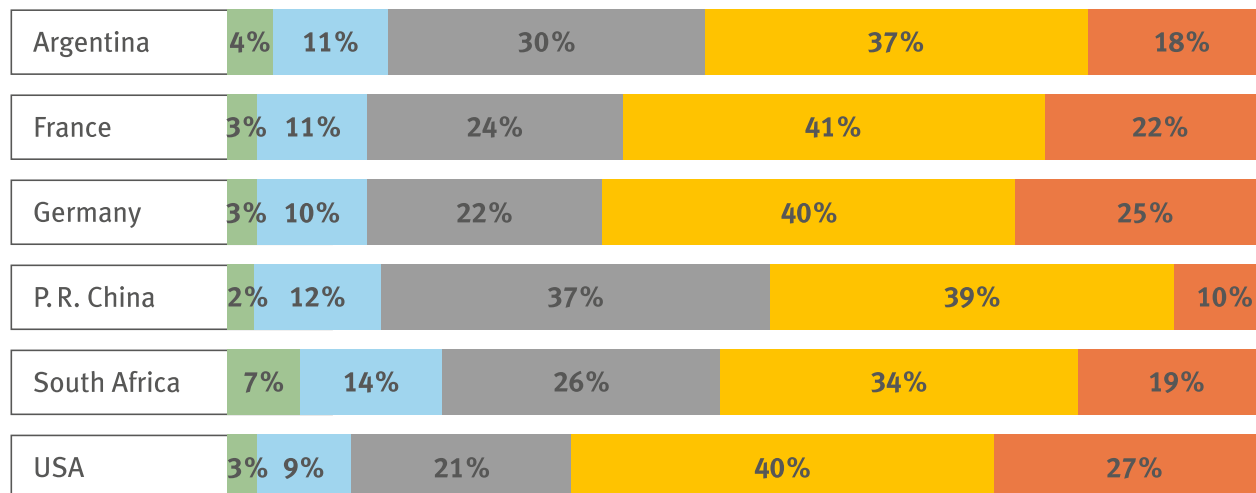
Excursus: Dimension 3 - Product safety and liability



Our consumer survey shows that consumers are **relatively concerned** about the **safety** of some digital technologies, such as self-driving cars or smart homes.

**I have concerns that some digital technologies
(e.g. self-driving cars, smart homes and others) are unsafe.**

strongly disagree somewhat disagree neither agree nor disagree somewhat agree strongly agree



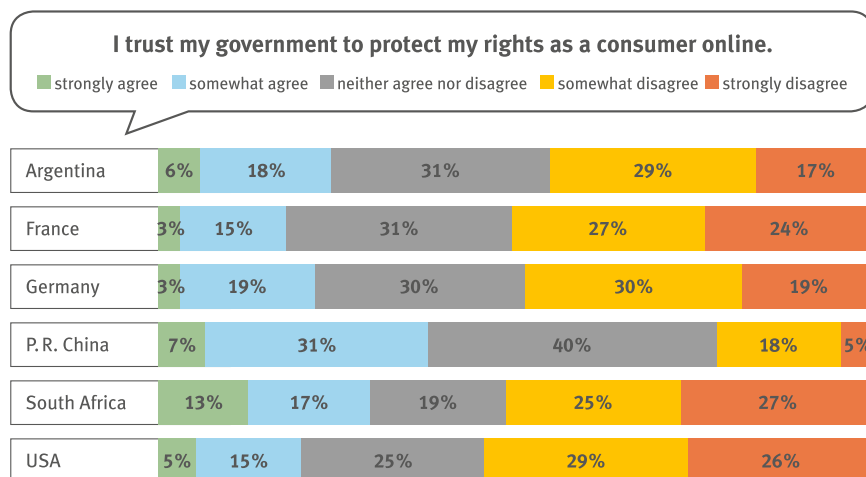
- Women expressed slightly more concerns than men.
- Younger consumers are less concerned than older consumers.
- The level of concern is similar in Dimension 4 - Privacy and data security.

