EUROPEAN COMMISSION

Brussels, 11.1.2012
SEC(2011) 1640 final

COMMISSION STAFF WORKING DOCUMENT

Bringing e-commerce benefits to consumers

Accompanying the document

COMMUNICATION FROM THE COMMISSION TO THE EUROPEAN PARLIAMENT, THE COUNCIL, THE EUROPEAN ECONOMIC AND SOCIAL COMMITTEE AND THE COMMITTEE OF THE REGIONS

A coherent framework to boost confidence in the Digital Single Market of e-commerce and other online services

{COM(2011) 942 final}
{SEC(2011) 1641 final}

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EXECUTIVE SUMMARY

1 This report identifies the latest trends in business-to-consumer e-commerce in the EU and examines the potential benefits for consumers if current obstacles are overcome and the true potential of e-commerce in the Single Market is fulfilled. It is a follow up to the Communication[1] and Staff Working Document[2] on cross-border e-commerce in the EU. Boosting consumers' confidence in e-commerce and the completion of the Digital Single Market have been identified as two of the twelve priority areas of action under the Single Market Act. The creation of a vibrant Digital Single Market is one of the seven pillars of the Digital Agenda for Europe which has set out e-commerce targets for 2015; 50% of consumers buying on-line and 20% buying on-line cross-border within the EU. The report is based on a consumer market study on the functioning of e-commerce in goods in the EU and other recent studies.

2 During the recent years, e-commerce sales have been the main growth engine of the retail sector. E-commerce is the dominant distance sales channel and accounts for around 4% of the total retail sector. The impact of e-commerce on the whole retail sector is however significantly greater since consumers research many more offline purchases on the internet, ensuring that businesses that sell online exert competitive pressure on "bricks and mortar" shops. Many businesses have realised that they have to make e-commerce an integral part of their business model. E-commerce is therefore an opportunity for business as a whole despite the challenges it poses to current business models.

3 In the last few years, e-commerce has grown both domestically and cross-border. During 2008-2010, domestic business-to-consumer e-commerce has grown from 28% to 36% of the population making an online domestic purchase, while cross-border e-shoppers have only grown from 6% to 9%.[3] At a time of economic crisis when consumers and businesses are under tight financial constraints, there is a shift towards e-commerce. Consumers are seeking the advantages offered by e-commerce, such as cheaper prices and wider choice, while businesses see e-commerce as an opportunity to reach more consumers to grow. According to the market study on e-commerce, most online shoppers (66%) say they are turning to e-commerce for lower prices, 50% to save time, while 47% for reasons related to choice[4].

4 However, despite this growth, the untapped potential benefits of e-commerce are significant. For example, in a basket of 100 goods with a median price of €112, it is estimated that by buying online across the EU consumers could save up to €745.

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[1] Communication from the Commission to the European Parliament, the Council, the European Economic and Social Committee and the Committee of the Regions on cross-border business-to-consumer e-commerce in the EU. COM(2009) 557 final.
[2] Commission Staff Working Document, Report on cross-border e-commerce in the EU. SEC(2009) 283 final.
[3] Eurostat: Information society statistics (2011). Data extracted on 11 April 2011.
[4] Civic Consulting (2011). "Consumer market study on the functioning of e-commerce". This is based on a sample of frequent online shoppers. Frequent shoppers were defined as respondents who bought products online at least once a month.

However, there are so many obstacles that most cross-border transactions fail. In 6 out of 10 cases consumers are not able to complete such cross-border purchases. If these transactions were completed, consumers could save up to €1745, these savings amount to 16%[5].

5 Considerable welfare improvements can also be found domestically both in terms of price and choice. There are savings to be made in 13 out of 15 products categories for which prices were collected, if products were bought from online shops in a country rather than from offline shops. In a typical shopping trip[6], consumers have at least double the selection when shopping domestically online rather than offline. If they shop online across the EU they have up to 16 times more products to choose from.[7]

6 The current consumer welfare gains from e-commerce in goods[8] alone in terms of lower online prices and wider choice are estimated to be around €11.7 billion, an amount equivalent to 0.12% of EU GDP. If e-commerce were to grow to 15% of the total retail sector and Single Market barriers were eliminated, **total consumer welfare gains are estimated to be around €204 billion, an amount equivalent with 1.7% of EU GDP[9]**.

7 An assessment of the incidence of problems when purchasing goods online and problems when purchasing goods offline, showed that there is no significant difference between the sales medium used and problems faced. Yet the potential benefits will not be realised if consumers and businesses refrain from buying and selling online and do not take advantage of the opportunities offered by the Single Market. The Communication on cross-border e-commerce has identified the obstacles to cross-border e-commerce and a set of actions to address these. The Commission has carried out further in-depth work to identify more general obstacles to e-commerce and how these can be tackled to increase consumer welfare. Many obstacles to e-commerce are common to domestic or cross-border e-commerce. Beyond the actions identified in the Communication on cross-border e-commerce and the Digital Agenda, this report identifies three areas where action should be taken to boost e-commerce: **information, redress and enforcement**. Actions in these three areas can increase consumer trust and confidence in online purchases. Solutions may be found in providing accurate and transparent **information for domestic and cross-border offers**, making available **information to retailers wishing to sell online**, promoting fast, efficient and cheap **online dispute resolution mechanisms**, as well as better **enforcement mechanisms** to ensure application of existing legislation concerning consumers and businesses in the field of e-commerce.

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[5] These findings come from the following study: European Commission (2009). 'Mystery shopping evaluation of cross-border e-commerce in the EU', YouGovPsychonomics, data collected on behalf of the European Commission.

[6] E.g. A shopping trip involving visits to five online and five offline shops and searching for similar goods.

[7] This estimation does not cover the whole retail market. In the whole retail market there is more choice offline, since there are far more businesses selling offline than online. However, a consumer is not likely to visit or have information from all online and offline shops before making a purchase. A consumer is more likely to make a limited number of visits to online and offline shops.

[8] This excludes services, such buying flights, hotel accommodation, etc., which are a considerable part of e-commerce.

[9] Civic Consulting (2011). "Consumer market study on the functioning of e-commerce". This is based on a sample of frequent online shoppers. Frequent shoppers were defined as respondents who bought products online at least once a month.

8 The report shows that the **information** provided to consumers on retailers' websites, as well as websites of information intermediaries such as price comparison websites, is frequently partial and sometimes misleading and incorrect. Data gathered from over 260 price comparison websites revealed that very often it is difficult for consumers to compare the price and quality of different goods on offer. In addition, most offers are domestic and do not reach consumers in other EU countries.

9 One of the main factors holding back the development of e-commerce, both domestic and cross-border, is consumers' concern about what will happen if things go wrong. As a matter of fact, the majority of online transactions run smoothly and regular online cross-border shoppers are rather confident in e-commerce. However, **online dispute resolution mechanisms** should be put in place to overcome the concerns of the majority who are afraid to step online cross-border.

10 Various recent fact-finding exercises presented in this report show that many businesses are not in compliance with existing rules concerning selling and advertising online. Improvements to the general **enforcement** framework surrounding e-commerce will increase competition and consumer welfare through stamping out on bad business practices and increasing consumers' confidence in online transactions.

11 Commission services will continue to **monitor** and analyse the development of e-commerce and whether consumers are reaping its full benefits.

1) Introduction

12 This report is a follow up to the Commission Communication[10] and Staff Working Document[11] on business to consumer cross-border e-commerce in the EU. It accompanies the Commission's Communication and Staff Working Document on a coherent framework to strengthen confidence in the Digital single market of e-commerce and other online services [12] by providing evidence on how e-commerce works in the EU from the perspective of the consumers. Boosting consumers' confidence in e-commerce and the completion of the Digital Single Market have been identified as two of the twelve priority areas of action under the Single Market Act. If consumers and businesses see e-commerce as a practical and viable alternative to offline retail, this will result in an increase in competition, both online and offline, as business compete to reach the marginal consumers. In turn, this will result in an increase in consumer welfare and a more competitive European economy. The Digital Agenda for Europe has set out targets for 2015; 50% of consumers buying on-line and 20% buying on-line cross-border within the EU.

13 This report has an expanded scope from previous work on e-commerce since it covers in more detail issues that are related to domestic e-commerce and also to the provision of information. The evidence presented in the report is largely based on primary data collected on behalf of Commission services through a consumer market study on e-commerce, consisting of a consumer survey, collection of price data of goods sold online

[10] Communication from the Commission to the European Parliament, the Council, the European Economic and Social Committee and the Committee of the Regions on Cross-border business to consumer e-commerce in the EU. COM(2009) 557 final.
[11] Commission Staff Working Document, Report on cross-border e-commerce in the EU. SEC(2009) 283 final.
[12] COM(2011)942.

and offline, and a mystery shopping exercise of price comparison websites[13]. The report is complemented by other studies, Eurostat and industry data.

14 The reason to examine price comparison websites in detail is that they have become a key source of information for consumers both in their online but also in their offline purchase decisions. This trend seems likely to grow further. As such information intermediaries are becoming more important in the consumer environment it is necessary to monitor and evaluate whether they are serving the consumer interest by providing information in a clear, transparent and accurate manner.

15 The primary research tries to estimate the full potential of the online goods market in the EU and the benefits that would accrue to consumers if this was achieved. These benefits are calculated on the basis of price savings and an increased choice of goods available online and across EU borders. In addition, the report identifies in detail the current main obstacles to domestic and cross-border e-commerce aiming to identify areas where EU action would increase online confidence of both consumers and businesses.

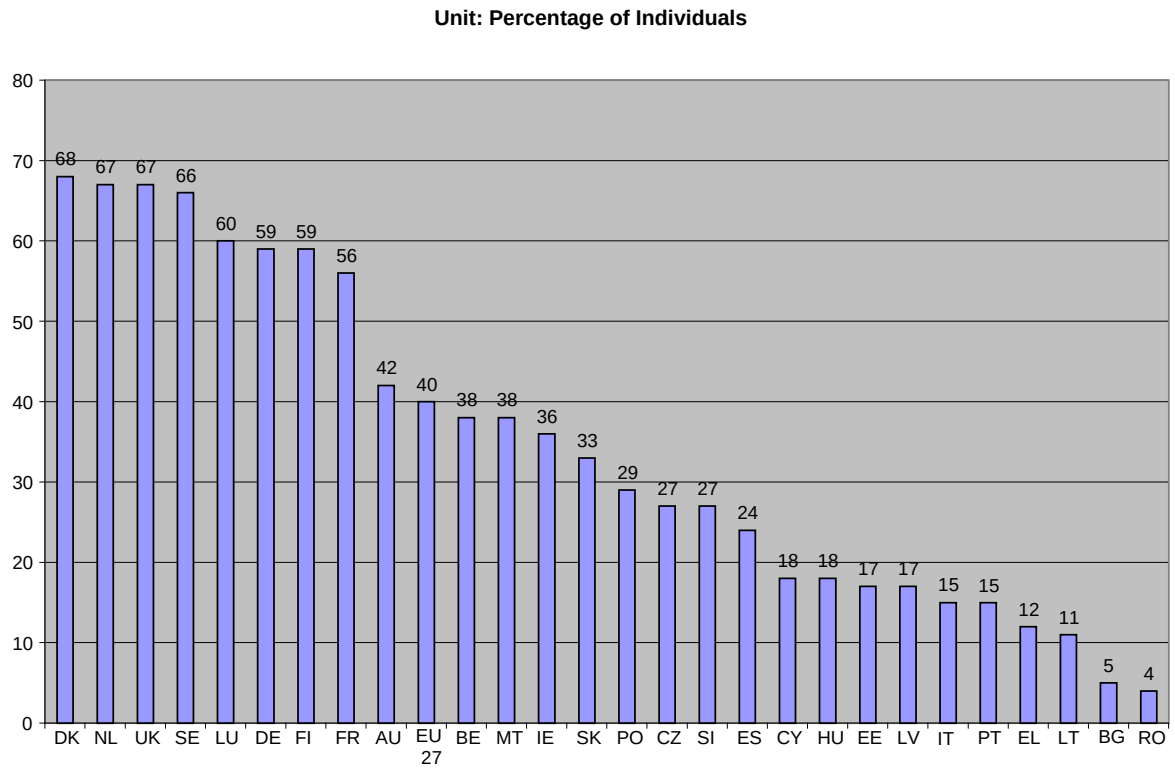
2) Online shopping in the EU

2.1 Number of online shoppers

16 Between 2004 and 2010, the percentage of individuals who made an online purchase of a good or a service for private use in the last year, rose from 20% to 40%[14]. There are however considerable variations at country level, ranging from 4% in Romania to 68% in Denmark. In many Member States (Denmark, Germany, France, Luxembourg, the Netherlands, Finland, Sweden and the UK) the figure is higher than 55%, yet in other Member States (Bulgaria, Greece, Italy, Cyprus, Estonia, Latvia, Lithuania, Hungary, Portugal, Romania) the figure is below 20%.

[13] Civic Consulting (2011). "Consumer market study on the functioning of e-commerce".
[14] Eurostat: Information society statistics (2011). Data extracted on 21 March 2011.

Figure 1 - Percentage of individuals who ordered goods or services over the Internet for private use in the last year (2010)



Source: Eurostat, Information society statistics (2010). Data extracted on 14 April 2010.

2.2 E-commerce compared to other retail channels[15]

17 Besides the traditional method of selling goods and services in shops, used by 73% of retailers in the EU, a similar proportion (72%) mentioned using at least one off-premises ("distance") sales channel. E-commerce is the most common distance sales channel[16] with 53% of retailers selling goods or services via the Internet to end consumers[17].

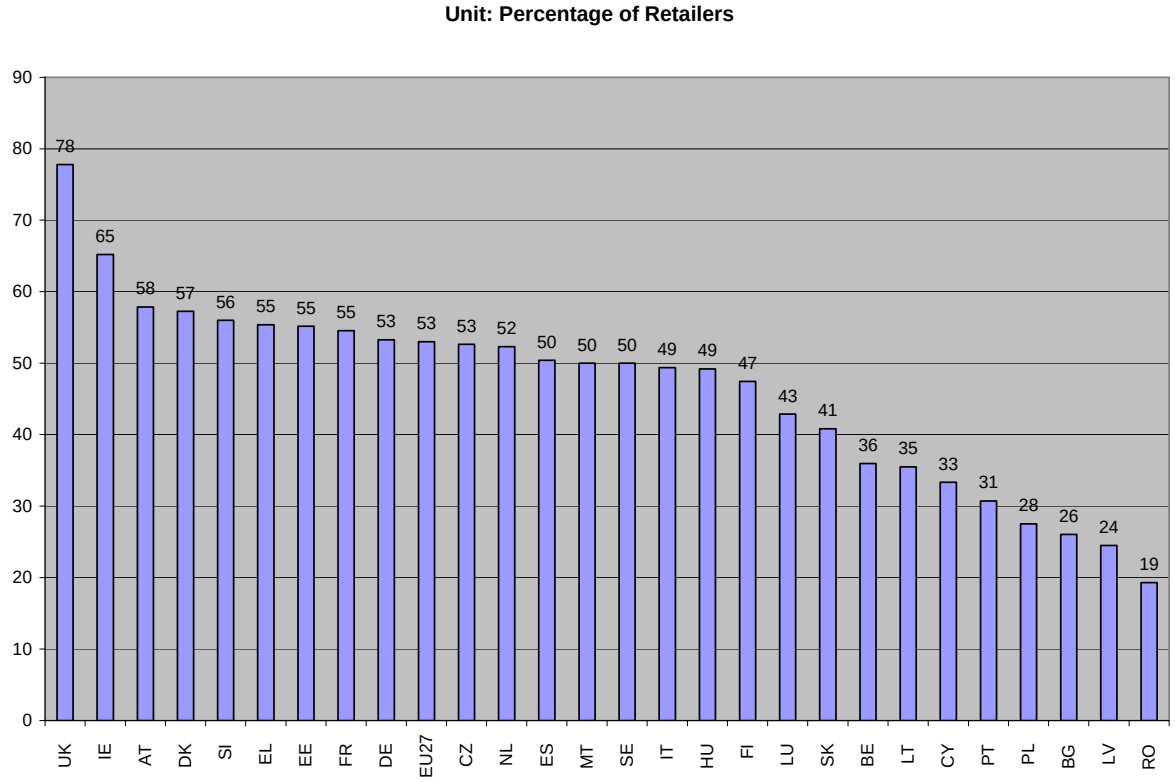
18 Figure 2 shows the use of e-commerce by retailers across the EU. As before, there are big variations at country level. This ranges from around a fifth (19%) of retailers in Romania selling goods or services via the Internet, to a proportion that is almost four times higher in the UK (78%). In twelve countries, more than half of all retailers use the Internet as a sales channel.

[15] Data in section 2.2 refers to retailers employing more than 10 employees. It comes from European Commission (2011). Flash Eurobarometer 300. "Retailers' attitudes toward cross-border trade and consumer protection".

[16] Distance sales channels include sales conducted over the internet, phone and post.

[17] According to Eurostat Statistics in Focus 37/2010 and the Eurostat External and Intra-EU Trade Yearbook of 2009, the intra-EU trade volume in goods was four the volume of trade in services in 2008.

Figure 2 - Percentage of retailers selling online (2010)



Source: European Commission (2011). Eurobarometer 300, "Retailers' attitudes towards cross-border trade and consumer protection"

2.3 Volume/value of e-commerce

19 The EU business to consumer e-commerce market is estimated to be around €91 billion in 2010[18]. This represents around 3.5% of the total EU retail sector. The variations across European countries are very large. The leading countries are the UK (7.9%), Denmark (5.4%), Finland and Sweden (4%) and France and Germany (3.9%). In other laggard countries, e-commerce barely registers as a share of the total retail sector. The UK has the lion's share of the EU e-commerce market with 34.6% of EU total, followed by Germany (19.6%) and France (19.1%). The second group of countries with lower percentage shares of the EU e-commerce market is led by the Netherlands (4%), Spain (3.5%), Italy (3.3%) and Sweden (2.9%).

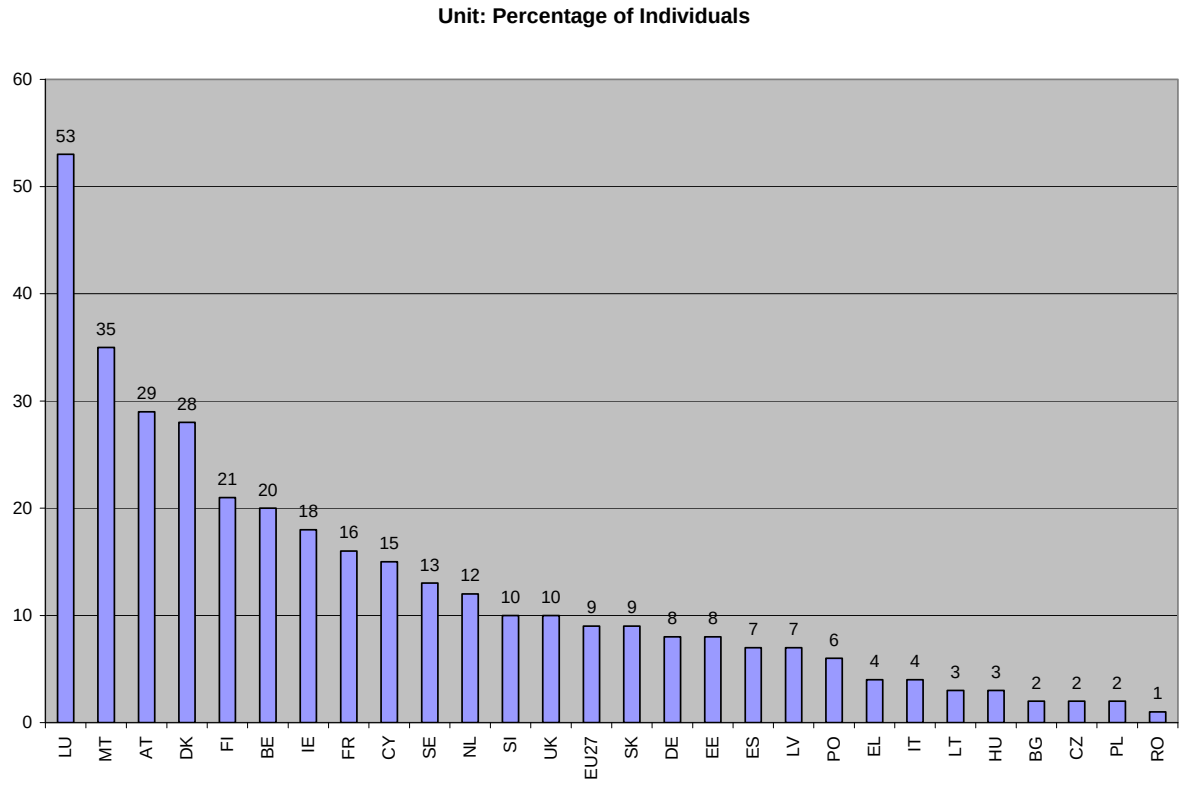
2.4 Consumers buying cross-border

20 In total, 40% of EU consumers made an online purchase of a good or a service last year. However, most of these purchases were domestic as only 9% of EU consumers made a cross-border purchase online (figure 3). Concerning cross-border purchases, country

[18] Civic Consulting (2011). "Consumer market study on the functioning of e-commerce". Based on data from Euromonitor covering 24 Member states (excluding Cyprus, Malta and Luxembourg). The definition of retail used for this calculation excludes specialist retailers of motor vehicles, motorcycles, vehicle parts, fuel, and foodservice, rental and hire and wholesale industries.

variations are rather significant, with six countries at 20% or higher (Belgium, Denmark, Luxembourg, Malta, Austria and Finland) and eight countries below 5% (Bulgaria, Czech Republic, Greece, Italy, Lithuania, Hungary, Poland and Romania).

Figure 3 – Individuals who ordered goods or services over the Internet from sellers from other EU countries in the last 12 months



Source: Eurostat, Information society statistics (2010). Data extracted on 14 April 2010.

