Indicators of consumer protection and empowerment in the digital world
Results and recommendations of a feasibility study

Presentation in the context of the G20 Consumer Summit
Berlin, 15 March 2017

commissioned by:
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:

1. a literature review and analysis of international reference documents
2. expert interviews
3. a consultation of the members of Consumers International (CI)
4. an online representative consumer survey conducted in six G20 member states

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 THESSES
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 …

<table>
<thead>
<tr>
<th>Country</th>
<th>Strongly Agree</th>
<th>Somewhat Agree</th>
<th>Neither Agree nor Disagree</th>
<th>Somewhat Disagree</th>
<th>Strongly Disagree</th>
</tr>
</thead>
<tbody>
<tr>
<td>Argentina</td>
<td>12%</td>
<td>33%</td>
<td>22%</td>
<td>22%</td>
<td>12%</td>
</tr>
<tr>
<td>France</td>
<td>10%</td>
<td>39%</td>
<td>24%</td>
<td>19%</td>
<td>9%</td>
</tr>
<tr>
<td>Germany</td>
<td>16%</td>
<td>44%</td>
<td>17%</td>
<td>17%</td>
<td>6%</td>
</tr>
<tr>
<td>P.R. China</td>
<td>6%</td>
<td>28%</td>
<td>38%</td>
<td>23%</td>
<td>9%</td>
</tr>
<tr>
<td>South Africa</td>
<td>19%</td>
<td>30%</td>
<td>15%</td>
<td>20%</td>
<td>16%</td>
</tr>
<tr>
<td>USA</td>
<td>19%</td>
<td>40%</td>
<td>18%</td>
<td>15%</td>
<td>8%</td>
</tr>
</tbody>
</table>

... 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.

- 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.

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.

<table>
<thead>
<tr>
<th>Dimension</th>
<th>Assessment</th>
</tr>
</thead>
<tbody>
<tr>
<td>Access</td>
<td>Indicators and data available</td>
</tr>
<tr>
<td>Economic interests</td>
<td>Indicators and data not yet available</td>
</tr>
<tr>
<td>Product safety and liability</td>
<td>Indicators and data not yet available</td>
</tr>
<tr>
<td>Privacy and data security</td>
<td>Indicators and data partially available</td>
</tr>
<tr>
<td>Information and transparency</td>
<td>Indicators and data not yet available</td>
</tr>
<tr>
<td>Education and awareness</td>
<td>Indicators and data partially available</td>
</tr>
<tr>
<td>Dispute resolution and redress</td>
<td>Indicators and data partially available</td>
</tr>
<tr>
<td>Governance and participation</td>
<td>Indicators and data partially available</td>
</tr>
</tbody>
</table>

... 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
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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