Excursus: Dimension 8 - Governance and participation



Our consumer survey shows that in most countries **trust levels in governments** to protect consumer rights are **below the midpoint** of the scale.

Consumers are relatively distrustful ...



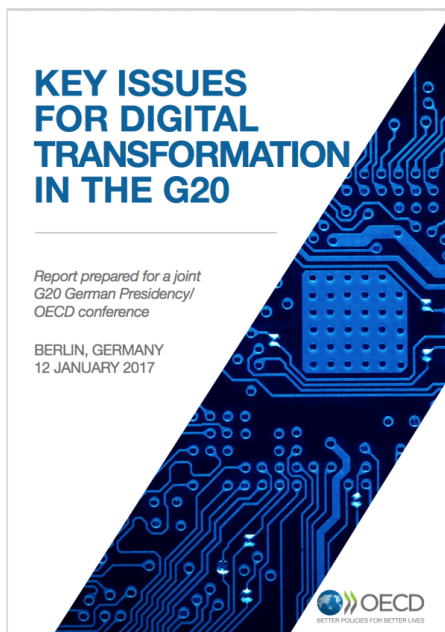
... and this distrust is supported by other evidence.



An **UNCTAD survey** of government representatives about obstacles to enacting data protection legislation in 48 countries in Africa, Asia, Latin America and the Caribbean suggests that by far the **largest obstacles** for effective **law-making** in the realm of data protection are the **lack of skills or training** for **policy- and lawmakers** (more than 60%) and for members of parliament (more than 40%).

Thesis 4: To systematically improve the state of consumer protection and empowerment, valid indicators and good data are needed

An evidence-based impactful policy-making needs valid indicators and good data. However, for consumer protection and empowerment, as well as the concept of consumer trust in the digital world, **such a set of indicators does not yet exist.**



In its report prepared for the G20 German Presidency, the OECD notes that there was an ***“important gap in cross-country comparable metrics on trust.”***



Therefore there is a need to develop indicators and corresponding methodologies to measure the state and progress towards a consumer-friendly demand-side environment and to generate the data.

Thesis 5: The UNGCP constitute a useful framework for indicator development; Digital Consumer Protection and Empowerment (DCPE) indicators can be derived

Based on the eight dimensions derived from the UNGCP, we recommend the following **65 indicators**.