21 One in three (32%) online shoppers[19] said that they bought goods from other countries in the EU in 2010. Online shoppers in Malta (94%), Luxembourg (88%), Cyprus (83%), Austria (77%), Ireland (68%) and Belgium (54%), are the most likely to make cross-border purchases of goods in the EU. In addition to the market size of different countries, geographic location and knowledge of the language in which offers are made are important factors underpinning cross-border flows of trade. For a full list of e-commerce cross-border flows see figure 4 in Annex 1. The countries that attract most online shoppers from other EU countries are Germany (27%), the UK (24%) and France (14%), which are also the most mature e-commerce economies in Europe.[20] In addition many consumers in other EU countries speak German, English or French. Two in three EU online cross-border shoppers bought goods from websites available in English, 21% bought from websites in German and 14% bought from websites in French. 56% of European consumers use another language than their own for searching or buying goods and services online.[21]

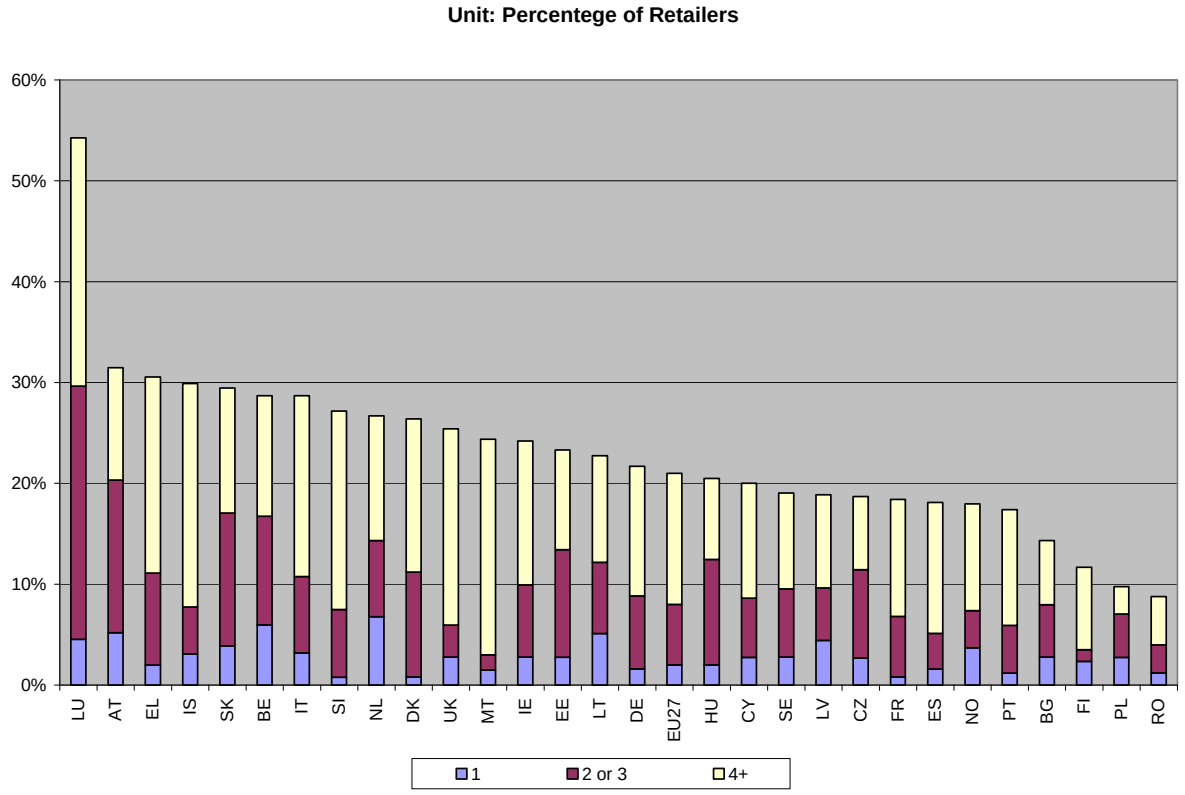
[19] Civic Consulting (2011). "Consumer market study on the functioning of e-commerce". The sample size for online shoppers is 25940 and includes only purchases of goods.
[20] Civic Consulting (2011). "Consumer market study on the functioning of e-commerce". The sample size for online shoppers is 25940 and includes only purchases of goods.
[21] European Commission (2011). Flash Eurobarometer 31, "User language preferences online".

22 It is worth noting that 18% of online shoppers said that they bought goods from countries outside the EU in 2010. 25% of online shoppers bought a good from a US website, while 17% said that they bought a good from a Chinese website.

2.5 Businesses selling cross-border[22]

23 In 2010, nearly three out of four EU (74%) retailers did not sell cross-border in other EU countries (figure 5 and figure 6 below). This is slightly higher than the situation in 2009 when 71% said they did not sell cross-border but similar to the level recorded in 2005 (75%). Only one in five EU (21%) retailers sell their goods or services in other EU countries. From the ones selling cross-border, most sell in more than four countries (62%), 29% sell in two-three countries while 9% sell only in one country. Again, large differences between countries are observed.

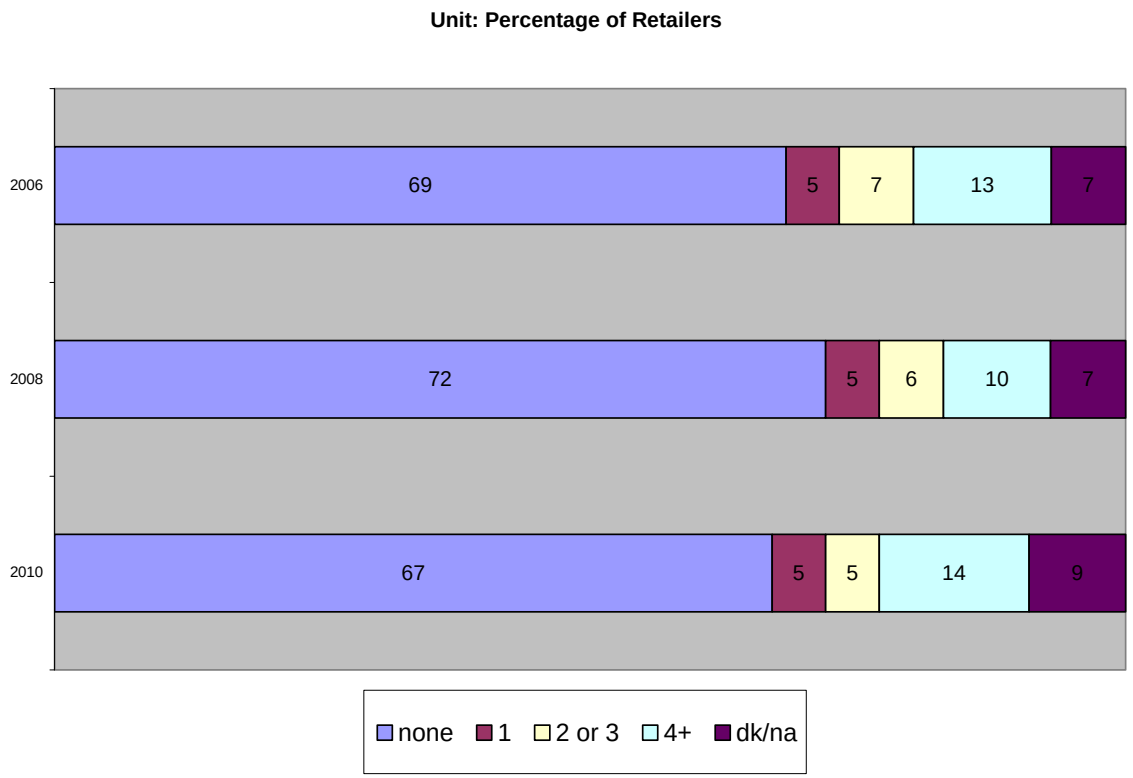
Figure 5 – Number of countries to which retailers sell cross-border (2010)



Source: European Commission (2011). Eurobarometer 300, "Retailers' attitudes towards cross-border trade and consumer protection".

[22] Data in section 2.5 comes from European Commission (2011). Flash Eurobarometer 300. "Retailers' attitudes toward cross-border trade and consumer protection". The sample in this Eurobarometer is made of retailers employing more than 10 employees.

Figure 6 – Number of other EU countries where retailers actively market/advertise to final



Source: European Commission (2011). Eurobarometer 300 "Retailers' attitudes towards cross-border trade and consumer protection"

24 In four countries with relatively small economies, (Greece, Luxembourg, Austria and Slovakia), 30% or more retailers sell their products cross-border while in four other countries (Bulgaria, Finland, Poland and Romania), less than 15% of retailers sell cross-border. It is interesting to note that the countries with the biggest e-commerce markets (UK, France and Germany) are around the EU average (21%). Even in these countries, many retailers are not taking advantage of the strong interest that consumers from other EU countries have to shop cross-border and the fact that many consumers are willing and able to buy in a language other than their own such as English, German and French. It seems that many retailers in the biggest e-commerce markets are content to focus on domestic sales. The benefits for the minority of businesses who do sell cross-border seem clear however. 56% of retailers using e-commerce and selling cross-border, said that more than 10% of their total e-commerce turnover came from sales to consumers in other EU countries.

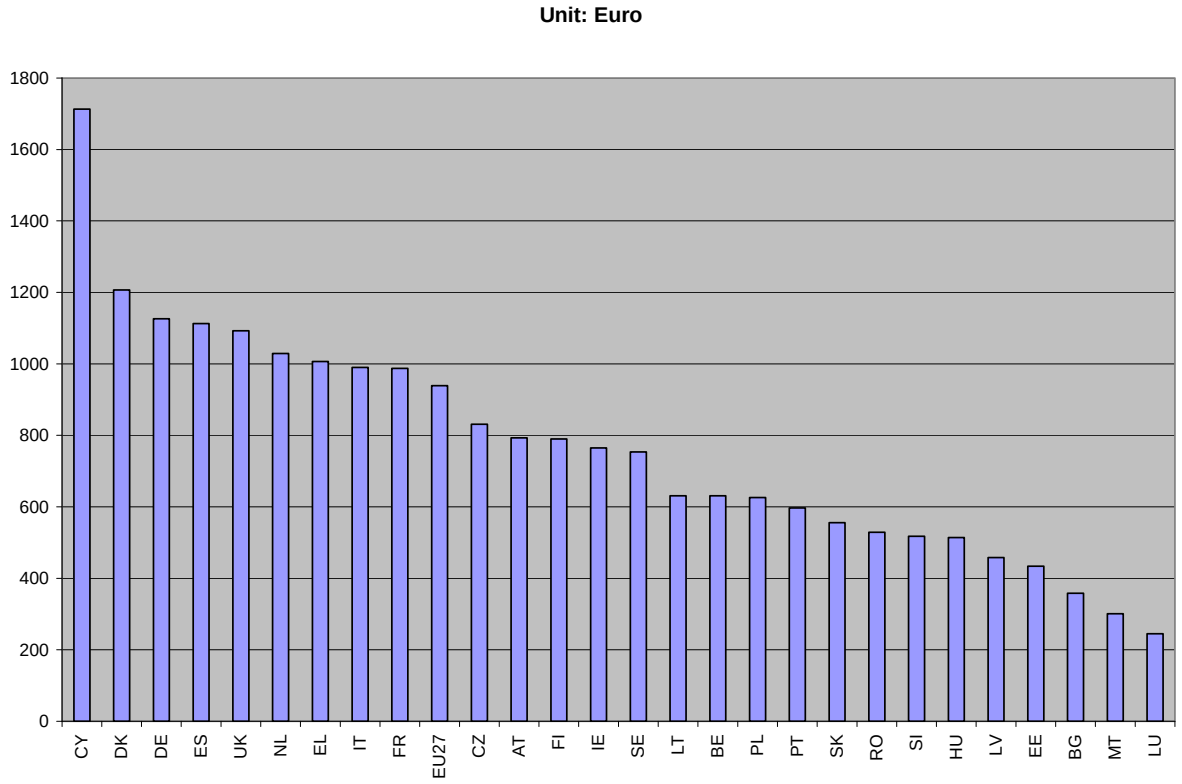
2.7 Spending and payment methods[23]

25 In 2010, EU online consumers spent around €1163 purchasing goods online. Across the EU, there are big variations at national level. Online shoppers in Denmark, Germany and

[23] Findings in this section concern purchases of goods over €30, exclude food and groceries as well as services Civic Consulting (2011). "Consumer market study on the functioning of e-commerce".

the UK spend the most buying goods online. EU consumers shopping only domestically spend on average €778 while consumers who also shop cross-border spend on average €1667 (includes both domestic and cross-border transactions). (see figure 7 and 8 below). Online cross-border shoppers spent on average 693€ purchasing goods from other countries. Consumers in Austria, Bulgaria, Estonia, Italy, Cyprus, Lithuania, Latvia, Luxembourg, Malta, Portugal, Romania and Slovenia spend more in other countries than in their own countries.

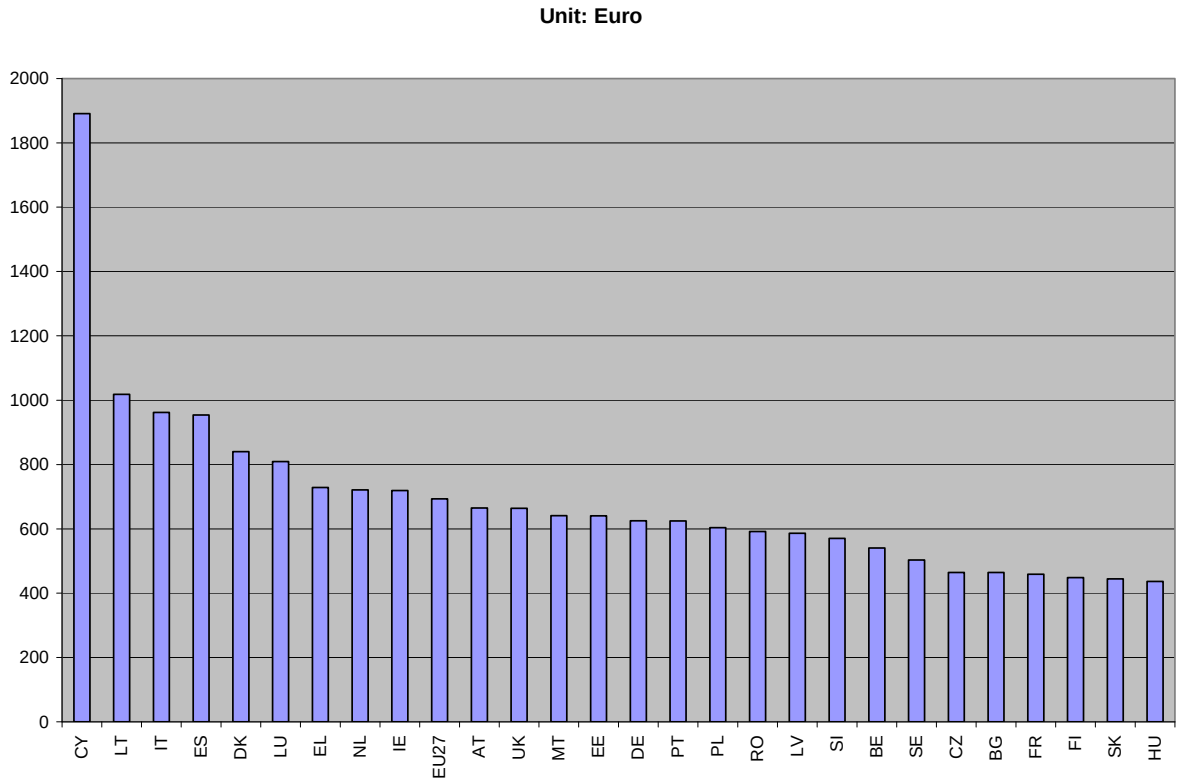
Figure 7 – Euro spent online purchasing products from websites in origin country in the last 12 months (Remember: this does not include money spent for services such as music/film downloads, travel, entertainment, banking, insurance, and other financial services)



Basis: Domestic Online Shoppers

Source: Civic Consulting (2011). "Consumer market study on the functioning of e-commerce".

Figure 8 – Euro spent online purchasing products from websites in another EU27 country in the last 12 months (Remember: this does not include money spent for services such as music/film downloads, travel, entertainment, banking, insurance, and other financial services)



Basis: Cross-Border Online Shoppers

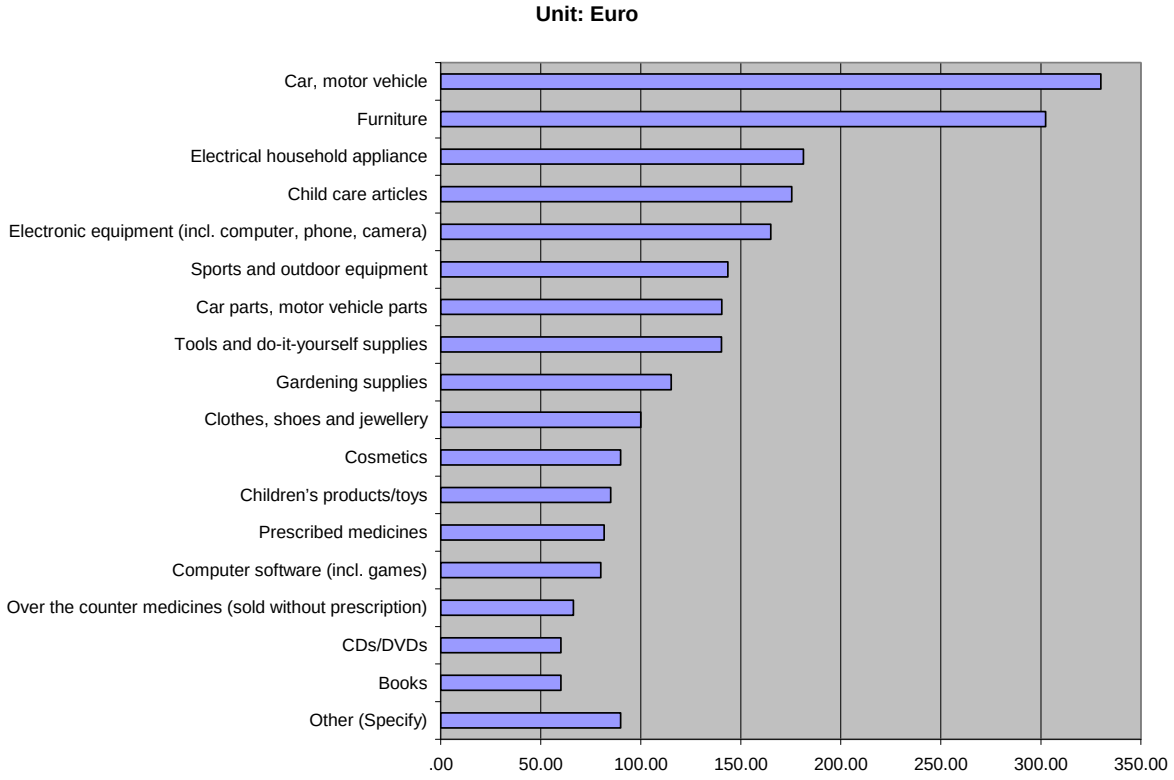
Source: Civic Consulting (2011). "Consumer market study on the functioning of e-commerce".

26 In their last online purchase concerning a good over €30[24], online shoppers spent on average around €255. This varies between east Europe[25] where spending is around €196, while in west Europe it is around €268.

27 The median amount spent online is highest for cars and other motor vehicles (€330), furniture (€304), electrical household appliances (€181), child care articles (€176), electronic equipment (€165), sports and outdoor equipment (€145), and clothes shoes and jewellery (€100). For a full breakdown of spending on online goods see figure 9 below.

[24] Excluding food and groceries
[25] Excluding the Czech Republic

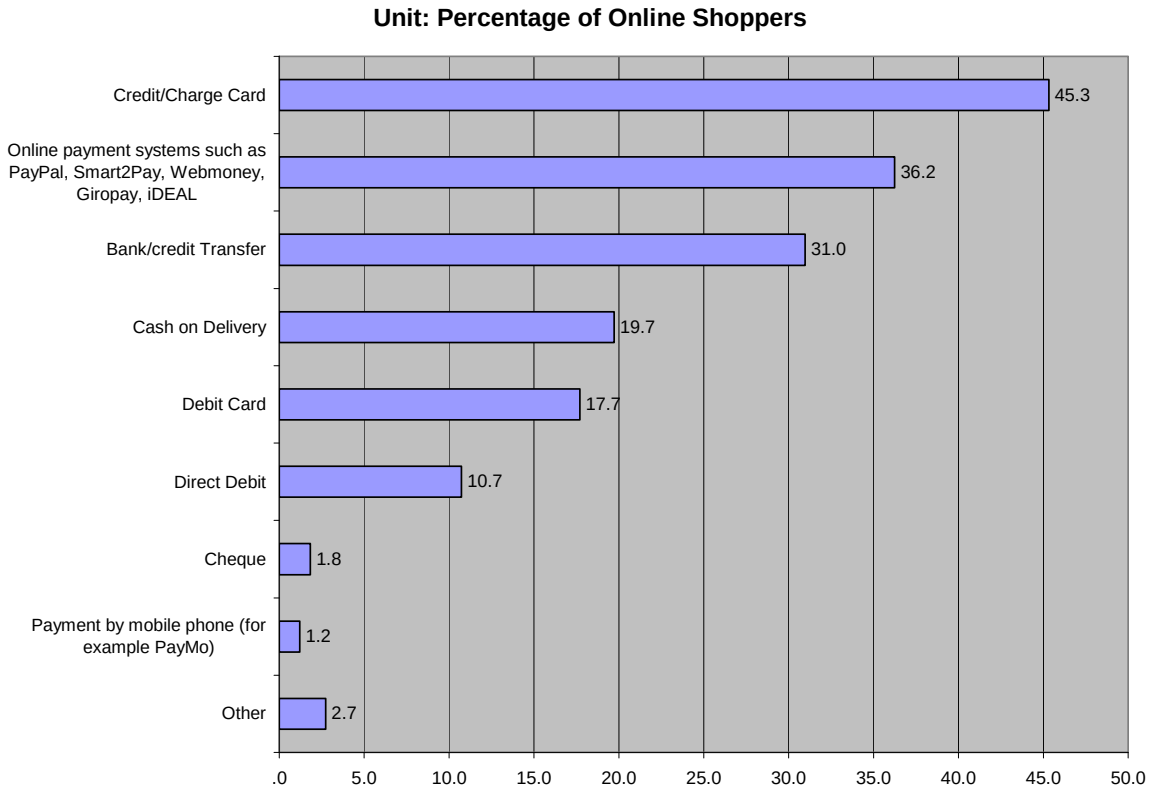
Figure 9 – Median amount of money spent online by product category



Source: Civic Consulting (2011). "Consumer market study on the functioning of e-commerce".

28 Online shoppers use a variety of payment methods to carry out their e-commerce transactions. Most online transactions (45%) are concluded using credit/charge cards. Online payment systems (e.g. PayPal, Smart2Pay, Webmoney, Giropay, iDeal) are used by over one in three online shoppers (36%). Other widely used payment methods are bank/credit transfer (31%), cash on delivery (20%) and debit cards (18%). Cash on delivery is a very popular means of payment in Bulgaria, the Czech Republic, Greece, Hungary, Poland, Romania, Slovakia and Slovenia, with over 35% of consumers using this. In some of these countries this percentage reaches up to 70%. The use of debit cards is high in Bulgaria, Spain and Sweden, 25%-30%, while in the UK and Ireland it is 35% or more. Less widely used methods are direct debit (11%), cheque payments (2%) and payments by mobile phone (1%). (see figure 10 below)

Figure 10 – Payments methods used for online purchases over the last 12 months



Source: Civic Consulting (2011). "Consumer market study on the functioning of e-commerce".

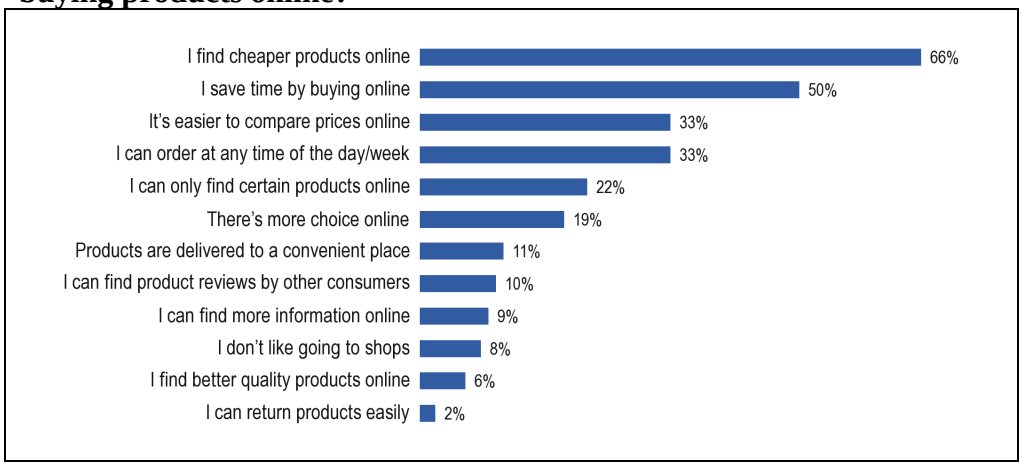
3) Untapped potential

29 Consumers can benefit from e-commerce in terms of wider choice and lower prices, while business can use e-commerce to reach a broader group of consumers, either domestically or cross-border. Despite the strong growth in e-commerce in the last few years, it is evident that the full potential of this sales channel has not been reached. There are still considerable obstacles holding back both consumers and businesses.

3.1 Why consumers buy online

30 Consumers shop online for a variety of reasons ranging from cheaper products to finding better quality products. For frequent online shoppers, the dominant factor for shopping online seems to be price, followed by perceived savings in time, the possibility to carry out price comparisons easily, the flexibility in ordering any time of the day/week and finding a wider selection online.

Figure 11: Consumer survey – What are your three most important REASONS for buying products online?



Note: Based on frequent online shopper subsample (N=13872)

Source: Civic Consulting (2011). "Consumer market study on the functioning of e-commerce".

31 A closer investigation at country level reveals that there are considerable differences in the demand-side drivers of e-commerce across the EU. In some countries, such as Greece, Cyprus, Luxembourg, Hungary, Malta, Poland, Portugal, Romania, Slovenia and Sweden, the availability of specific products online is a key factor driving e-commerce. While the EU average is 22%, in these countries 30% or more consumers say that finding certain products is a key reason for them shopping online. Also, in some countries (Luxembourg, Malta and Poland) a considerable group of consumers (25% or more compared to an average of 19%) says that one of the main reasons for shopping online is the wider choice found there.

3.2 Savings

32 According to consumers' own perceptions, there are significant savings shopping online. Consumers estimated that on their last online purchase they saved around €136 compared to buying the same product in a shop[26]. Based on price data collected for a basket of 30 goods sold domestically, including delivery costs, there are savings buying products online rather than offline, in 13 out of the 15 product sub-categories for which price data were collected. Excluding food products, the online prices of these goods, including delivery costs, are cheaper by 2%. From the basket of these 30 products there is no correlation between the offline price of a product and the potential savings that could have been made by purchasing the same product online. The biggest savings were found on products with relatively lower prices (excluding food products). The product categories where savings of at least 5% can be found online are women's fragrances, in-car navigation, LCD TVs, and mobile phones. [27]

33 Consumers can also find price savings by shopping cross-border. For example, in a basket covering 100 goods, with a median price of €112, it is estimated that by buying online cross-border, consumers could save up to €745. This is based on transactions that

[26] This refers to purchases of goods worth over €30, excludes food and groceries as well as services.
[27] Findings in this paragraph concern purchases of goods over €30, excludes food and groceries as well as services. Civic Consulting (2011). "Consumer market study on the functioning of e-commerce".

could have actually been completed. However, in the considerably fragmented EU online marketplace, most online cross-border transactions attempted by consumers cannot be completed due to a variety of obstacles. In 6 out of 10 cases consumers are not able to complete such cross-border purchases. In the same example, if it was possible to complete these transactions and take advantage of all cross-border offers, a consumer could save up to €1746.[28]

34 The advantages of e-commerce are found not only in price but also choice. In a typical shopping trip[29], consumers have a wider choice when shopping online, as they can access a much wider selection of goods. Based on the data collected in the market study[30] consumers have much more choice when buying, from a limited number of shops, online rather than offline. At national level, it is estimated that consumers have 2.5 times more choice when shopping online. If one considers, for the same product categories, the choice that is available cross-border on and offline, consumers have 16 times more choice with the choice offered by online shops across Europe. (Figure 12 and 13 in Annex 1). Interviews with industry stakeholders revealed that more popular product ranges can be found both online and offline, yet due to constraints on shelf space, less popular products can be found only online.

3.3 Overall savings

35 The current consumer welfare gains from e-commerce in goods[31] alone in terms of lower online prices and wider choice are estimated to be around €11.7 billion, an amount equivalent to 0.12% of EU GDP. Under a scenario where e-commerce grows to 15% of the total retail sector and barriers to the Digital Single Market are eliminated, **total consumer welfare gains are estimated to be around €204 billion, an amount equivalent to 1.7% of EU GDP**. Yet these benefits will not be realised if consumers and businesses refrain from buying and selling online and do not take advantage of the opportunities offered by the Single Market.

36 It is important to note that the above findings hold only when searching for products in a limited number of online and offline shops, something that reflects a reasonable pattern of consumer behaviour. If one takes the entirety of the retail sector, a consumer has a bigger choice offline since most retailers sell only offline. This is supported by data from another recent case study on the prices of electrical and electronic goods.

3.4 Case study on electrical and electronic goods[32]

37 An analysis of online and offline sales and prices of goods in six product categories (digital cameras, flat screen televisions, media players, PC notebooks, refrigerators and irons) in six Member States (Germany, France, Italy, the Netherlands, Poland and the UK) showed that the number of models available online is, in all cases, lower than the number of individual models available through offline channels. It also showed that the vast

[28] YouGov Psychonomics (2009). "Mystery shopping evaluation of cross-border e-commerce in the EU".
[29] E.g. A shopping trip involving visits to five online and five offline shops and searching for similar goods.
[30] Civic Consulting (2011). "Consumer market study on the functioning of e-commerce".
[31] Findings in this paragraph concern purchases of goods over €30, excludes food and groceries as well as services. Civic Consulting (2011). "Consumer market study on the functioning of e-commerce".
[32] ECORYS (forthcoming). "Study on the Competitiveness of EU electrical and electronics goods markets with a focus on pricing and pricing strategies".

majority of sales through both channels are accounted for by models that are available both online and offline. Particularly for online sales, at least 95% comes from models available both online and offline. While this suggests that in the case of electronic and electrical goods, the main role of online sales is an alternative sales channel of models that are also available offline rather than a provider of a greater range of products, the range of models available from one individual online shop may still be much greater than available from one individual offline shop (or even from all shops within a particular region).

38 The analysis also found that online prices in 2008-2009 were on average lower than offline prices and that across countries there is more convergence of online than offline prices. However, there are also a number of models for which the online price was higher than the offline price. In fact, there seem to be different degrees of price dispersion (online vs offline) across countries for particular products and different degrees of price dispersion across products for individual countries. Moreover, within countries there tended to be more convergence between online and offline prices for models that are available in different countries than for 'local' models.

39 Not surprisingly, consumers' online purchases tend to be oriented towards those models for which savings from online purchases are greater than average savings.

40 When it comes to saving time by buying online, despite the fact that 50% of online shoppers say that one of the most important reasons for shopping online are time savings, a comparison on the estimated time spent shopping between online and offline shoppers, reveals that this is approximately the same. According to their own estimates (including time spent researching the purchase), online shoppers spent around 70 minutes before they completed their last purchase of a good online, while offline shoppers spent around 75 minutes before purchasing a good in a shop[33].

41 It is interesting to note that there are some clear differences between countries in east and west Europe. Consumers in east Europe seem to spend more time shopping online (74 minutes compared to 70 which is the average) but they seem to spend less time shopping offline (73 minutes compared to 75 which is the average). At the same time, consumers in west Europe seem to spend less time shopping online than the average (69 minutes compared to 70 which is the average) but they spend more time shopping offline than the average (84 minutes compared to 75 which is the average).

3.5 Prospects for e-commerce

42 The prospects for growth in online sales are bright despite the many obstacles consumers and businesses face. Illustratively, in a recent study around one in two retailers in the UK disagreed that online commerce will never be more than 10-15% of overall retail sales.[34]

3.5.1 Business strategies

43 E-commerce is having a significant transformational impact on the retail sector. It is increasingly becoming an integrated part of retailers' business strategies. Retailers are realising that, despite the initial disruption and challenges associated with change, e-commerce offers many opportunities. Besides the purely online retailers who rely solely

[33] This refers to purchases of goods worth more than €30 and excluding food and groceries.
[34] RSR sponsored by Oracle and ATG. "After the storm: Connecting with the new online consumer" (2011).

on e-commerce as a sales channel, many businesses are using e-commerce as part of a multi-channel business strategy to reach consumers and sell their products. In a recent worldwide business survey, around 80% of businesses said that the future of online commerce lies more with cross-channel or merged channel capabilities[35]. The same survey revealed that for 64% of businesses their main challenge was to keep up with evolving consumer shopping patterns such as social networks, mobile, etc. 76% of retailers responded that less than 10% of their annual sales come from online channels while 65% said that less than 2% comes from mobile. Yet, the prospects for e-commerce are positive since when the same businesses are asked to look ahead three years 21% of them predict that at least 25% or more of their annual sales will come from e-commerce, while 24% believe more than 15% will come from mobile commerce.

3.5.2 Cross-border[36]

44 One in seven consumers (14%) say that they intend to spend more in cross-border purchases in the coming year, rather than what they spent during the previous year. This proportion has remained relatively stable since 2006.

45 At the same time, we see more and more consumers willing to shop cross-border. Since 2008, there has been a big increase (13%) in the percentage of consumers who are interested in making a cross-border transaction in the next 12 months. In 2010, 46% of consumers said that they are interested in making a cross-border transaction in the next 12 months whereas in 2008 and 2006, the corresponding figure stood at 33%. The large majority of consumers who have tried cross-border shopping intend to try it again. 72% of those consumers who have made at least one cross-border purchase in the past said that they are interested in making a cross-border transaction in the next year.

46 On the business side, signs are not as positive since many obstacles surrounding e-commerce are dissuading many businesses from selling cross-border.[37] One in three retailers with more than 10 employees (EB 300) would be interested in making cross-border sales in the EU, if the laws regulating transactions with consumers were the same across the EU. However, a parallel can be drawn with consumer behaviour; retailers who have already sold products in other countries of the EU are more positively inclined. The big majority of retailers that have made a cross-border sale (70%) would be interested in making cross-border sales to more countries if the laws regulating consumer transactions were the same across the EU. The corresponding value for retailers who do not sell cross-border is 23%. Moreover, four in 10 businesses selling cross-border or interested in doing so (EB 321), would increase their cross-border operations if they could chose one single European contract law; 81% of those would sell to more EU countries.

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[35] RSR sponsored by Oracle and ATG. "After the storm: Connecting with the new online consumer" (2011).

[36] Data concerning consumers comes from: European Commission (2011). Eurobarometer 299. "Consumer attitudes towards cross-border trade and consumer protection".
Data concerning businesses comes from two Eurobarometers:
- European Commission (2011). Flash Eurobarometer 300. "Retailers' attitudes toward cross-border trade and consumer protection". The sample in this Eurobarometer is made of retailers employing more than 10 employees.
- European Commission (2011). Flash Eurobarometer 321. "European contract law in consumer transactions". The sample in this Eurobarometer is made of micro, small, medium and large retailers who are either conducting cross-border business-to-consumer transactions or are planning to do so in the future.

[37] At the same time, it should be acknowledged that some businesses are not interested in selling cross-border.

3.5.3 Mobile-commerce, Social-commerce

47 At the moment, both mobile and social commerce in Europe are at an embryonic stage. Just 6% of consumers made an online purchase of a good using their mobile phone, and 2% bought a good through a social network website.

48 However, the prospects for mobile commerce seem to be bright as more and more consumers are buying smart phones and other mobile devices. According to industry data, shipments of smart phones overtook shipments of personal computers in the fourth quarter of 2010. Shipments of smart phones were around 101 million during the fourth quarter of 2010, while shipments of personal computers were around 92 million[38]. It is estimated that, in 2011, the worldwide smart phone market will grow by nearly 50% and smart phone vendors will ship more than 450 million smart phones, compared to the 303.4 million units shipped in 2010[39]. It is expected that by 2015 total smart phone shipments will reach 925.7 million units.[40]

49 In 2010, three of the top five acquired mobile devices in EU5 (Germany, France, Italy, Spain, United Kingdom) were smart phones. In the beginning of 2011, smart phone adoption reached 38% of the population over 13 in Spain (10% yearly increase) the leading country in smart phone adoption in Europe. Spain was closely followed by Italy and the United Kingdom.[41]

50 The spread of smart phones opens many opportunities to consumers and businesses. Businesses are already advertising their goods and services on mobile devices and using these devices as a tool to attract consumers. Smart phones can have a strong transformative effect on commerce by enabling mobile transactions, identifying store locations, serving as a platform for comparisons of information on prices, quality and product specifications, etc.

51 In a recent global business survey, 62% of retailers of questioned businesses said that mobile commerce represents a big untapped potential for their company and 45% said the same about social networks.[42]

52 In a recent survey, 7% of respondents said that, they were likely to use their mobile phone to find information about a product they wanted to buy in 2011, while 6% said they were likely to use their mobile phone to buy a product online in 2011.[43]

53 Social commerce is the use of social media in the context of e-commerce. At the end of 2010, the monthly penetration of social networks in Europe reached 84% of al European internet users.[44] Many brands and retailers have began using social media in various ways such as selling directly on social media sites, using them to advertise their products and drive traffic to their websites, or receive feedback from existing or potential customers.

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[38] http://www.idc.com/getdoc.jsp?containerId=prUS22689111, http://www.idc.com/about/viewpressrelease.jsp?containerId=prUS22653511
[39] http://www.idc.com/getdoc.jsp?containerId=prUS22762811
[40] http://www.idc.com/getdoc.jsp?containerId=227367
[41] comScore (February, 2011). "The comScore 2010 Mobile Year in Review".
[42] RSR sponsored by Oracle and ATG (2011). "After the storm: Connecting with the new online consumer".
[43] Civic Consulting (2011). "Consumer market study on the functioning of e-commerce".
[44] The comScore 2010 Europe Digital Year in Review. comScore (February, 2011). This covers 14 EU countries (AT, BE, DK, FI, FR, DE, IE, IT, NED, PL, PT, ES, SE, UK).

Despite the relatively small size of the social commerce market at present, the high penetration of social networks provides promises for social commerce for the future.

4) Consumer behaviour: drivers, constraints and problems

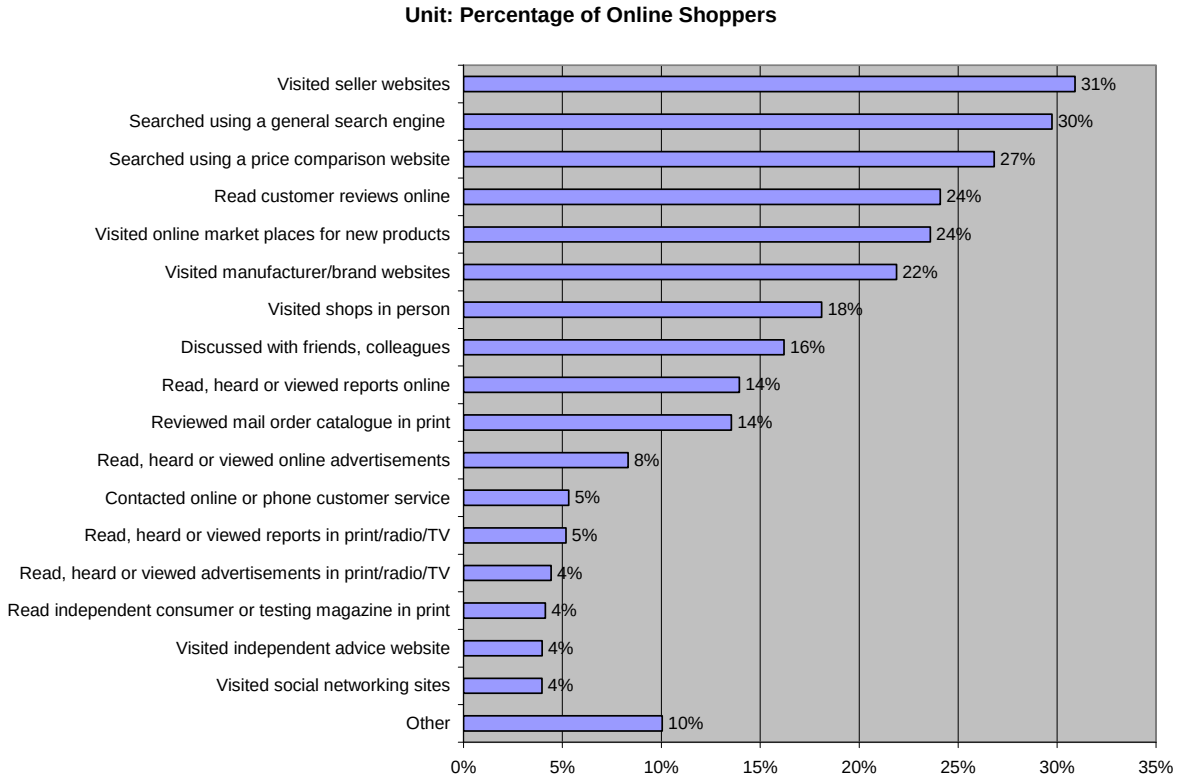
4.1 Consumer research and purchase behaviour

54 The internet has changed fundamentally how consumers shop and how businesses advertise and sell their goods and services online. It has created innovative ways of organising, accessing, sharing and evaluating information such as prices, technical product characteristics, shop opening hours, quality reviews, etc. Search engines, price comparison websites, product comparison sites and consumer reviews are tools that are now used widely and are becoming embedded in consumer behaviour and business models.

4.1.1 Research behaviour[45]

55 Online shoppers use a variety of research methods to inform their purchase decisions before they buy goods online. In their first three steps during their research, 31% visited sellers' websites, 30% of used a search engine, 27% used a price comparison website and 24% visited an online market place while 24% read customer reviews. Other online and offline sources of information were also used but to a lesser extent. (See figure 14 below).

Figure 14 – Research methods used before purchasing online a product



Source: Civic Consulting (2011). "Consumer market study on the functioning of e-commerce".

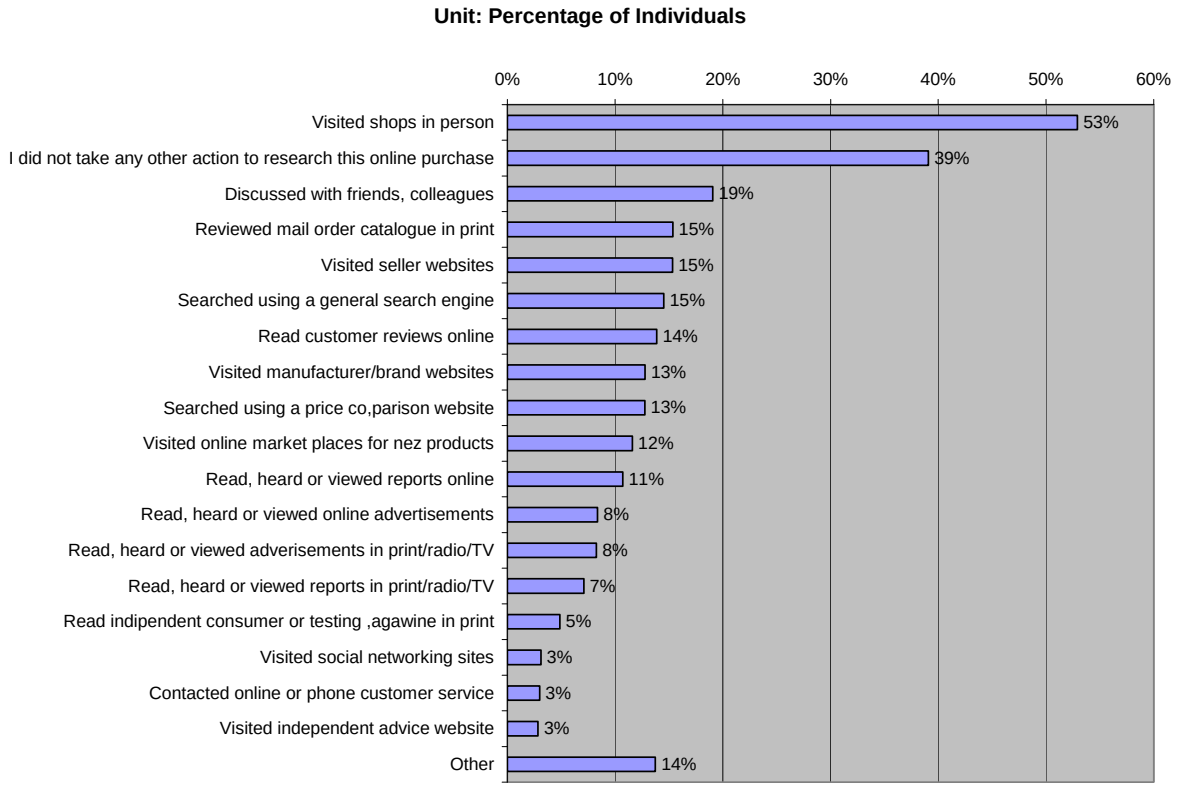
[45] Data on this section are from Civic Consulting (2011). "Consumer market study on the functioning of e-commerce".

56 A closer look at consumer behaviour reveals that there are differences in research behaviour across countries but also between frequent and occasional online shoppers[46]. Frequent online shoppers prefer to use general search engines while occasional shoppers are more likely to search for information on manufacturers' and brand websites. Frequent online shoppers also use online marketplaces that sell new products not just to purchase goods but also to get information. Consumers in east Europe are generally more likely to use online consumer reviews for information. Another information tool that is used widely in the EU is price comparison websites. Four in five EU online consumers (81%) have used a price comparison website in 2010.