Access	Economic interests	Product safety and liability	Privacy and data security	Information and transparency	Education and awareness	Dispute resolution and redress	Governance and participation
Consumer outcomes	Regulatory context	Regulatory context	Regulatory context	Regulatory context	Regulatory context	Regulatory context	Regulatory context
Access to networks Proportion of the population which is covered by a high-speed mobile-cellular network Proportion of the population which is covered by a high-speed fixed-broadband network	Adequacy of competition law and its enforcement Expert satisfaction with competition law to address the particularities of the digital economy Expert satisfaction with competition law enforcement Expert satisfaction with rules and regulations regarding interoperability and data portability Expert satisfaction with net neutrality rules and regulations	Adequacy of safety & liability laws and their enforcement Expert satisfaction with safety and liability laws Existence of regulatory authorities for safety Existence of a market monitoring system for digital products and services (including independent testing facilities) Expert satisfaction with the enforcement of safety and liability laws	Adequacy of privacy & data security laws and their enforcement Expert satisfaction with privacy and data security laws Extent to which the laws correspond with the abovementioned good practices	Adequacy of consumer information & disclosure laws and their enforcement Expert satisfaction with consumer information and disclosure laws Extent to which the laws correspond with the abovementioned good practices	Regulatory framework Consumer education is an integral part of the basic curriculum of the educational system Consumer outcomes General outputs Consumers have the ability to access competent and professional advice and assistance from an independent consumer organisation	Adequacy of legislation about dispute resolution and redress Expert satisfaction with the legislation about dispute resolution and redress Extent to which the laws correspond with good practices	Law-making Existence of: a parliamentary committee a dedicated ministry a national strategy ... about consumer protection and empowerment (in the digital world)
Mobile uptake Proportion of the population using a high-speed mobile-cellular service Proportion of the population using a high-speed fixed-broadband subscription	Consumer outcomes	Business conduct	State of privacy protection and data security Number and severity of reported incidences of data breaches	Consumer outcomes	Consumers' digital literacy Information and data literacy Communication and collaboration Content creation Safety Problem solving	Business behaviour Awareness of businesses of dispute resolution and redress legislation Existence of complaint management systems by businesses	Enforcement Existence of dedicated enforcement authorities ICT regulators perform their functions according to published and transparent rules Existence of the power of consumer organisations for collective legal action on behalf of consumers
Affordability High speed mobile-cellular prices High speed fixed-broadband prices	Consumer experience Degree of liberalisation in various ICT sectors Consumer satisfaction with the ability to easily switch to an alternative supplier if they dislike the practices of an online service Consumer switching behaviour in various ICT sectors Consumer concerns about personalised pricing and price discrimination	Business behaviour Extent to which businesses respect safety standards in pre-market design Extent to which businesses monitor their products once they are in the market Extent to which businesses have in place product recall procedures	Consumer outcomes Number of secure Internet servers (per 1 million people) (secure Internet servers are servers using encryption technology in Internet transactions) Consumer concerns about privacy Consumer concerns about data security	State of consumer information and disclosure practices Consumer satisfaction with consumer information and disclosure practices Number of consumer protection issues in media Existence of comparative testing organisations Existence of independent consumer organisations offering pre-purchase advice	Consumers' general literacy General consumer skills such as recognising a cheaper product or recognising logos correctly Awareness of consumer legislation Consumer engagement Percentage of consumers who know national consumer organisations	Consumer outcomes State of dispute resolution and redress Consumer satisfaction with dispute resolution and redress practices Awareness of consumers about their rights and dispute and redress possibilities Experiences of consumers in attaining their rights	Participation of consumer organisations (c.o.) in law-making and enforcement Level of governmental financial contributions to independent c.o. Level of participation of c.o. at hearings in the parliament, ministries and enforcement entities
Use Proportion of individuals using the Internet		Consumer outcomes					Consumer trust Percentage of consumers that trust their governments and c.o. to protect their digital rights
Consumer satisfaction Consumer satisfaction with the quality of and costs for the Internet connection		Safety of ICT sector Number and severity of reported incidences of unsafe digital products and services					

These indicators focus on:

- Regulatory context
- Business conduct
- Consumer outcomes

Thesis 6: Indicators, data-gathering methodologies and G20-wide data sets exist only for a few indicators ...

The study also analysed the extent to which indicators, data-gathering methodologies and G20-wide data exist. The analysis shows that these exist only for a **few dimensions**.

Dimension	Assessment
 Access	Indicators and data AVAILABLE
 Economic interests	Indicators and data NOT YET AVAILABLE
 Product safety and liability	Indicators and data NOT YET AVAILABLE
 Privacy and data security	Indicators and data PARTIALLY AVAILABLE
 Information and transparency	Indicators and data NOT YET AVAILABLE
 Education and awareness	Indicators and data PARTIALLY AVAILABLE
 Dispute resolution and redress	Indicators and data PARTIALLY AVAILABLE
 Governance and participation	Indicators and data PARTIALLY AVAILABLE



... hence a **double-fledged** approach should be taken for addressing these gaps. Such an approach should deliver concrete results in the short- as well as in the mid- and long term.

Thesis 7: First, a survey-based approach should be used to provide the needed data in the short-term

Since **consumer surveys** can be comparatively easily developed, implemented and analysed, the study suggests that this approach should be used to generate periodic data that can be used in the **short-term**. Furthermore, for some constructs – such as consumer attitudes and opinions – surveys are the **only way** to generate data.