57 The research behaviour of online consumers is not limited to using online tools. Nearly one in two (47%) used at least one offline research method before making their last online purchase. 18% of online shoppers visited a shop in person before making an online purchase. At the same time, offline shoppers are using online tools for their research. For their last purchase, nearly one in two offline shoppers (49%) used at least one online research method. Some of the most commonly used online research methods by offline shoppers are: visits to sellers' websites (15%), search engines (15%), online consumer reviews (14%), price comparison websites (13%) and visits to manufacturers'/brand websites (13%). This cross-channel research behaviour acts as an added incentive for businesses, both online and offline, to compete in order to reach the marginal consumer. As competition intensifies and e-commerce becomes a viable alternative it increases consumer welfare for both online and offline consumers. Figure 15 below summarises the research behaviour of respondents to this making an offline purchase of a product.

[46] For the purposes of this survey, "frequent online shoppers" were respondents who bought products online at least one a month, while "occasional online shoppers" were respondents who purchased products online less than once a month, but did buy online at least once during the last 12 months (December 2009 – December 2010).

Figure 15 – Research methods used before purchasing offline a product



Source: Civic Consulting (2011). "Consumer market study on the functioning of e-commerce".

4.2 Price Comparison Websites[47]

58 As seen, many consumers use intermediaries such as search engines, price comparison websites and online marketplaces to inform themselves before making an online or offline purchase. From those consumers using price comparison websites, 56% use them because they are the quickest way to compare price, 51% use them to find the cheapest prices, 22% find out more about the range of offers, 16% to find information about specific products, and 13% to find customer comments, product reviews and ratings. Therefore, it is important that these intermediaries and the retailers that appear on them provide information in a clear, transparent, and accurate form. The market study included a consumer survey, a mystery shopping study and a price collection exercise that looked into the business practices of price comparison websites and examined how well they serve consumers' interests.

59 A comparison of the average of cheapest prices found on price comparison websites and the average of the cheapest online prices found through the price data collection exercise revealed that there important savings can be found on price comparison websites. Once aggregated across countries, for 10 products defined at brand/model level, price comparison websites often offered savings by more than 5%. Since the market study

[47] Data in this section comes from Civic Consulting (2011). "Consumer market study on the functioning of e-commerce".

found that the online prices are generally cheaper than offline prices, the savings from price comparison websites are potentially higher if compared to offline shopping.

60 Eight out of ten online consumers use price comparison websites in their shopping decisions. Yet, a recent mystery shopping exercise has shown that despite the high numbers of consumers using such information intermediaries, cross-border offers are not reaching most consumers since the big majority of price comparison websites (86%) are available only in one language and the majority (83%) do not provide the option to choose offers from other countries. Only 27% of retailers found on price comparison websites were registered in other countries.

61 It is disappointing that many price comparison websites are not performing very well in terms of the information they provide to consumers. Contrary to the provisions of the E-commerce Directive[48], many price comparison websites (53%) do not provide their full business address. Other deficiencies in information provision are observed on delivery time and product availability. Only 20% of price comparison websites provided information on delivery time on their results page, while 80% did not do so. Concerning product availability, most price comparison websites (62%) did not provide any such information.

62 Many price comparison websites suffer from lack of transparency concerning their business model, information on prices and ranking of offers. Just one in two (52%) price comparison websites have information on their business model. Even when they do have such information, in 60% of cases they did not indicate clearly if the retailers appearing on the specific price comparison website pay to have their products listed. 18% did not provide very clear information on why some retailers are listed or not, while 66% did not provide any such information at all.

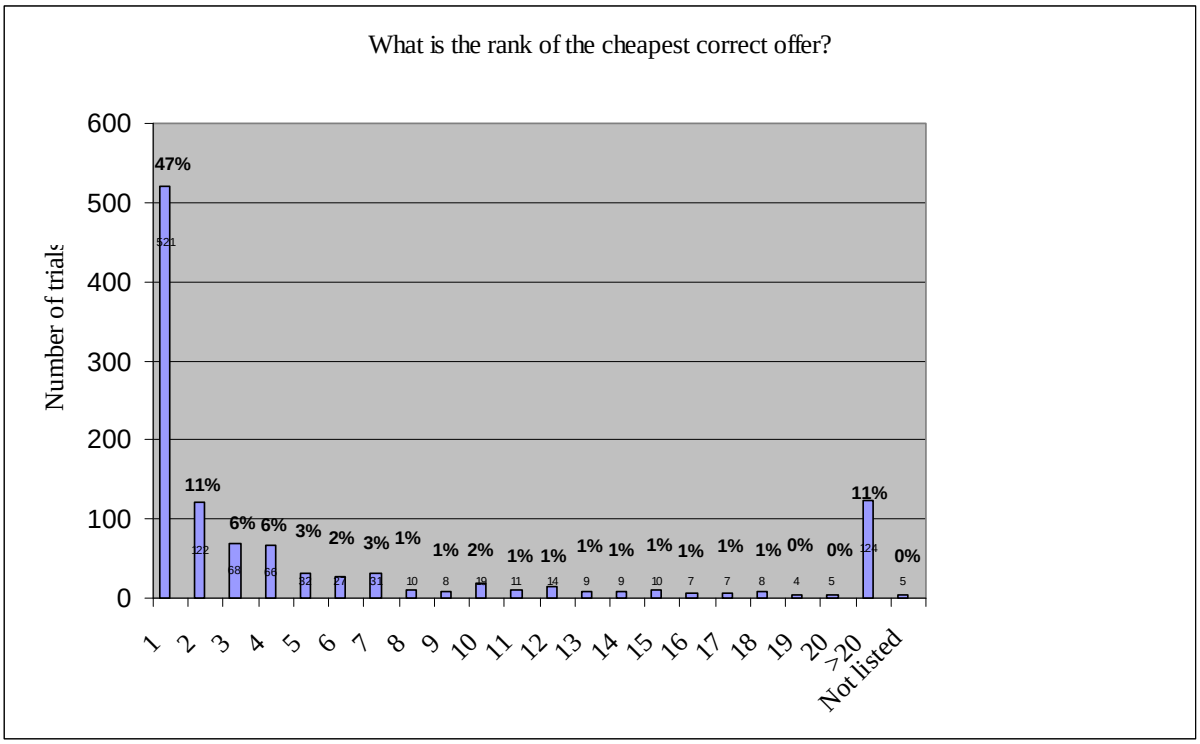
63 In most cases (73%), there was no clear information on how often price comparison websites update their prices. In 44% of cases it was unclear whether the information provided on price comparison websites includes VAT and any other taxes. In 51% of cases details of the delivery costs were not provided.

64 A significant percentage of price comparison websites perform sub-optimally in one of their major functions, the presentation of prices. Two out of tested three price comparison websites (68%) did not provide any information about the default ranking of the search results. Even when the mystery shoppers tried to rank results according to the cheapest offer, in one in three cases (33%) they found it difficult or even impossible to do so.

65 Using the default view of the price comparison websites, the first offer was the cheapest only in 38% of trials. Using the lowest price view, the cheapest correct offer was not the first listed offer in one in two trials (53%). The cheapest correct offer was the first product displayed in less than half trials (47%).In 15% of trials, the cheapest correct offer was not even listed at all on the first page of results.

48 Directive 2000/31/EC of the European Parliament and of the Council of 8 June 2000 on certain legal aspects of information society services, in particular electronic commerce, in the Internal Market ('Directive on electronic commerce')

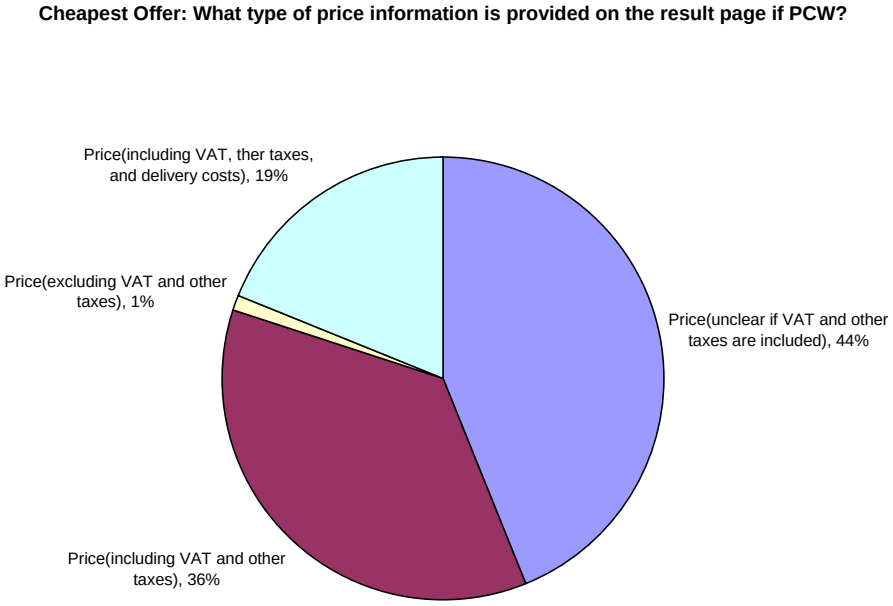
Figure 16: Rank of cheapest offer after adjusting to rank according to lowest price



Source: Civic Consulting (2011). "Consumer market study on the functioning of e-commerce".

66 Price comparison websites provided the final price including VAT and other taxes in 36% of tests, while they provided information on VAT, other taxes and delivery costs only in 19% of trials. Even whey they did provide information on VAT, other taxes and delivery costs, the final price was different on retailers' websites in 36% of cases. It is not very often that price comparison websites provide information on the availability of specific products (only 38% of cases) or delivery time (only 20% of cases).

Figure 17: Provision of information on PCW: Price information



Note: "Price (unclear if VAT is included)" refers to cases when the PCW provided a price without further information. It was therefore unclear whether VAT, other taxes or delivery costs are included or not.

Source: Civic Consulting (2011). "Consumer market study on the functioning of e-commerce".

67 The majority of consumers using price comparison websites do not feel misled (70%), yet a significant proportion feel misled (12%) or cannot tell whether they were misled or not (18%). Young consumers (18-24 years) and consumers with postgraduate studies reported more often than others that they felt misled. From those that felt misled, 49% said they found a cheaper price elsewhere, 32% said that the indicated price did not correspond to the price on the seller's website and 16% said that the product information was not correct.

68 Since consumers have demonstrably the tendency to focus on the initial price of what appears to be the cheapest offer, businesses have an incentive to adopt similar strategies and exclude add-on costs from the initial offer. Therefore, it is likely that consumers find it very difficult to choose meaningfully between different products since many of the initial offers do not reveal the end price that consumers have to pay. The way offers are presented has a marked effect on consumer behaviour and has been shown to cause considerable consumer detriment. The provision of prices and other key information should be offered upfront in a clear and simple manner so as not to mislead consumers.

69 A study carried out by the Office of Fair Trading in the UK (OFT), found that many consumers limited their search to one price comparison website. If consumers limited their search to one of ten price comparison websites, they had a 50% chance of finding one of the lowest prices. 57% of internet shoppers that used only one price comparison site or search engine stated that one search intermediary produced enough choice. The study found that if consumers expanded their search to other price comparison websites

and found lower prices they could make significant savings. The missing potential savings were calculated to 150 million to 240 million per annum.[49]

70 Another study by the OFT on the "Advertising of Prices", investigated whether the manner prices are presented or 'framed' to consumers has effects on consumer decision-making and consumer welfare. The result of the study showed that drip pricing (also referred to as partitioned pricing) - where the consumers see only part of the full price up-front and price increments are dripped through the buying process – accounted for the largest average welfare loss, which went up to 15% of the stakes involved.[50]

71 A comparison of the cheapest retailer prices found through price comparison websites in the mystery shopping exercise and the average online prices collected in the price collection exercise reveals that that savings can be found using price comparison websites. For the 10 selected products, defined at brand/model level, there are often savings of more than 5% if consumers use price comparison websites rather than buying these products offline or online without carrying out extensive research.

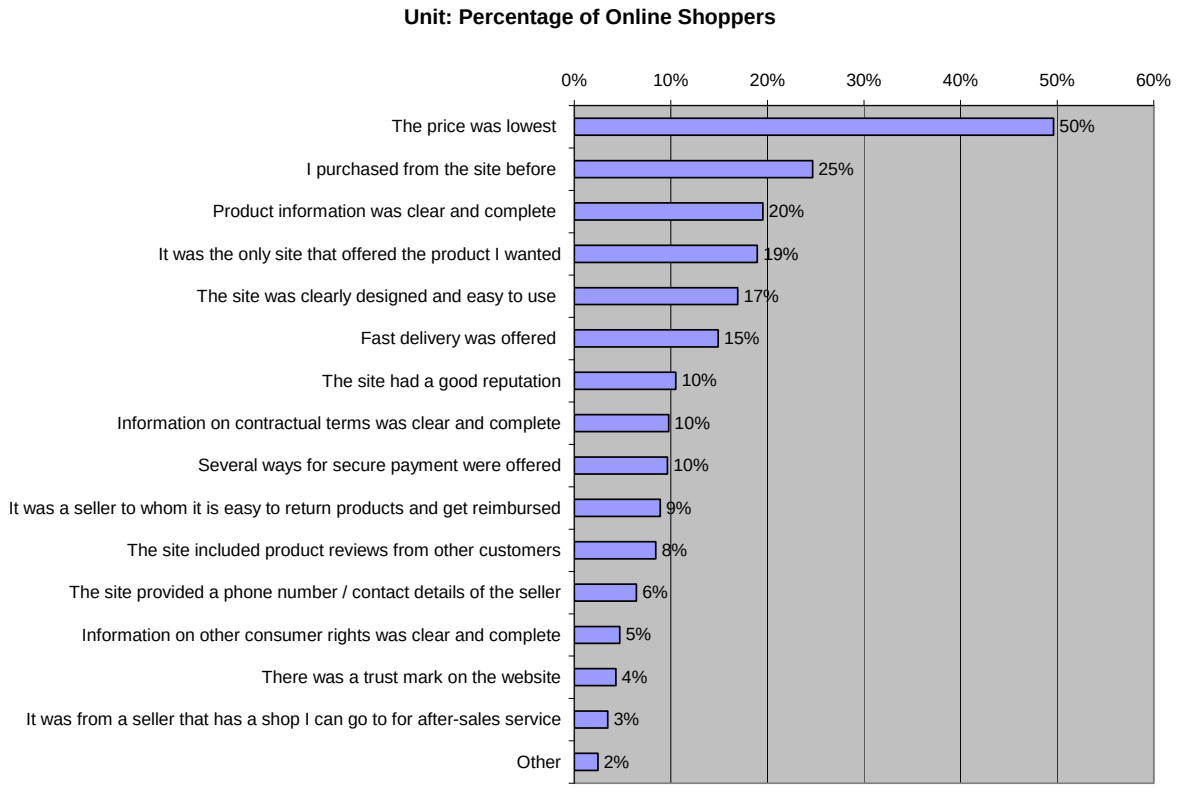
72 Yet, these cheaper prices where consumers can make savings are not straightforward to find on price comparison websites. Also, the mystery shopping exercise revealed that the overall performance of price comparison websites is problematic in many other aspects too. The fact that such websites are so widely used and that the majority of consumers place their trust in them to inform their decisions amplifies the overall consumer detriment suffered by consumers.

4.3 Purchase behaviour[51]

73 When consumers finally purchase goods online, they tend to buy them directly from the sellers' websites (42%), while online marketplaces/platforms are also popular (27%). A close look at the reasons why consumers finally choose a specific website for purchases reveals that the main reasons is price (60%), followed by some previous experience with purchasing from the same website (25%), the availability of clear and complete product information (20%), the availability of a product only at that specific website (19%), a well designed website (17%), and fast delivery (15%), followed by other reasons. For the full list of reasons see figure 18 below.

[49] OFT (2007) Internet Shopping.
[50] OFT(2010) Advertising of prices.
[51] Unless stated otherwise, data in this section comes from Civic Consulting (2011). "Consumer market study on the functioning of e-commerce".

Figure 18 – Reasons for which consumers finally choose a specific website for making the purchase of a good

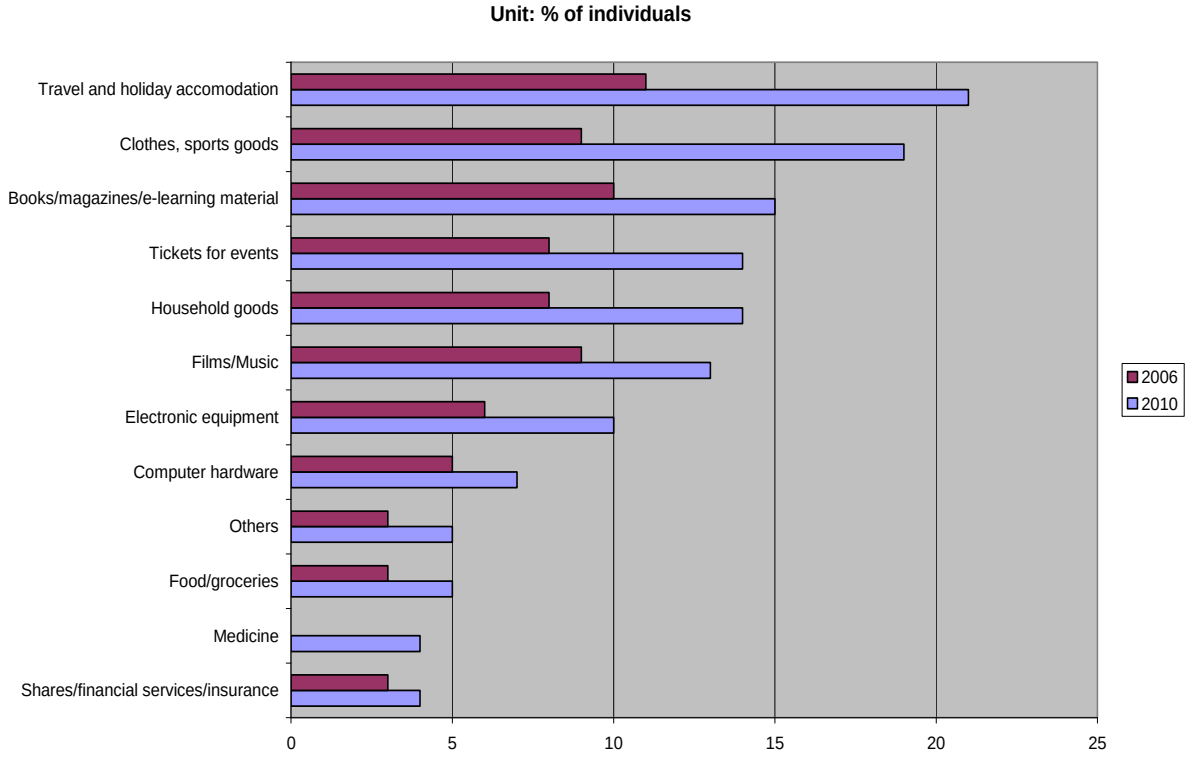


Source: Civic Consulting (2011). "Consumer market study on the functioning of e-commerce".

4.3.1 What are online shoppers buying?

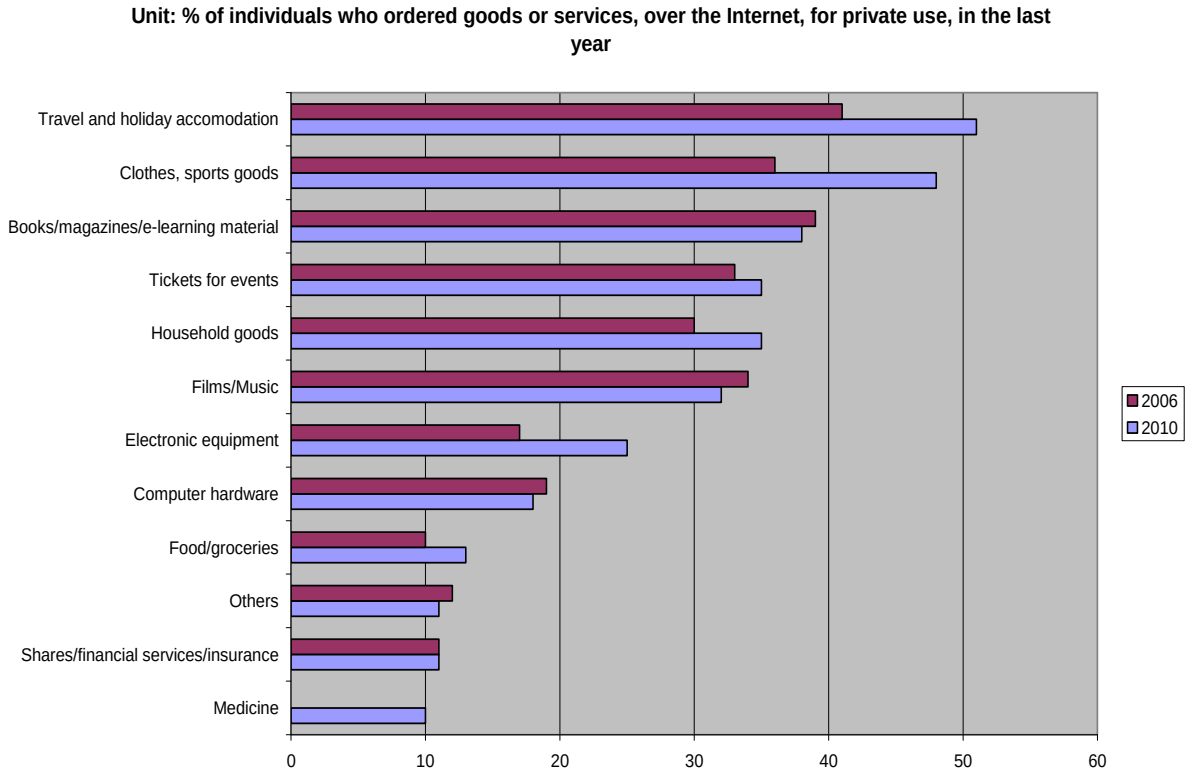
74 According to Eurostat data covering both domestic and cross-border transactions and including goods and services, the most popular categories for online consumers are travel and holiday accommodation (51%), clothes and sports goods (48%), books, magazine and e-learning material (38%), tickets for events (35%), and household goods (35%). Figures 19 and 20 below shows the evolution, from 2006 to 2010, on consumer purchases online.

Figure 19 – Most recent purchase in the origin country by type of products



Source: Eurostat, Information society statistics (2010). Data extracted on 23 June 2011.

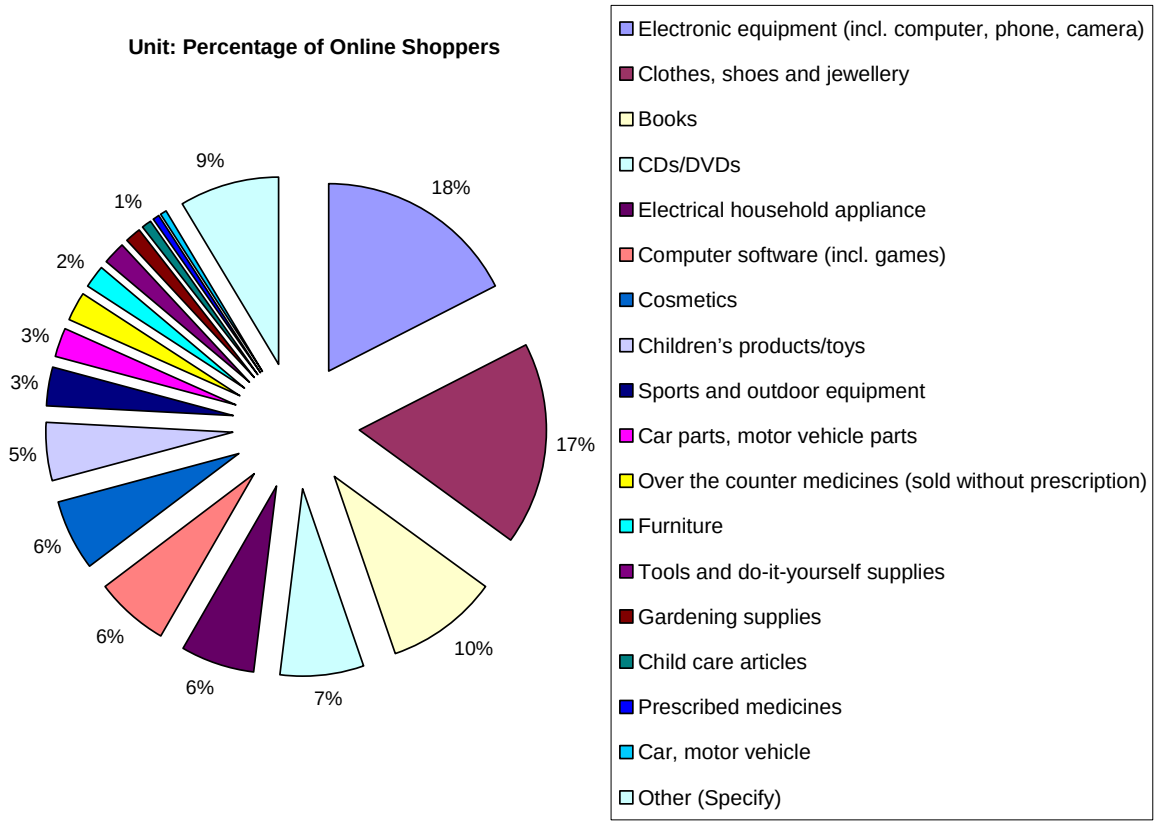
Figure 20 – Most recent purchase in the origin country by type of products



Source: Eurostat, Information society statistics (2010). Data extracted on 23 June 2011.

75 The "Consumer market study on the functioning of e-commerce" shows that in 2010, consumers' last purchases dominated the fields of electronic equipment (18%), clothes, shoes and jewellery (17%), books (10%) and CDs/DVD's (7%). For a full breakdown of goods bought online see figure 21 below.

Figure 21 – Most recent purchase in the origin country by type of products (30€ or more)



Source: Civic Consulting (2011). "Consumer market study on the functioning of e-commerce".

4.4 What holds consumers back

76 There will always be people who prefer to shop offline for a variety of reasons such as instant gratification, human contact, a preference to see goods beforehand, etc. According to Eurostat data, from those consumers that bought something more than a year ago or never bought anything on the Internet, 62% prefer to shop in person because they like to see product, are loyal to shops or force of habit and 52% say that have no need to make their purchases online.

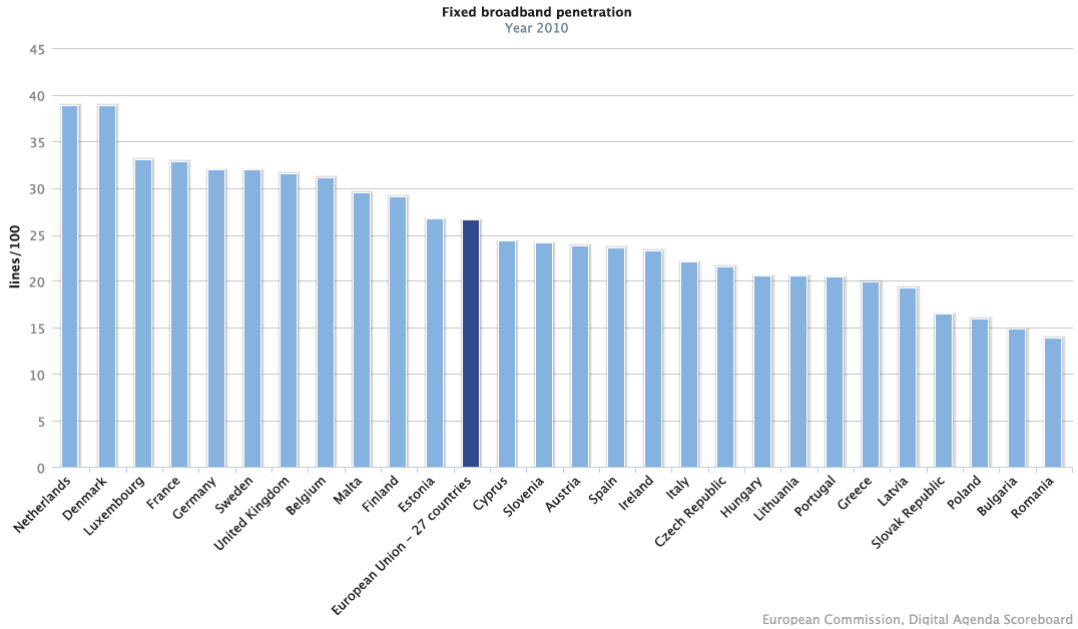
77 The potential of e-commerce can be found in more consumers shopping online and online shoppers making more purchases online. What is important is to make e-commerce a viable option for consumers and businesses that are willing to make transactions online. If consumers and businesses see e-commerce as a practical and viable alternative to offline retail, this will result in an increase in competition, both online and offline, as business compete to reach the marginal consumers, to the benefit even of consumers with no intention of shopping online. In turn, this will result in an increase in consumer welfare and a more competitive European economy.

78 Despite the fact that the market tends to find solutions, there is a general consensus that much remains to be done to improve the online regulatory environment in order to reach the untapped potential of e-commerce. An improved European legal framework on consumer rights, contract law and redress can help empower consumers thus facilitating cross-border e-commerce. For example, 44% of consumers were dissuaded from shopping cross-border because they were uncertain about their rights cross-border.[52]

79 Internet penetration and connection speed are important elements facilitating e-commerce. It is no coincidence that the countries where most consumers buy online (Denmark, Germany, France, Luxembourg, the Netherlands, Finland, Sweden and the UK) have high internet penetration, fast and relatively affordable connection speeds to the internet. These countries, and Belgium, have levels of broadband take up which are higher than the United States (US levels are 26.4 subscriptions per 100 inhabitants, according to OECD May 2010 statistics). As stated in the Digital Agenda, every European should have access to basic broadband by 2013, and fast and ultra fast broadband by 2020. Broadband connections in the EU are much faster today than they were a few years ago. Yet, there is room for action in order to reach the e-commerce targets set out in the Digital Agenda.

[52] European Commission (2010). Eurobarometer 299a. "Attitudes towards cross-border trade and consumer protection". .

Figure 22 – Broadband penetration rate

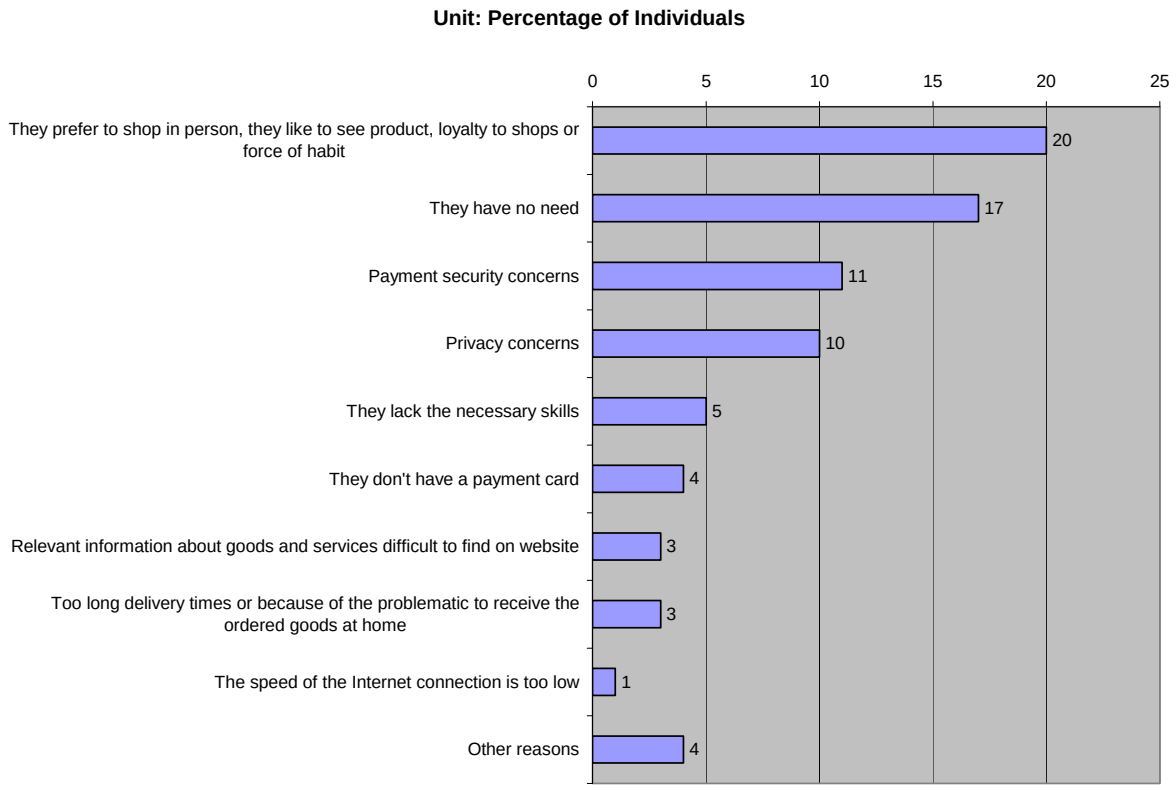


Source: European Digital Agenda Scoreboard (2010). Data extracted on 9 November 2011.

80 Many consumers that are potentially interested in buying online refrain from doing so due to a variety of reasons unrelated to internet access and skills.

81 These concerns are associated with a general lack of trust in online businesses. According to Eurostat data, the main inhibiting factors about buying goods and services online are concerns with: the security of payments (11%), privacy (10%), receiving or returning goods and getting redress (9%), access to payment card (4%), delivery (3%), difficulty in finding relevant information on the website (3%) and other reasons (3%). (See figure 23 below).

Figure 23 – Reasons for not buying online

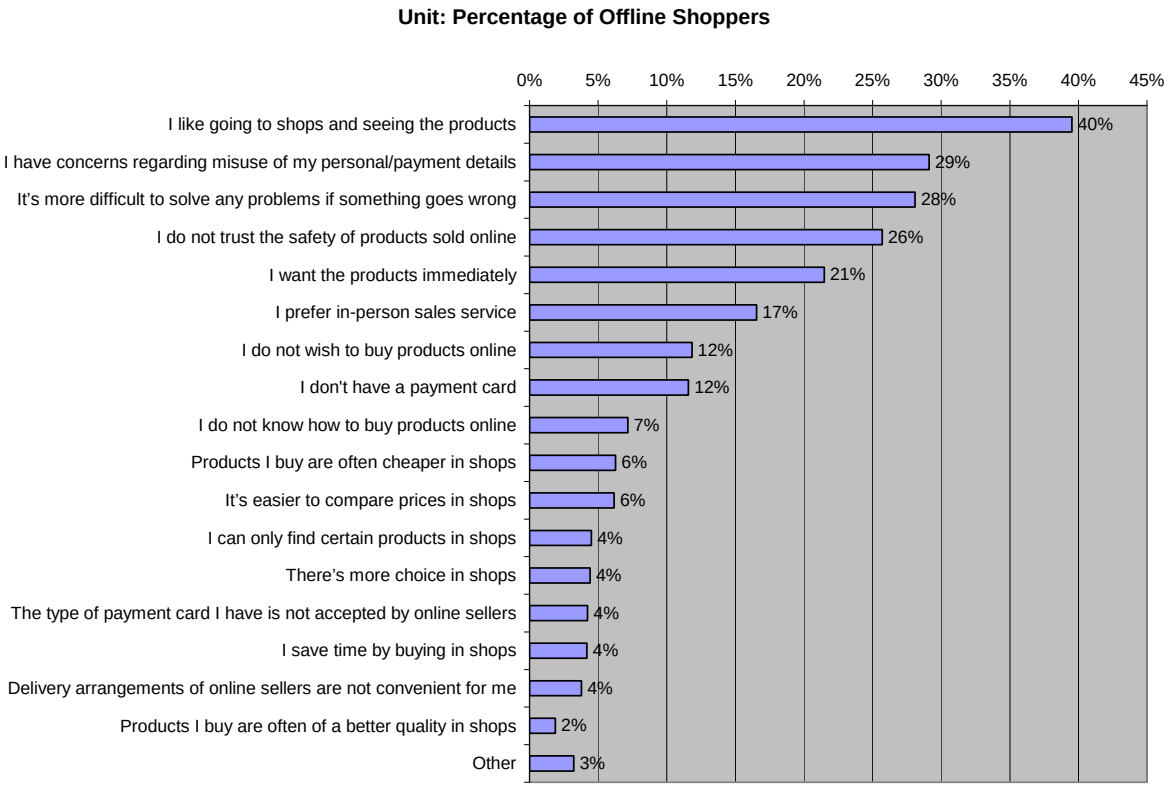


Source: Eurostat, Information society statistics (2010). Data extracted on 14 April 2011.

82 According to the market study carried out for this report[53], **consumers who do not shop online** were asked for the **three most important reasons for not buying goods online**, the majority said they prefer to go to shops and see the goods (40%). This was followed by concerns about: **payments and personal details** (29%), **difficulty to solve problems if something goes wrong** (28%), **safety** of goods sold online (26%), a desire to have the products immediately (21%), a preference for in-person sales service (17%), lack of payment card (12%), and a variety of other reasons related to information, choice, and delivery concerns. (See figure 24 below).

[53] Civic Consulting (2011). "Consumer market study on the functioning of e-commerce".

Figure 24 – Most important reasons for not buying products online (three answers possible)

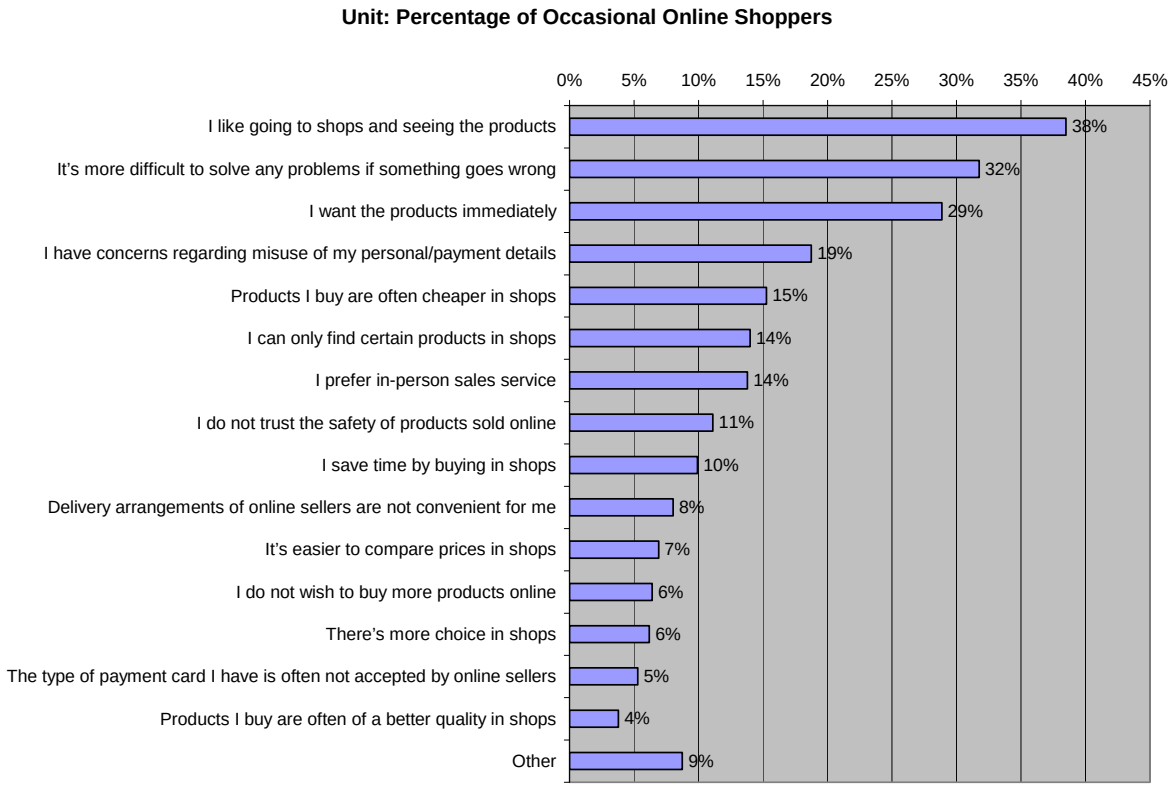


Source: Civic Consulting (2011). "Consumer market study on the functioning of e-commerce".

83 When **occasional online shoppers**[54] were asked for **the three most important reasons for buying goods online only occasionally**, most say they prefer to go to shops and see the goods (38%). Other reasons were: **difficulty to solve problems if something goes wrong** (32%), a desire to have the products immediately (29%) and misuse of payment or personal details (19%). Some of their other lesser concerns were related to price, choice, customer service, safety, time and delivery. It is noteworthy, that compared to non-online shoppers, occasional shoppers were more likely to have concerns (+4%) about the difficultly in solving problems if something went wrong and a much weaker concerns about the potential misuse of payment or personal details (-10%). (See figure 25 below).

[54] The study defined "occasional shoppers" as shoppers purchasing goods online less frequently than once a month, but did buy online at least once in the last 12 months.

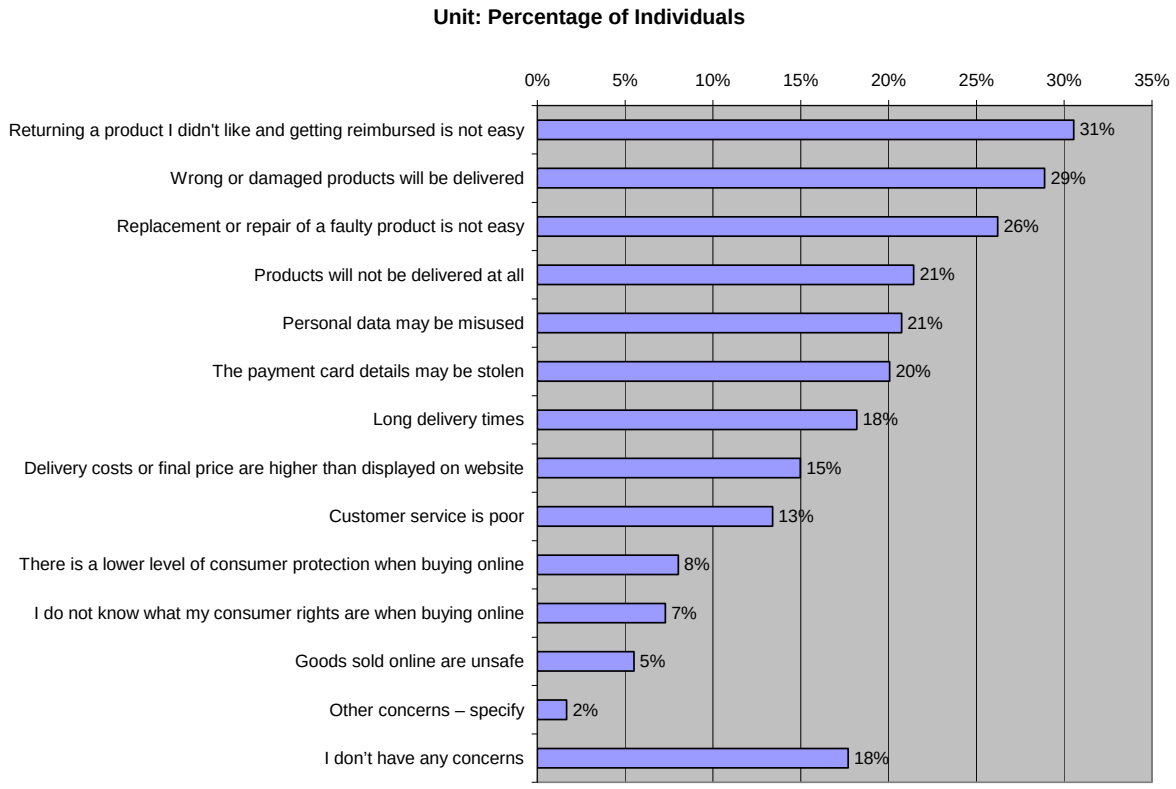
Figure 25 – Most important reasons for only occasionally buying products online (three answers possible)



Source: Civic Consulting (2011). "Consumer market study on the functioning of e-commerce".