In conducting such surveys the following quality criteria should be applied:

1. Start with a good construct definition
2. Use several items to increase reliability
3. Integrate existing measurements if possible
4. Adapt the measures to the construct that should be measured
5. Pay attention to general quality criteria of survey design

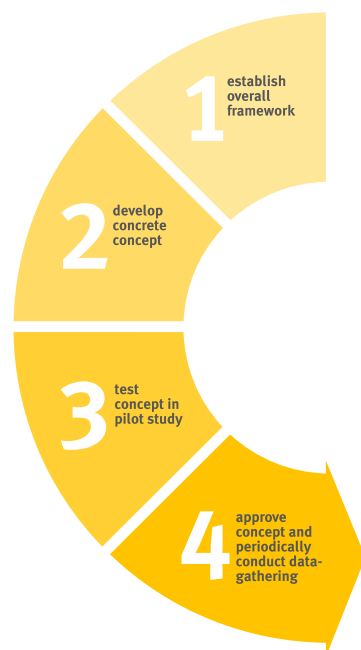
The Internet has become an integral part of our everyday lives. As consumers, we use it for finding information, researching products, comparing prices, shopping, communicating and watching videos or listening to music. People have different attitudes and experiences as consumers online. We would like to find out more about how you feel about your experiences online.

For the following sentences, please indicate to what extent you personally agree or disagree on a 5-point scale.

No	Question	Answer
1	I generally feel at ease with being a consumer in the digital world.	1 Strongly disagree 2 Somewhat disagree 3 Neither agree nor disagree 4 Somewhat agree 5 Strongly agree
2.1	I am satisfied with the quality (speed and reliability) of my Internet connection.	See question 1
2.2	I am satisfied with the costs for my Internet connection.	See question 1
3	If I dislike the practices of an online service (e.g. social networks, music and video streaming services), I am satisfied with my options to easily switch to an alternative.	See question 1
4	I have concerns that some digital technologies (e.g. self-driving cars, smart homes and others) are unsafe.	See question 1
5.1	I am concerned that too much of my personal data is being collected by businesses on the Internet.	See question 1
5.2	I am concerned that the payment information that I provide online may be stolen and misused.	See question 1
6	I am satisfied with the quality of information I find online about products, services and their terms of use.	See question 1
7	I know my rights as a consumer online.	See question 1
8	I am satisfied with the current complaint and replacement possibilities for faulty products bought online.	See question 1
9	I trust my government to protect my rights as a consumer online.	See question 1

Thesis 8: Second, the G20 should initiate a four-step process to develop a comprehensive methodology in order to provide data in the mid- and long-term

To overcome the identified deficiencies in the methodologies, the **G20** should initiate a process that develops a **comprehensive and robust methodology** for the DCPE indicators in the **mid- and long-term**. This process should go hand-in-hand with other initiatives that aim at developing a tool kit for policy making in this field and could take the following **four steps**:



Step 1: The G20 should set up a consumer protection and empowerment working group for the digital world. It should agree on an *overall framework* of Digital Consumer Protection and Empowerment indicators.

Step 2: An international organisation – such as ITU, OECD, UNCTAD or the World Bank – should be tasked with the *concrete development* of such indicators and corresponding data-gathering methodologies. Stakeholder participation should be ensured throughout the process. Due account should be given to incorporate existing indicators as well as ensure compatibility with other initiatives.

Step 3: The set of indicators and their data-gathering methodologies should be *tested in a pilot study*. Lessons should be learned and the indicators and methodologies be refined.

Step 4: The draft set of indicators and their data-gathering methodologies should be presented to the G20 working group for its *approval*. Clear *institutional responsibilities* should then be *assigned to periodically conduct data-gathering* for the indicators.

Thank you for your attention!



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