84 According to the views of frequent, occasional and non-online shoppers examined together, the **main concerns with buying goods online in their country** have to do with issues about getting **redress** in case something goes wrong (returning products they don't like and replacing or repairing faulty products, 57%), **delivery** (delivery of wrong or damaged goods, no delivery, or long delivery, 68%) and misuse of personal data (21%) and theft of payment card details (20%). (See figure 26 below)

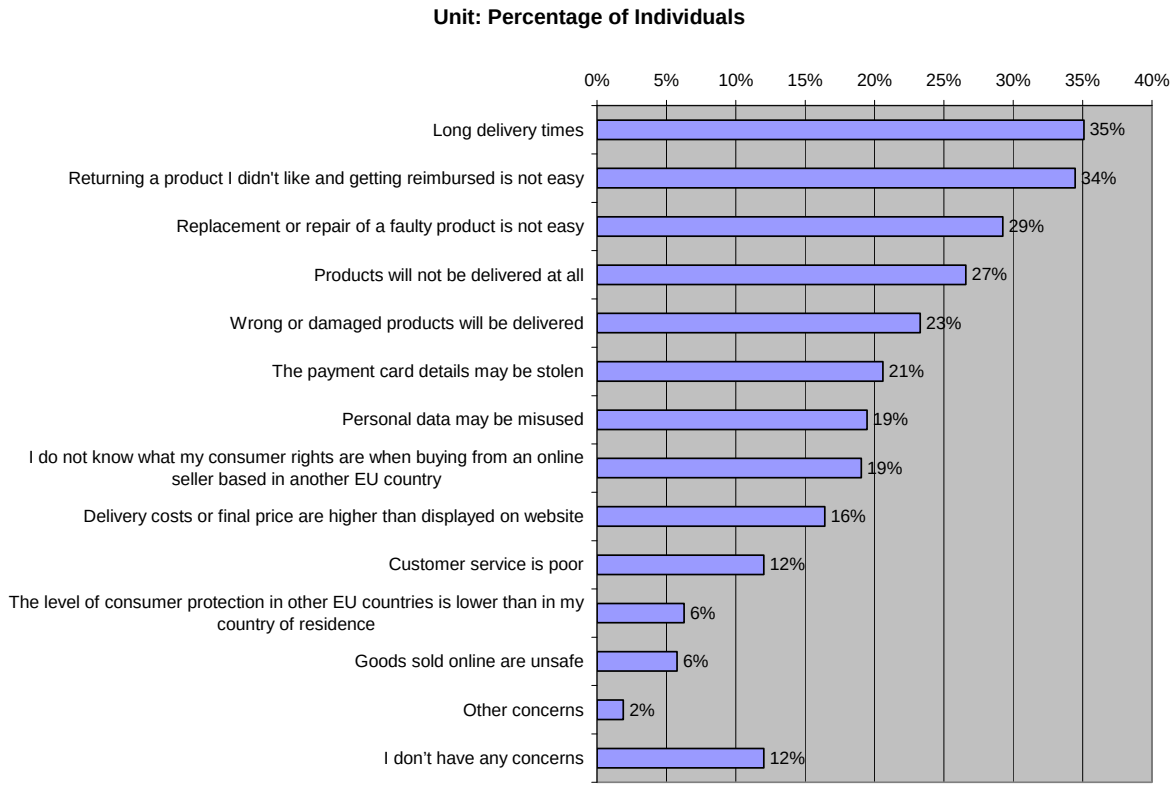
Figure 26 – Concerns about buying products online domestically (three answers possible)



Source: Civic Consulting (2011). "Consumer market study on the functioning of e-commerce".

85 A **comparison of concerns buying online cross-border rather than domestically**, reveals that many more consumers are worried about **delivery**: long delivery time (35%, an increase of 17%), no delivery (27%, an increase of 6%). Also, there are slightly stronger concerns about remedies for faulty products and getting **redress** in case something goes wrong: returning a product they don't like and getting reimbursed is not easy (34%, an increase of 3%), replacement or repair of a faulty product is not easy (29%, an increase of 3%). An additional issue showing stronger concerns is **lack of knowledge of consumer rights when shopping online** (19%, an increase of 8%). (See figure 27 below).

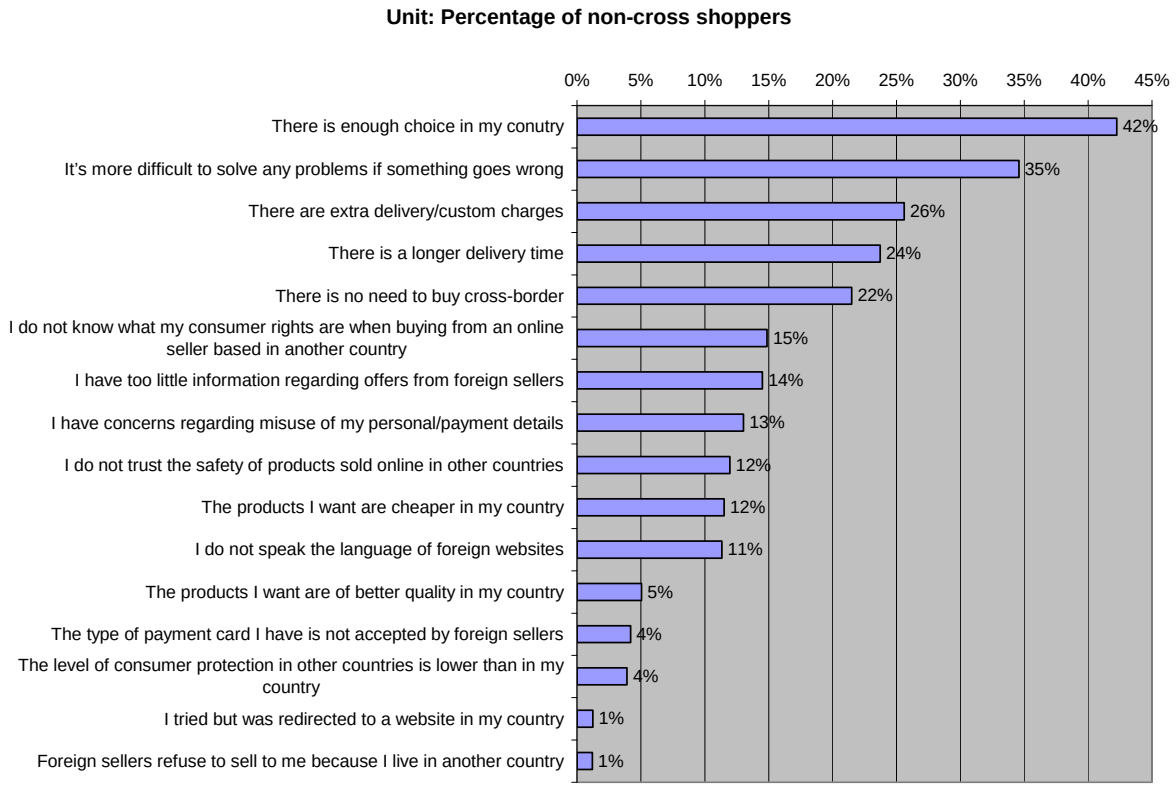
Figure 27 – Concerns about buying products online in another EU country (three answers possible)



Source: Civic Consulting (2011). "Consumer market study on the functioning of e-commerce".

86 When consumers who did not shop cross-border where asked about the **reasons for not buying cross border,** it was shown that these are rather similar to the reasons for not buying online at all. Most consumers said that there is **enough choice** in their country (42%). This drew a strong response in the two biggest e-commerce markets, Germany and the UK, as well as in the Netherlands, Denmark, Poland and France. 35% of respondents said it is **difficult to solve any problems** if something goes wrong, 26% said it is due to extra **delivery/custom charges**, 24% because of a **longer delivery time**, 22% said they have no need of doing so, while 15% said they did not know what their consumer rights are when buying online cross-border, and 14% said they had too little information concerning offers from foreign sellers. Other reasons were mentioned to a lesser extent. (See figure 28 below).

Figure 28 – Reasons for not buying products from an online seller based in another country (three answers possible)



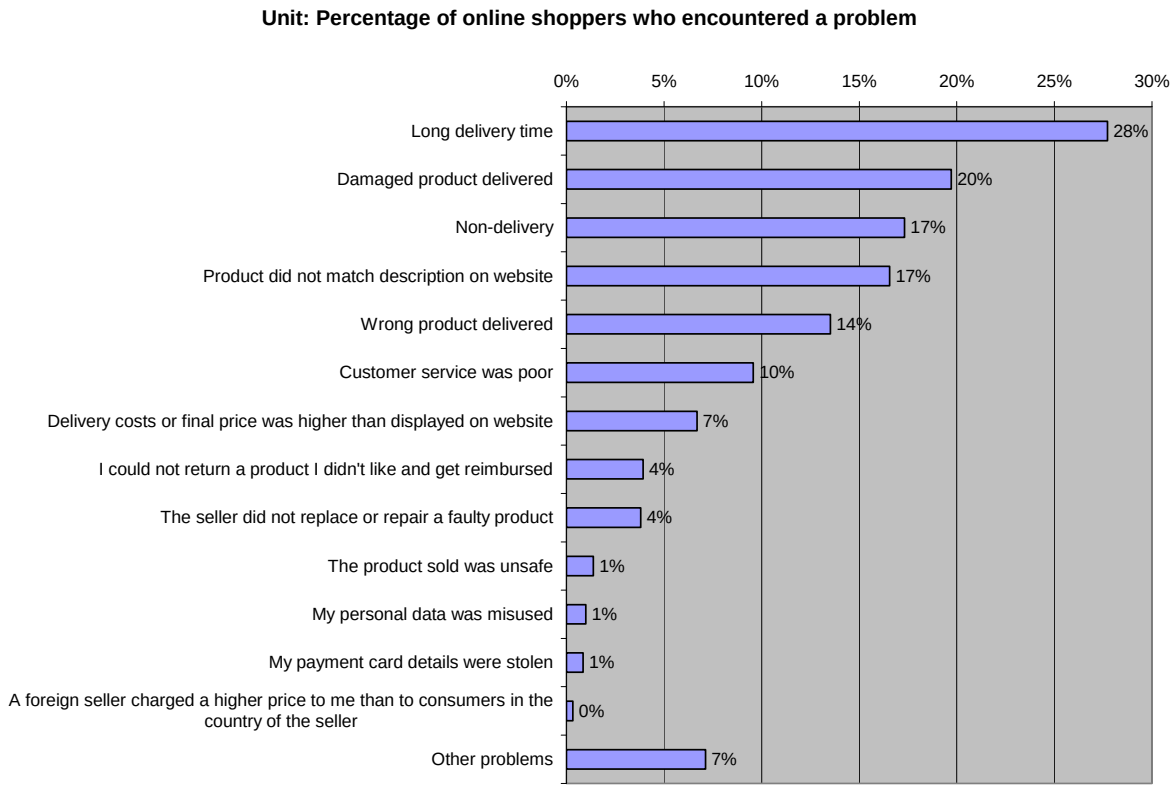
Source: Civic Consulting (2011). "Consumer market study on the functioning of e-commerce".

4.5.1 Problems encountered when buying goods online

87 The market study[55] showed that the majority of online shoppers (76%) do not in practice experience these problems while using e-commerce to purchase goods. However, one in five (24%) online shoppers has experienced problems. (See figure 30 below). An assessment of the incidence of problems when purchasing goods online (24%) and problems when purchasing goods offline (20%), shows that there is **no significant difference between the sales medium used and problems faced**.

[55] Civic Consulting (2011). "Consumer market study on the functioning of e-commerce".

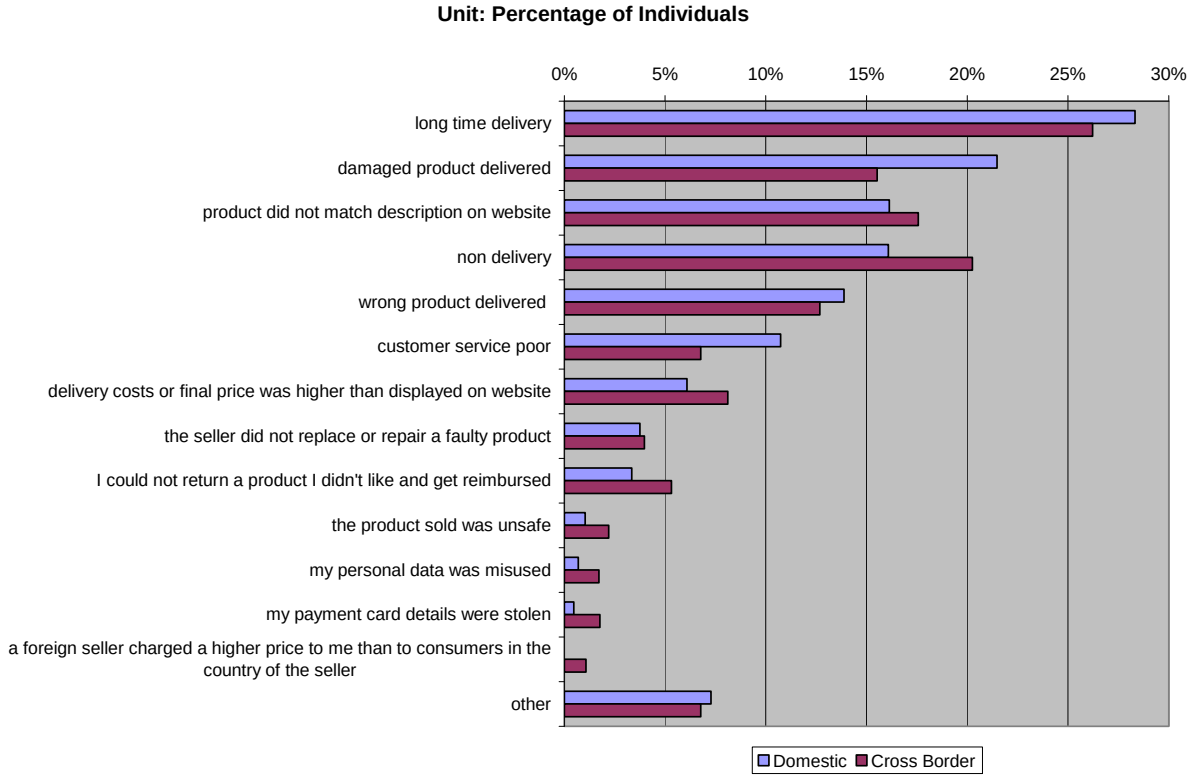
Figure 29 – Problems encountered by online shoppers while buying online



Source: Civic Consulting (2011). "Consumer market study on the functioning of e-commerce".

88 Problems with online transactions can be split between 17% when buying from a business in their own country and 7% when buying cross-border. A breakdown of these figures shows that cross-border shoppers do not seem to encounter more problems than domestic shoppers. From those online shoppers that bought domestically 14% experienced a problem, while from those online shoppers that bought cross-border 13% experience a problem**. The incidence values for most type of problems are rather similar between the two groups.** (See figure 30 below). Most problems with products bought online from domestic sellers were reported in Poland (26%), Italy (22%), the UK (21%) and Romania (18%). Most problems with products bought online from sellers based in other countries were reported in Malta (29%), Ireland (22%), Cyprus (19%), Luxembourg (18%), Lithuania (13%), Austria (12%), Greece (12%), Latvia (11%), Belgium (11%), Italy (11%), Finland (10%), Portugal (10%) and Spain (9%),.

Figure 30 – Problems encountered buying online domestically and cross-borders



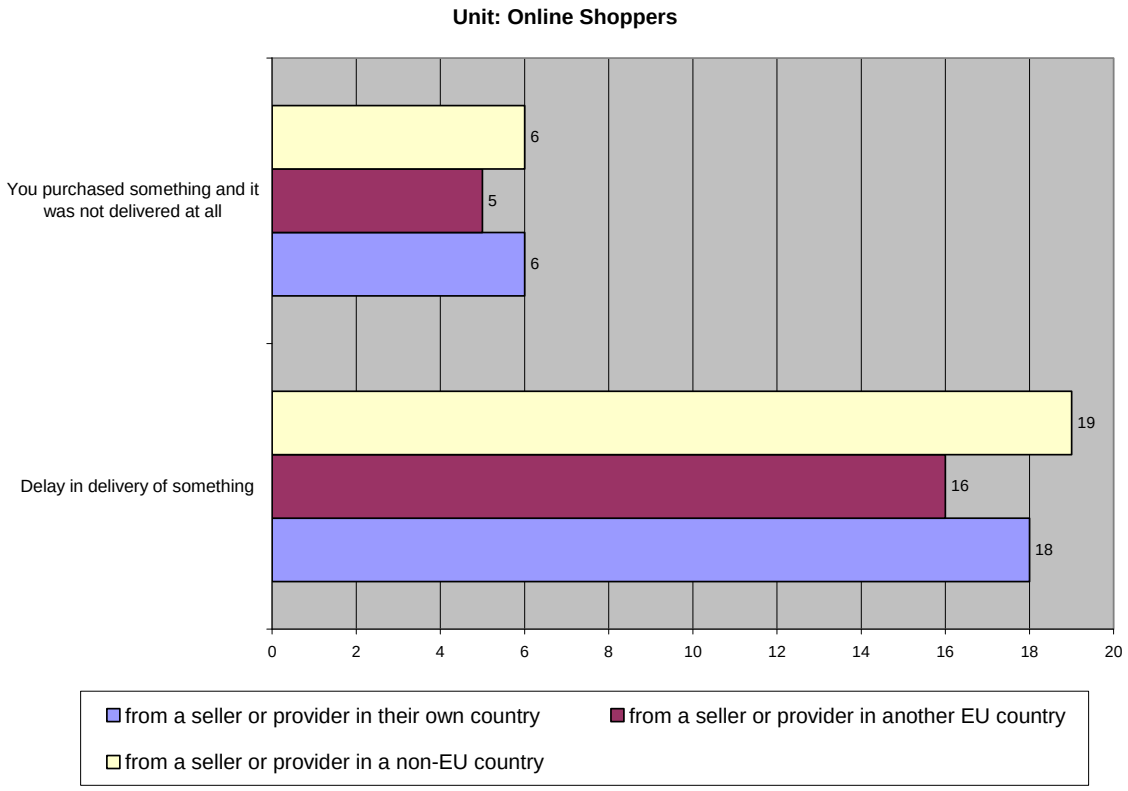
Source: Civic Consulting (2011). "Consumer market study on the functioning of e-commerce".

89 The greatest majority of problems buying goods concerned **delivery**: long delivery times (28%), damaged product delivered (20%), non-delivery (17), wrong product delivered (14%), delivery costs or final price was higher than displayed on the website (7%). The second group of problems concerned issues related to getting **redress**: customer service was poor (10%), seller did not replace or repair a faulty product (4%), could not return a product within the cooling off period and get reimbursed (4%). Other problems were: product did not match description on website (17%), unsafe products (1%), personal data was misused (1%) and payment card details were stolen (1%).

90 A recent Eurobarometer survey[56] comparing the shopping experience of domestic and cross-border distance shoppers confirmed that there are no significant differences in encountered problems. Only 16% of shoppers experienced a delay with a product purchased cross-border in the EU while 18% of shoppers experienced a delay with a product purchased domestically. 5% of shoppers had a problem with goods not delivered after purchasing cross-border in the EU while 6% of shoppers had a problem with no delivery after purchasing domestically. (See figure 31 below).

[56] European Commission (2011). Eurobarometer 299. "Consumer attitudes towards cross-border trade and consumer protection".

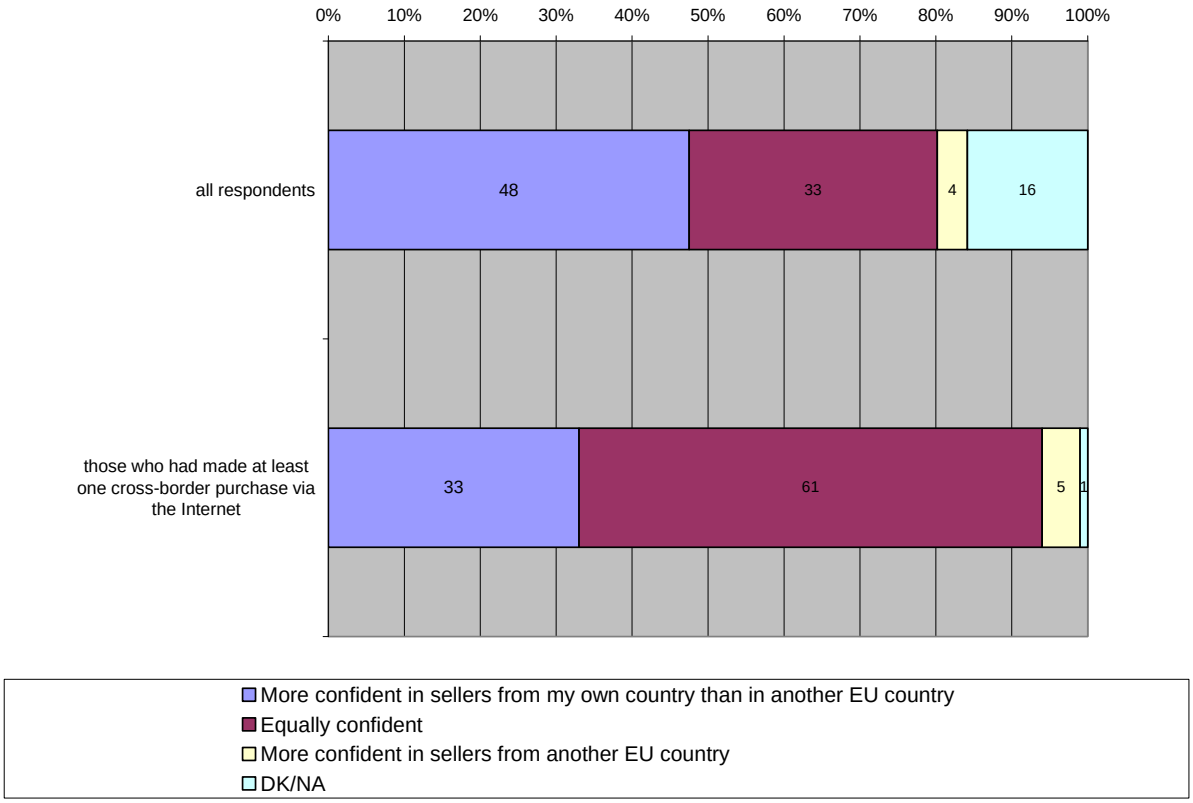
Figure 31 – Delay in delivery and non-delivery of goods or services purchased by distance



Source: European Commission, (2011). Eurobarometer 299, "Consumer attitudes towards cross-border trade and consumer protection".

91 Consumer perceptions about fraud, delivery problems and redress are lower among those consumers who tried cross-border e-commerce. From the general consumer population, just 3% are equally confident in purchasing online cross-border as they are domestically. However, the levels of confidence of those who actually carried out online cross-border transactions are twice as high. 61% of those who have made at least once online cross-border transaction say that they are equally confident buying from domestic or foreign EU online retailers. (See figure 32 below).

Figure 32 – Level of confidence in cross-border purchases



Source: European Commission (2011). Eurobarometer 299, "Consumer attitudes towards cross-border trade and consumer protection".

4.5.2 Comparison of concerns and actual problems

92 A comparison of the reasons holding back consumers from buying online and the actual problems online consumers meet, reveals that some of these concerns are not substantiated. For example, contrary to their fears, the evidence shows that the incidence of problems concerning payments and abuse of personal data, as well as the percentage of unsafe products sold online is very low. The concerns that seem to be vindicated by actual problems seem to be the ones related to **delivery, non-conformity of products delivered** and **redress**.

4.6 Problems, complaints and redress

93 A significant problem affecting cross-border transactions and undermining the consumers' confidence in the Digital Single Market is the refusal of online businesses to deliver if the service recipients are not residing in the same Member State. The Commission has received a significant number of complaints which give evidence of refusals to supply or of differences in treatment in the online world that are based on the residence of the service recipient.

94 Article 20 (2) of the Services Directive[57] obliges Member States to ensure that general conditions of access to a service which are made available to the public at large by a service provider do not contain discriminatory provisions based on the nationality or on the place of residence of recipients. This does not exclude that service providers apply different prices and other conditions of access to the extent that those differences are directly justified by objective criteria. Further to the implementation of Article 20(2) of the Services Directive into the national legal orders of Member States, it is for the relevant national authorities to ensure the enforcement of national provisions implementing the non-discrimination principle. The Commission will publish guidelines for the application of this provision of the Services Directive by February 2012.

95 In the case that consumers are not satisfied with the handling of complaints from online businesses they can seek help from a third party body such as a consumer organisation, a European Consumer Centre (in the case of cross-border complaints), an alternative dispute resolution body or a government authority.

4.6.1 European Consumer Centres

96 The European Consumer Centres Network (ECC-Net)[58] is the only European network fully dedicated to **inform citizens about their rights when shopping cross-border and support them** when they seek for redress **with a trader in another EU Member State** if something goes wrong. Internet purchases continue to be the main source of consumer's cross-border complaints with 56% of all complaints addressed to ECC-Net the in 2010 (44,232 complaints).

97 The **last report on e-commerce prepared by the ECCs** was published in 2010: "The European Online Marketplace: Consumer complaints 2008-2009". As far as the problems reported are concerned, the trends observed in 2008 and 2009 are similar to previous years, with **delivery** (non delivery of goods, partial delivery or delayed delivery) and **problems with product/service** (defects with the product, non conformity, products causing damage, etc.) again constituting the **main areas of consumer complaints, representing three quarters of the total amount of complaints**. **Problems with purchasing electronic goods** (TVs, radios, stereos, CD/DVD players, MP3 players, cameras, computers, video-games, etc) **dominated**.

98 The ECC-Net received a relatively high number of consumer complaints related to **non display or incorrect display of prices or even hidden costs**. **Security of payments** has gained an even more significant importance and consumers are not getting sufficient information on the possibilities of getting redress from the intermediaries that facilitate cross-border payments.

99 While ECCs do not deal with cases where fraud is known or found to exist as it is a criminal matter, they report that the number of cases signalled to them on **e-commerce fraud** has significantly increased. These cases involve fake web traders, fraudulent escrow companies, internet auction fraud, etc.

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[57] Directive 2006/123/EC of the European Parliament and of the Council of 12 December 2006 on services in the internal market, OJ L 376/36, 27.12.2006; available at: http://eur-lex.europa.eu/LexUriServ/LexUriServ.do?uri=OJ:L:2006:376:0036:0068:EN:PDF

[58] http://ec.europa.eu/ecc-net

100 In 2011, the ECC-Net carried out a mystery shopping exercise in order to check whether online retailers selling cross-border offer the right level of protection to consumers[59]. The ECC-Net mystery shoppers carried out actual purchases to check retailers' compliance with EU legislation. The mystery shopping exercise involved 305 cross-border purchases. During the design phase of this exercise, the mystery shoppers found it surprisingly difficult to find online retailers that were willing to sell cross-border despite the fact that the original list of retailers was compiled with this in mind. From the original selection of retail websites, 60% did not fulfil the criteria, set by the ECCs, for selling cross-border. Another barrier was language since only 61% provided information in more than one language.

101 Most online retailers do not sell cross-border and often the ones that do are not compliant with EU consumer legislation. Many traders are dissuaded from selling cross-border by the complexity and lack of harmonisation of the EU legal environment governing cross-border e-commerce transactions. For example, only 29% of retailers know where to look for information or advice about consumer legislation in force in other EU countries, and 72% of distance sellers did not even know the exact length of the "cooling-off" period for distance sales in their own country[60]. Almost 40% of exporting retailers or retailers interested in starting a cross-border activity and involved in e-commerce transactions declared that the need to adapt and comply with different consumer protection rules in the foreign contract laws has an impact on their decision to sell cross-border in the EU[61].

102 In 18% of purchases carried out during the ECC mystery shopping exercise, traders did not inform shoppers about their right of withdrawal, while in 63% of cases the websites did not provide information concerning the legal warranty and associated consumer rights. Mystery shoppers found out that 11% of websites did not provide the opportunity to review the details of the order before placing it and 12% of websites did not even provide an electronic-mail address.

103 The delivery rate of products was high reaching 94% (of which 99% were in conformity with the order). Almost 50% of all deliveries took place within 7 days, while 82% took place within 14 days.

104 From the 305 websites used in this exercise, 52 online retailers (17%) were members of a trustmark scheme. 88% of retailers that belonged to a trustmark scheme informed consumers about their right of withdrawal in the terms and conditions compared to 80% of the total number of retailers. 84% of retailers belonging to a trustmark partly reimbursed mystery shoppers when returning products within the cooling-off period, compared to 90% of retailers in total. 48% of retailers belonging to a trustmark reimbursed the full amount (including delivery costs) compared to 43% in total. It is especially worrying that 57% of online retailers did not reimburse delivery costs despite having the legal obligation to do so.

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[59] European Consumer Centres Network (2011). "Online cross-border mystery shopping – State of the e-Union".
[60] European Commission (2011). Flash Eurobarometer 300. "Retailers' attitudes toward cross-border trade and consumer protection".
The "cooling-off" period is the period after the purchase during which a consumer has the legal right to return a product purchased on the internet, by phone or post without paying a penalty. This "cooling-off" period ranges from 7 to 15 calendar days depending on the country where the product is sold.
[61] European Commission (2011). Flash Eurobarometer 321. "European contract law in consumer transactions".

105 The external evaluation of the ECC-Net published in 2011[62] suggested that **the network could take a proactive and preventive approach towards targeted traders** (fraudulent or within key sectors) **in order to raise awareness of consumer rights, obtain their cooperation, and dissuade traders from infringing laws. The Commission will use existing networks, such as the Enterprise Europe Network, to step-up efforts to inform online retailers about their obligations when selling cross-border but also about the opportunities offered by selling in other EU countries and taking advantage of the potential of the Single Market. The ECC-Net can provide assistance and information on consumer issues.**

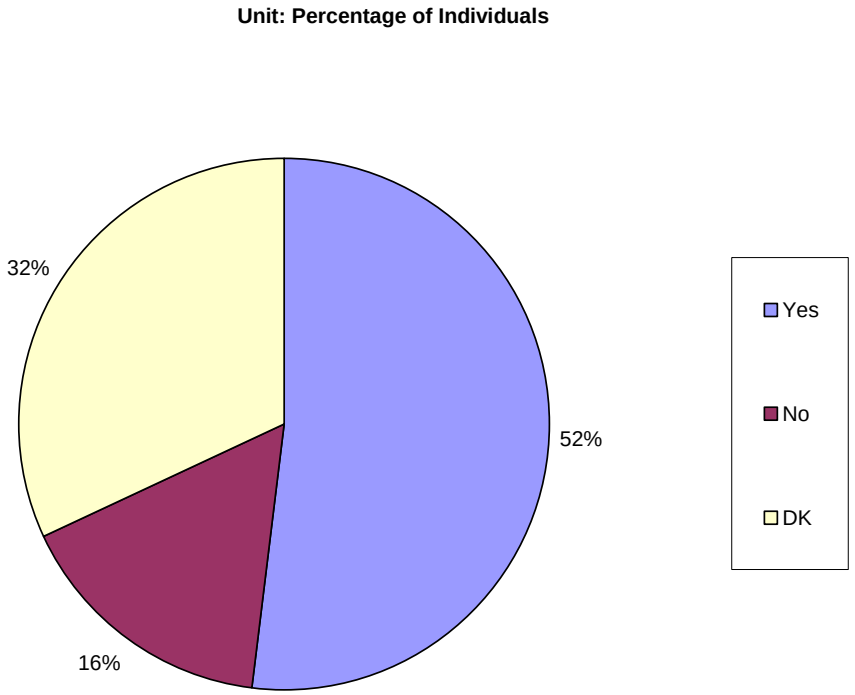
106 Besides taking their complaints to the European Consumer Centres, consumers may wish to seek legal advice or take the matter to court. The market study[63] found that the highest rates of satisfaction were when consumers sought advice from lawyers (77%), consulted consumer organisations (75%) and filed online complaints with online dispute resolution bodies (e.g. online mediator, arbitrator, ombudsman).

107 Consumers were asked to rate different measures that could increase confidence in e-commerce from 0-10. The results did not reveal big variation in consumers' preferences between measures. The most popular are secure online payment systems, having the same set of online rights everywhere across the EU, online sellers ensuring that personal data is not stolen or misused, public authorities ensuring that fraudulent traders are closed down and provision of accurate contact information on sellers' websites. For a full list of measures see figure 33 in Annex 1.

108 When consumers were asked whether they would be willing to solve a dispute with an online seller through an online dispute resolution body, most were positive (52%), a sizeable proportion did not know (32%), and only a small minority (16%) were not willing. (See figure 34 below).

[62] CPEC (2011). Evaluation of the European Consumer Centres Network. Report carried out on behalf of the European Commission.
[63] Civic Consulting (2011). "Consumer market study on the functioning of e-commerce".

Figure 34 – Would you be willing to solve a dispute with an online seller through an online dispute resolution body (for example online mediator, arbitrator, ombudsman)? That means submitting and settling the dispute online (for example through online forms, emails, online chat)



Source: Civic Consulting (2011). "Consumer market study on the functioning of e-commerce".

109 Since redress has been identified as a problem both in consumers' perceptions but also in actual problems, it is clear that more efficient and effective redress mechanisms would improve conditions for consumer in e-commerce.

4.7 E-commerce and enforcement

110 The increase in e-commerce brings new challenges for enforcement authorities. This is especially in the case of cross-border e-commerce where enforcers are constrained by jurisdictional boundaries whilst expected to respond with speed and effectiveness. In addition, resources available limited.

111In this context, active cooperation between enforcement authorities has proven to be one of the most effective tools available to enforcers[64]. For this reason, the Commission set up with Member States in December 2006 the Consumer Protection Cooperation (CPC) Network[65]. The Network brings together the consumer enforcement authorities of all the Member States (as well as from Norway, Iceland and Liechtenstein). Authorities work closely together to stop breaches to the consumer rules in certain situations where consumers and traders are established in different countries.

112From its first year of activity, the Network has carried out, under the coordination of the Commission, new forms of pan-European enforcement: the so called **EU-sweeps.** In a sweep, enforcement authorities simultaneously screen a sample of websites in a given sector for compliance with EU consumer legislation and take appropriate enforcement actions. The sweeps are carried out on an annual basis. The four sweeps completed so far by the Network have contributed to improve compliance in the sectors targeted (so far websites selling airline tickets, ring-tones for mobile phones, electronic goods and tickets for sports and cultural events). Authorities have checked about 1800 websites in the four sweeps, and up to 80% of websites which were initially found in breach of consumer law have now been corrected.

113From the 305 cross-border purchases carried out during the ECC-Network mystery shopping exercise, 173 cases were shared with the CPC Network of enforcers since it was judged that these cases concerned consumers' collective interests. Improved co-operation between the ECC-Network and the CPC Network would improve the online environment for consumers. The external evaluation of the ECC-Net recommended that **cooperation between the ECC-Net and the Consumer Protection Cooperation (CPC) Network should be further enhanced**. At present a working group composed by ECC and CPC members is looking into concrete recommendations for cooperation.

5) Conclusion

114The data presented in this reports shows that e-commerce is continuing to grow as a sales channel. More and more consumers are choosing to use the Internet to carry out their background research before making a purchase either online or offline. In addition, increasing numbers of consumers are making actual purchases online. Businesses are showing a similar behaviour by embracing e-commerce and the opportunities it offers, despite their initial reluctance. As businesses engage in e-commerce more intensely trying to reach consumers, there is a positive effect on competition both online and offline. This results in an increase in consumer welfare for all consumers. The report has shown that there are considerable gains for consumers from e-commerce such as lower prices, a wider choice of goods and services and convenience. Consumers are already enjoying some of the benefits offered by e-commerce. Yet, the European online market is by no means complete. There is a considerable way to go in order to reach the true potential lying in e-commerce as a sales channel. An achievement of this potential would considerably increase the benefits to consumers and at the same time make the European economy much more competitive and responsive to consumer demand. In a truly online Single Market where e-commerce in retail goods makes up 15% of the retail sector, **total**

[64] COM (2009) 330 final - dated 2.7.2009

[65] Regulation (EC) No 2006/2004 of the European Parliament and of the Council of 27 October 2004 on cooperation between national authorities responsible for the enforcement of consumer protection laws.

consumer welfare gains are estimated to be around €204 billion, an amount equivalent with 1.7% of EU GDP.

115 However, in order to reach this true potential it is necessary to tackle the many obstacles identified. Their nature is twofold as they appear both on the demand but also, and most importantly, on the supply side. On the side of the consumers, the majority is still not buying online and despite the fact that many have embraced domestic e-commerce most are reluctant to engage in cross-border e-commerce despite the potential benefits. The reasons behind this lack of confidence are generally the same for offline shoppers and shoppers who buy online only occasionally. These can be traced to concerns about getting redress in case something goes wrong, problems with delivery, misuse of personal/payment details, uncertainty about consumer rights when shopping cross-border and unsafe products.

116 An examination of the actual problems faced by consumers reveals there is no significant difference in the incidence of problems if one compares e-commerce to offline transactions. Consumer concerns about e-commerce are substantiated in the case of actual problems with delivery, non-compliant products, and getting redress in case something goes wrong. On the contrary, only a very small minority of consumers seems to face actual problems with misuse of personal/payment details and unsafe products. Therefore, it seems that consumer concerns about these issues are misplaced.

117 Measures to improve delivery, redress mechanisms and raise the confidence of consumers on their online rights are needed. The Commission has adopted two legislative proposals to improve out-of-court dispute resolution for all consumer disputes, including those related to cross-border online transactions: a proposal for a Directive on Alternative Dispute Resolution for consumer disputes[66] and a proposal for a Regulation on Online Dispute Resolution for consumer disputes[67]. The latter proposal focuses especially on e-commerce. The whole procedure will be handled online, consumers will be able to submit their complaint in their own language and this will be free of charge or at low cost. Better means of out-of-court dispute resolution will increase consumers' confidence in the Digital Single Market and the business opportunities of SMEs. Also, they will reduce costs for consumers, businesses and national courts. The Common European Sales Law will also address the problem of consumer uncertainty about their rights. When applying this law, consumers would benefit from the same set of rights when shopping abroad and would be informed of their key rights in advance of a transaction through a standardised information notice.

118 A recent workshop held during the Digital Agenda Assembly on "Building confidence for the digital single market"[68] gathered strong consensus for further exploring the role and potential of a European trust mark accreditation scheme to enhance trust and online cross border transactions. Trust marks can effectively be combined with, and leverage upon, other tools such online alternative dispute resolution schemes and information intermediaries. Commission services will examine further what can be done at EU level in the area of trustmarks to increase confidence in e-commerce in Europe.

[66] COM (2011) 793 final
[67] COM (2011) 794 final
[68] http://ec.europa.eu/information_society/events/cf/daa11/document.cfm?doc_id=18277

119 The biggest problems holding back the development of e-commerce seem to be on the supply side. Despite the fact that increasing numbers of businesses are embracing the opportunities offered by e-commerce most still sell only offline. From those that do sell online, the majority sell only domestically rather than cross-border. Regulatory barriers to cross-border e-commerce that have been already identified by the Commission in detail remain largely unaddressed. These can be traced to differences in contract law, VAT, the territorial management of copyright necessary for the offer of goods which attract a levy, the national transposition of the European legislation on electronic waste disposal etc. Many traders do not sell cross-border due to the complexity and lack of harmonisation of the EU legal environment governing cross-border e-commerce transactions. The Commission has addressed some these issues through legislative proposals such as the Directive on Consumer Rights[69] that has been adopted recently and the proposal for a Regulation on a Common European Sales Law[70]. The Commission is also assessing the need for adapting other consumer legislation due to the increasing importance of digital services. Others issues are currently being discussed such as the recast of the Directive on Waste of Electrical and Electronic Equipment[71]. Issues such as copyright and intellectual property rights will be addressed by the Commission in forthcoming legislative proposals.

120 The findings of the report show that one growing area of problems has to do with information. As the use of information intermediaries becomes more widespread it is necessary that they provide information in a clear, transparent and accurate manner. Also, consumers would benefit if such intermediaries provided information on goods and services from everywhere in the EU and covered aspects beyond price and pure, technical product characteristics. This could open up the Single Market for goods and services resulting in lower prices and wider choice. The existing fragmentation of price and product comparison intermediaries is serving to entrench Single Market obstacles in the mind of EU consumers.

121 To address these issues, Commission services will work closely with product testing and other organisations providing information on product quality comparisons/price/best value for money, to see how to make results more available and comparable across the EU. Also, it will engage closely with information intermediaries in order to: a) ensure that they respect EU consumer legislation, and b) encourage them to include cross-border offers on price and quality in a way that unlocks the potential of the Single Market.

122 In addition, the Commission will use existing networks to step-up efforts to inform online retailers about the opportunities offered by selling in other EU countries and taking advantage of the potential of the Single Market. The Commission will make education of SME retailers in legal aspects of selling cross-border online a key them in its future work on EU law and standards through the Enterprise Europe Network[72] and the ECC Network.

123 Consumers' confidence in e-commerce can also be improved through the improved enforcement of the rules governing e-commerce. The Commission will encourage the

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[69] http://www.europarl.europa.eu/en/pressroom/content/20110622BKG22276/html/Consumer-rights-what-the-new-EU-rules-will-mean

[70] Proposal for a Regulation of the European Parliament and of the Council on a Common European Sales Law {SEC (2011) 1165 final} {SEC (2011) 1166 final} / COM (2011) 635 final

[71] Proposal for a Directive of the European Parliament and of the Council on waste electrical and electronic equipment (WEEE) (Recast) {SEC (2008) 2933} {SEC (2008) 2934}/ COM/2008/0810 final

[72] http://www.enterprise-europe-network.ec.europa.eu/index_en.htm

European Consumer Centres Network to take a more proactive and preventive approach towards problematic traders and sectors in order to improve understanding of consumer rights, dissuading them from infringing laws and reporting non-compliant traders to enforcement authorities. Furthermore, the Commission will also facilitate further the dialogue between the European Consumer Centres Network and the network of consumer enforcement authorities (CPC-network) in order to improve the enforcement of EU legislation governing business-to-consumer online transactions.

124 Other complementary actions foreseen in the Digital Agenda, such as the roll-out of fast and affordable broadband, will also help towards achieving the true potential of the Single Market in e-commerce, with beneficial effects for consumers and the European economy as a whole.

ANNEX 1

FIGURES

Figure 4 – Countries from which you have bought products online

country	Austria	Belgium	Bulgaria	Czech Republic	Cyprus	Denmark	Estonia	Finland	France	Germany	Greece	Hungary	Latvia	Lithuania
Austria		2%	0%	1%	0%	0%	0%	0%	5%	90%	0%	1%	0%	0%
Belgium	2%		1%	1%	0%	0%	0%	0%	42%	26%	0%	0%	0%	0%
Bulgaria	5%	3%		1%	0%	1%	0%	1%	15%	19%	2%	0%	1%	0%
Cyprus	0%	1%	0%	0%		0%	0%	0%	8%	10%	15%	0%	0%	1%
Czech Rep	5%	0%	0%		0%	1%	0%	1%	9%	24%	1%	2%	0%	0%
Denmark	3%	1%	0%	0%	0%		0%	2%	5%	32%	0%	0%	0%	0%
Estonia	2%	1%	0%	1%	1%	4%		11%	5%	27%	1%	1%	5%	3%
Finland	4%	2%	1%	1%	0%	5%	7%		5%	38%	0%	1%	1%	0%
France	1%	15%	1%	1%	1%	2%	0%	1%		41%	1%	0%	0%	0%
Germany	31%	4%	1%	3%	1%	4%	1%	1%	9%		1%	1%	0%	1%
Greece	3%	2%	1%	1%	4%	0%	0%	1%	10%	27%		1%	0%	0%
Hungary	10%	1%	0%	3%	0%	0%	0%	1%	3%	26%	0%		0%	0%
Ireland	1%	2%	1%	1%	0%	1%	1%	0%	9%	15%	1%	0%	0%	1%
Italy	4%	4%	1%	1%	1%	2%	1%	2%	26%	36%	3%	1%	1%	1%
Latvia	2%	1%	0%	0%	0%	1%	5%	3%	4%	23%	0%	0%		5%
Lithuania	4%	1%	1%	1%	0%	0%	3%	1%	5%	17%	2%	0%	3%	
Luxembourg	4%	19%	0%	0%	0%	1%	0%	0%	43%	78%	0%	0%	0%	0%
Malta	1%	1%	0%	0%	0%	0%	0%	0%	2%	7%	0%	0%	0%	0%
Netherlands	3%	15%	1%	1%	1%	2%	0%	0%	11%	43%	1%	1%	0%	1%
Poland	2%	2%	1%	4%	0%	1%	0%	0%	8%	33%	2%	0%	0%	1%
Portugal	1%	1%	0%	1%	0%	1%	0%	0%	16%	18%	1%	0%	1%	0%
Romania	7%	1%	4%	0%	0%	0%	0%	2%	9%	22%	2%	8%	0%	0%
Slovakia	5%	0%	0%	59%	0%	0%	0%	0%	7%	15%	0%	4%	0%	0%
Slovenia	16%	1%	0%	1%	0%	0%	0%	0%	4%	45%	0%	0%	0%	0%
Spain	2%	5%	1%	1%	0%	2%	0%	2%	27%	22%	1%	1%	0%	0%
Sweden	3%	2%	0%	2%	0%	15%	0%	3%	9%	32%	1%	1%	0%	0%

UK	2%	3%	1%	2%	2%	2%	1%	1%	17%	21%	1%	1%	1%	1%
Total	8%	5%	1%	2%	1%	2%	1%	1%	14%	27%	2%	1%	1%	1%

country	Luxembourg	Ireland	Italy	Malta	Netherlands	Poland	Portugal	Romania	Slovakia	Slovenia	Spain	Sweden	United Kingdom
Austria	2%	1%	4%	0%	4%	2%	0%	0%	0%	0%	1%	1%	13%
Belgium	2%	0%	3%	0%	38%	0%	0%	0%	0%	0%	2%	1%	20%
Bulgaria	1%	1%	6%	1%	2%	1%	1%	1%	0%	0%	1%	1%	41%
Cyprus	0%	1%	5%	0%	2%	0%	0%	0%	0%	0%	1%	1%	74%
Czech Republic	0%	1%	1%	0%	2%	18%	0%	0%	19%	0%	1%	0%	17%
Denmark	0%	2%	2%	0%	8%	1%	1%	0%	0%	0%	2%	22%	48%
Estonia	1%	1%	2%	0%	3%	3%	1%	0%	0%	0%	1%	6%	35%
Finland	0%	2%	3%	0%	7%	1%	0%	1%	0%	0%	2%	22%	40%
France	5%	2%	3%	1%	3%	1%	2%	0%	1%	0%	5%	1%	29%
Germany	7%	1%	5%	0%	11%	3%	0%	1%	1%	0%	4%	2%	20%
Greece	1%	2%	9%	0%	2%	0%	1%	0%	0%	0%	3%	1%	49%
Hungary	1%	2%	1%	0%	1%	1%	0%	1%	16%	1%	2%	1%	27%
Ireland	0%		3%	1%	4%	4%	1%	1%	1%	0%	4%	2%	74%
Italy	2%	3%		1%	4%	2%	1%	1%	1%	1%	7%	2%	29%
Latvia	0%	3%	3%	0%	1%	4%	0%	0%	0%	0%	1%	5%	33%
Lithuania	0%	4%	1%	1%	1%	8%	1%	0%	0%	0%	2%	1%	39%
Luxembourg		2%	5%	0%	5%	0%	1%	0%	0%	0%	2%	1%	19%
Malta	0%	1%	9%		1%	0%	0%	0%	0%	0%	0%	0%	93%
Netherlands	1%	2%	3%	1%		2%	1%	0%	0%	0%	4%	1%	21%
Poland	1%	3%	1%	0%	3%		0%	0%	2%	0%	3%	1%	23%
Portugal	2%	4%	4%	0%	3%	0%		0%	0%	0%	21%	1%	41%
Romania	0%	1%	13%	0%	2%	2%	2%		0%	0%	5%	0%	19%
Slovakia	1%	1%	1%	0%	1%	4%	0%	0%		0%	0%	0%	15%
Slovenia	1%	1%	5%	0%	3%	2%	0%	0%	1%		1%	1%	34%
Spain	2%	5%	8%	1%	2%	0%	5%	0%	0%	0%		1%	28%
Sweden	0%	1%	3%	0%	3%	2%	1%	0%	0%	0%	3%		34%
United Kingdom	2%	9%	6%	2%	6%	3%	1%	0%	1%	0%	8%	2%	
Total	3%	3%	4%	1%	6%	2%	1%	1%	1%	0%	5%	2%	24%

Source: Civic Consulting (2011). "Consumer market study on the functioning of e-commerce".

Figure 12: Subcategory overview - average price difference online vs. offline (in %), including delivery costs

Country	Mobile Phones	Laptops	Digital Cameras	In-Car Navigation	LCD TVs	Portable MP3 Players	Premium Women's Fragrances	Video Games Hardware	Traditional toys	Men's outerwear	Women's outerwear	Footwear	Power tools and accessories	Instant Standard Coffee	Standard Milk Formula
Austria	-8.6	-3.7	3.5	-13.5	-9.6	3.4	1.2	-5.2	16.8	2.5	8.7	1.1	-1.3	189.8	62.8
Belgium	0.7	-3.1	2.6	-5.2	-8.9	1.7	-9.3	-6.3	8.5	7.8	5.3	-	-0.5	46.9	40.8
Czech Republic	-3.8	-1.4	-2.6	-13.4	-12.0	3.4	-47.6	-1.6	-5.0	-7.3	-18.3	-19.0	-4.5	106.9	17.3
Denmark	-8.1	-3.5	4.5	3.5	-3.2	4.1	-12.6	-8.7	30.7	-6.7	-23.2	-16.5	-8.8	160.3	80.0
France	-1.1	-2.8	-7.6	-12.1	-6.5	1.3	5.7	-3.3	21.9	-2.0	8.5	-5.2	-6.7	243.4	32.7
Germany	-9.0	-6.5	-1.9	-6.5	-4.3	10.8	-5.1	-1.5	14.9	-1.9	15.2	-8.5	-3.5	116.2	67.9
Greece	-4.8	0.0	5.7	-3.0	-10.5	-2.0	-0.4	4.0	10.6	-9.6	3.9	-25.5	-1.2	105.2	21.7
Hungary	-19.3	-24.4	1.4	-12.0	-8.4	-9.1	-52.1	-17.7	51.1	0.0	0.0	3.7	-11.0	177.7	61.0
Italy	-5.8	-5.6	4.6	-4.4	0.2	5.2	-7.6	-6.9	40.5	-11.3	-9.6	-13.1	11.7	118.2	45.8
Netherlands	-5.6	-1.0	2.6	-7.4	-3.3	-1.5	-8.6	-4.5	5.0	-1.0	16.3	-10.3	0.0	97.7	58.0
Poland	-1.3	-2.8	-6.3	-0.9	-11.8	-2.3	-43	-7.9	-7.6	-7.4	-10.1	-9.1	-0.2	99.5	43.9
Portugal	-2.4	1.6	9.1	-1.0	1.0	8.7	6.0	0.3	25.1	5.6	-11.3	22.4	12.5	111.4	58.8
Romania	-4.4	-1.3	7.1	-3.5	1.3	9.6	-26.5	-1.5	20.4	24.1	-4.2	16.0	-16.7	135.8	70.1
Slovakia	3.7	-3.0	10.5	-20.0	-6.2	2.8	-29.2	1.9	21.2	0.9	4.1	-1.5	-6.0	107.2	63.3
Spain	0.6	2.6	-12.5	-1.5	-7.4	6.3	1.4	-1.0	28.7	1.8	2.2	-0.2	-4.6	199.3	50.0
Sweden	-11.8	-0.3	-0.3	-9.5	-7.3	6.9	-38.1	-6.7	1.1	-1.2	7.7	-6.9	0.2	168.7	475.3
United Kingdom	-6.2	3.6	2.0	-1.6	8.6	0.2	-0.4	-3.2	-6.4	-8.4	-1.4	2.5	8.8	155.2	41.3
Average	***-5.1***	***-3.0***	***1.3***	***-6.6***	***-5.2***	***2.9***	***-15.7***	***-4.1***	***16.3***	***-0.8***	***-0.4***	***-4.8***	***-1.9***	***137.6***	***75.9***

Notes: Based on a total number of 4559 observations. Data collected in December 2010. Negative values mean that online price is lower than offline price of the product (shaded). Positive values mean that the online price is higher than the offline price

Source: Civic Consulting (2011). "Consumer market study on the functioning of e-commerce".

Figure 13: Overview – average choice difference online vs. offline (in %)

Country	Mobile Phones	Laptops	Digital Cameras	In-Car Navigation	LCD TVs	Portable MP3 Players	Premium Women's Fragrances	Video Games Hardware	Traditional toys	Men's outerwear	Women's outerwear	Footwear	Power tools and accessories	Instant Standard Coffee	Standard Milk Formula
Austria	2317	122	33	3	25	-10	107	-25	-39	73	71	19	11	-29	233
Belgium	102	208	338	163	184	36	191	246	431	10	67	0	153	85	298
Czech Republic	130	-2	257	15	-22	120	48	200	24	-37	9	78	-8	-14	38
Denmark	-16	25	6	-3	-8	-42	-18	0	17	-53	-50	-57	2	-32	-83
France	209	26	61	235	163	70	346	0	1202	138	340	1412	117	33	50
Germany	43	197	8	199	388	87	63	0	250	-8	89	187	99	404	50
Greece	71	70	-7	22	-27	22	-50	0	-26	-78	1	-31	-5	-42	30
Hungary	345	-7	102	62	8	2775	120	0	85	50	0	42	54	25	4
Italy	289	39	114	83	22	125	-6	-62	-12	220	-23	1657	18	0	27
Netherlands	323	546	782	490	67	671	113	456	465	394	45	121	163	55	218
Poland	142	94	97	56	43	-13	47	12	95	126	98	165	32	17	-11
Portugal	2	-7	474	392	101	-4	103	-54	-47	304	84	55	165	64	15
Romania	204	35	523	203	129	263	-9	-13	11	68	-25	-2	53	4	-28
Slovakia	-41	103	13	31	-19	-33	-56	99	3	212	37	9	299	-47	534
Spain	41	75	114	9	20	20	-48	-9	-14	-4	25	-31	-14	-14	-11
Sweden	63	-8	15	2	15	9	64	0	37	-34	-21	147	-8	-3	-20
United Kingdom	144	254	39	95	141	45	27	56	108	35	69	36	68	419	123
Average	***257***	***104***	***174***	***121***	***72***	***244***	***61***	***53***	***152***	***83***	***48***	***224***	***71***	***54***	***86***

Notes: Based on a total number of 4559 observations. Data collected in December 2010. Positive values mean that online choice is bigger than offline choice of the product (shaded). Negative values mean that online choice is smaller than offline choice of the product
Source: Civic Consulting (2011). "Consumer market study on the functioning of e-commerce

Figure 33 – Measures to increase confidence

	Mean	Median	Mode
Online sellers having secure online payment systems and ensuring that my payment data is not stolen or misused	6.92	8.00	10
Having the same consumer rights wherever I shop online across the EU	6.57	7.00	10
Online sellers ensuring that my personal data is not stolen or misused	6.54	7.00	10
Public authorities across the EU ensure that fraudulent online sellers are closed down	6.52	7.00	10
Accurate contact information is available on seller websites	6.49	7.00	7
Public authorities across the EU co-operate to ensure that all products sold online are safe	6.24	7.00	8
Hotlines of online sellers are available for sales and after-sales service without additional charges	6.14	6.00	7
Websites have online trust marks	6.05	6.00	8
Independent and accurate price comparison websites	5.99	6.00	7
Online sellers agree to resolve any individual dispute with me through an online dispute resolution body	5.92	6.00	5
Online sellers adhere to industry codes of good conduct	5.83	6.00	5
Public bodies providing information, advice and support about my consumer rights online	5.82	6.00	5
Independent advice websites providing guidance on best products	5.71	6.00	5

Source: Civic Consulting (2011). "Consumer market study on the functioning of e-commerce".

ANNEX 2

Consumer Survey and Mystery Shopping Survey of Price Comparison Websites[73]

1 The consumer survey examined the frequency of use of price comparison websites, the reasons for using them and the overall consumer experience. The survey covered all 27 Member States. The mystery shopping study identified 262 price comparison websites in the EU. The working definition used for a price comparison website is "*a website that lists and compares prices for new products available directly (on-click access) from numerous, competing online retailers' websites*". The availability of price comparison websites across Member States is rather uneven. The countries with the highest number of price comparison websites are the ones that have the biggest e-commerce markets (e.g. the U.K., France, Germany and the Netherlands).

2 The mystery shopping exercise covered 233 price comparison websites, 15 online marketplaces and approximately 1200 checks on retailers' websites. On each price comparison website, mystery shoppers carried out checks for five specific products.

3 Price comparison websites are the first point of call in the shopping trip of many consumers, irrespective of whether consumers actually end up making the purchase online or offline. These websites are supposed to deliver accurate and updated information in a simple and transparent manner. This is expected to intensify competition between retailers and benefit consumers. Since these information intermediaries play a pivotal role in the functioning of the e-commerce market, consumers should be able to trust them and benefit from their use. The consumer survey and mystery shopping looked into price comparison websites and examined how well they serve consumers' interests.

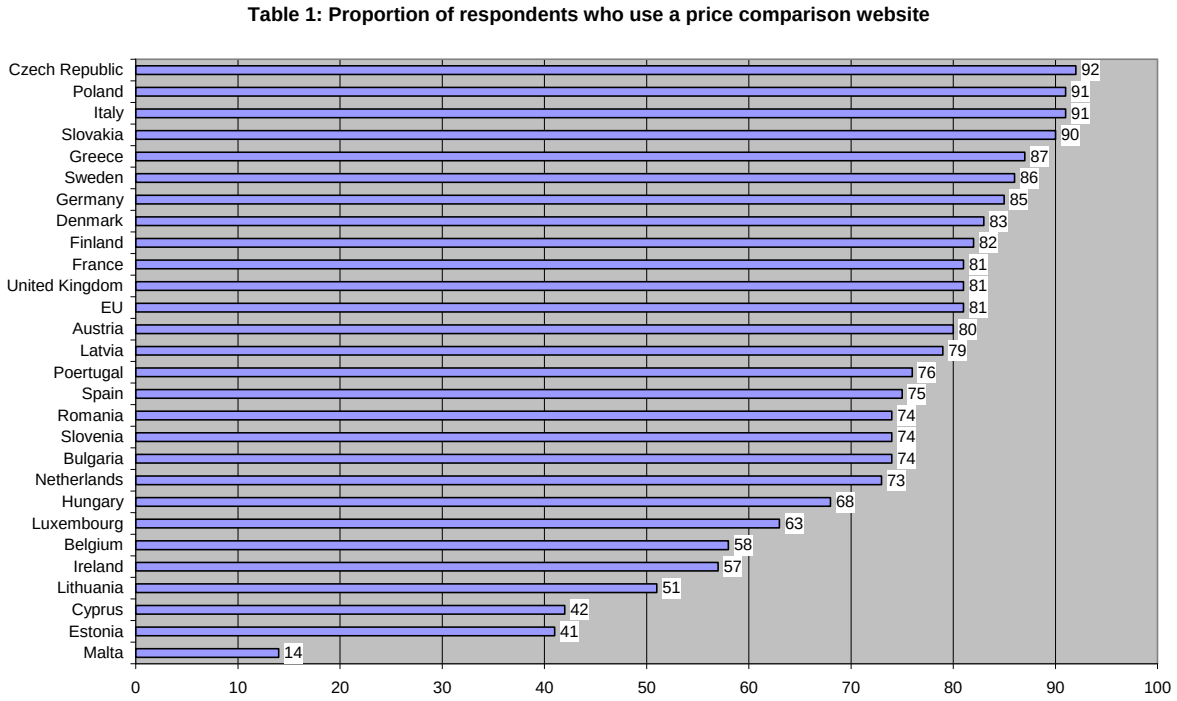
Price comparison websites – Frequency of use

4 Price comparison websites are used widely all over the EU, even in countries in which they are not well established or widespread. Four out of five online consumers (81%) have used a price comparison website in 2010. Only one fifth of consumers have never used one. Around half of consumers (48%) use such websites once a month.

5 Price comparison websites are most used in the Czech Republic (92%), Poland (91%) and Slovakia (90%) whereas they are least used in Cyprus (42%), Estonia (41%) and Malta (14%).

[73] Consumer Market Study on the functioning of e-commerce. Civic Consulting (2011).

Figure 1: Proportion of respondents who use a price comparison website



Note: Based on all respondents (N=29010)
Source: Civic Consulting (2011). "Consumer market study on the functioning of e-commerce".

Price comparison websites - Local language, national offers

6 The big majority of price comparison websites (86%) are available only in one language. Only 14% offer the choice of more than one language or are available in a different language version. The languages most likely to be offered in addition to the default language are German, Italian and English. The price comparison websites offering multiple languages are concentrated in a handful of countries (more than half can be found in Denmark, Portugal, Hungary and the UK). Many countries do not have any price comparison websites in a language other than the local one.

7 The majority of price comparison websites (83%) include offers only from one country. Only 17% of price comparison websites offer the possibility of viewing offers from other countries than the one which the website is located. In the cases where this is possible, these websites offer the possibility to view offers from other EU countries while also in some cases from the United States, China and other third-countries.

8 The mystery shopping exercise also revealed that there are a number of businesses which operate country specific price comparison websites in multiple EU countries, but choose not to show offer from one of their sites in another country

9 It seems that consumer choice is limited and consumers do not have easy access to offers across the Internal Market since price comparison websites are primarily in local languages and do not offer cross-border offers.

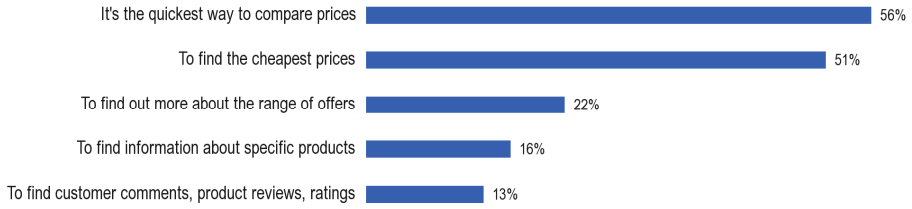
Price comparison websites – Actual purchases

10 Despite the fact that the overwhelming majority of online shoppers have used such sites, only a small minority (7%) have actually bought a product through a seller they found through a price comparison website. The items bought most frequently through price comparison websites are child care articles, medicines (prescribed as well as over-the-counter), electrical household appliances, electronics, sports and outdoor equipment as well as CDs and DVDs. A socio-demographic breakdown of responses shows that consumers with more years of education are more likely to use price comparison websites.

Price comparison websites – Reasons influencing use

11 The majority of consumers (56%) use price comparison websites because they think it is the quickest way to compare prices. One in two consumers (51%) use such websites to find the cheapest prices, while a sizeable group (22%) use them to find out more about the range of offers available. 16% use price comparison websites to find information about specific products and 13% to find comments by other customers, product reviews and ratings.

Figure 2: Why do you use price comparison websites?



Note: Based on PCW user sub sample (N=23619)
Source: Civic Consulting (2011). "Consumer market study on the functioning of e-commerce".

Price comparison websites - Provision of information

12 It is important that trusted intermediaries such as price comparison websites provide clear and transparent information since they are one of the first sources of information influencing a consumer's purchasing decision.

Business address

13 According to the e-commerce directive[74], price comparison websites should have on their websites details that allow them to be contacted rapidly and communicated with in a direct and effective manner. This includes both a geographic address and an electronic mail address. However, just 47% of price comparison websites provided their full business address. 13% did not provide any business details while in 40% of the cases these were partially provided.

Ratings, Consumer Reviews

[74] Directive 2000/31/EC of the European Parliament and of the Council of 8 June 2000 on certain legal aspects of information society services, in particular electronic commerce, in the Internal Market (Directive on electronic commerce)

14 In one out of two trials (53%) the price comparison websites offered consumers ratings about online retailers.

15 70% of price comparison websites do not provide consumers with product reviews, with only 30% doing so. Similarly, in 69% of price comparison websites there were no consumer reviews for products. Product reviews written by consumers were only available on 31% of the price comparison websites checked.

Provision of other information

16 Nearly all price comparison websites (95% of trials) provided the retailer's name on their website, while in two out of three trails (67%) they provided the retailer's logo. Also, in 89% of cases, price comparison websites included photographs of the products.

17 The delivery time not specified on price comparison websites very often. Only 20% of price comparison websites provided information on delivery time on their results page, while 80% did not do so.

18 Concerning product availability, most price comparison websites (62%) do not provide any such information.

19 An area that price comparison websites seem to be doing well on information provision is product information, with 72% of them providing information about product characteristics.

Financing

20 Just one in two (52%) price comparison websites have information on their business model. Even when they do have such information, in 60% of cases they do not indicate clearly if the retailers appearing on the specific price comparison website pay to have their products listed.

Coverage

21 The coverage of specific price comparison websites is often not clear. Just 16% provide clear information explaining why some retailers are listed whereas others not. 18% provide this information but not very clearly, while 66% do not provide any such information at all.

Default ranking[75]

22 Two out of three price comparison websites (68%) do not provide any information about the default ranking of the search results. 17% provide very clear information while 15% provide some information but it is not so clear. For those websites that provided information about the default ranking of results, 20% offers were ranked according to lowest price first while 15% of results were ranked by relevance. 46% of results were ranked according to "popularity" or a mix of "popularity and relevance". In 18% of cases it was not possible to identify how ordering takes place, despite the information offered by the websites.

Price

[75] Ranking used by Price Comparison Website when the user has not selected any settings

23 The mystery shopping exercise results show that price comparison websites as a whole have significant deficiencies on the provision of relevant information concerning prices.

24 In most cases (73%), there is no clear information on how often price comparison websites update their prices. 6% provide some information on this but it is unclear (e.g. "*regularly*", "*periodically*" and "*constantly*") while 21% provide clear information on how price updates take place.

25 In 44% of cases it is unclear whether the information provided on price comparison websites includes VAT and any other taxes. In 51% of cases details of the delivery costs are not provided.

26 Only 22% of tested price comparison websites provided clear information about their policies concerning fraudulent or rogue traders. 12% provide unclear information while 66% did not provide any such information at all. The overwhelming majority of price comparison websites do not participate in a trustmark scheme or an industry code of conduct.

27 Even when mystery shoppers actively tried to rank results according to the cheapest offer, this was not always possible. Mystery shoppers managed to do this easily only in 67% of cases. In 28% of trials this was not possible and in 5% of cases this was difficult. The ranking of search results according to price including delivery costs was possible only in 14% of cases.

28 In nearly three out of four trials (72%) using the lowest price view, the cheapest offer is within the first five products. However, in 15% of such trials, the cheapest offer was not listed at all on the first page of results.

29 Mystery shoppers carried out checks trying to find out where the cheapest price appears in comparison to the default view. The cheapest price appears first only in 38% of cases. In 66% of cases it appears in the top five offers while in 76% of cases in appears in the top ten. Yet, in 17% of cases the cheapest price is not even listed on the first page of results.

30 The table below presents a comparison to results from searching using the lowest price view.

Figure 3: Rank of cheapest correct offer during mystery shopping trial (using lowest price view, if available) and default view

Rank of cheapest correct offer	**Product search using lowest price view, if available** (Percentage of trials)	**Default view** (Percentage of trials)
First offer listed (Rank 1)	47%	38%
Listed among the first five offers (Rank 1-5)	72%	66%
Listed among the first ten offers (Rank 1-10)	81%	76%
Not listed on first page	15%	17%

Source: Civic Consulting (2011). "Consumer market study on the functioning of e-commerce".

31 It is clear that if a consumer uses the "rank by the lowest price" function, then the chances of the lowest price appearing higher improve.[76] However, the difference between this and the default view is not very high and there is a 15%-17% chance, nearly one in six, that the consumer will not be able to find the cheapest offer anywhere on the first page of listings.

Price comparison websites – Consumer experience

32 From the consumers that use price comparison websites, one in two (50%) find them the quickest way to compare prices and one in three (32%) say they are useful to find out more about the range of available offers. 23% say they buy the cheapest product they find on price comparison websites. 22% find the easy to use and nearly as many (21%) say they are useful to find information about specific products. 18% find price comparison websites useful to find customer comments, product reviews and ratings.

33 It is interesting to note, that even in countries where they are not used widely, such as Cyprus, Malta and Greece, the ones who use them report positive experiences.

Figure 4: According to YOUR EXPERIENCE using price comparison websites, what reflects your opinion?

Note: Based on PCW user sub sample (N=23619)
Source: Civic Consulting (2011). "Consumer market study on the functioning of e-commerce".

34 However, a sizeable group of consumers are not so positive about their experience with using price comparison websites. 17% find that different price comparison websites show different prices, and 14% use at least two or three price comparison websites as each site presents different offers.

35 19% of consumers who buy goods online do not use price comparison websites. The most important reasons for not using price comparison website do not reflect specific concerns with the services offered by the price comparison websites themselves. The main reason for non-use is because consumers prefer to shop from a website they already know (26%), while one in four consumers (22%) say that they do not know of any price comparison websites. Some prefer to use general search engines (14%), while others compare prices

[76] One should keep in mind that 29% of the price comparison websites checked, did not have a "*rank by the lowest price*" function

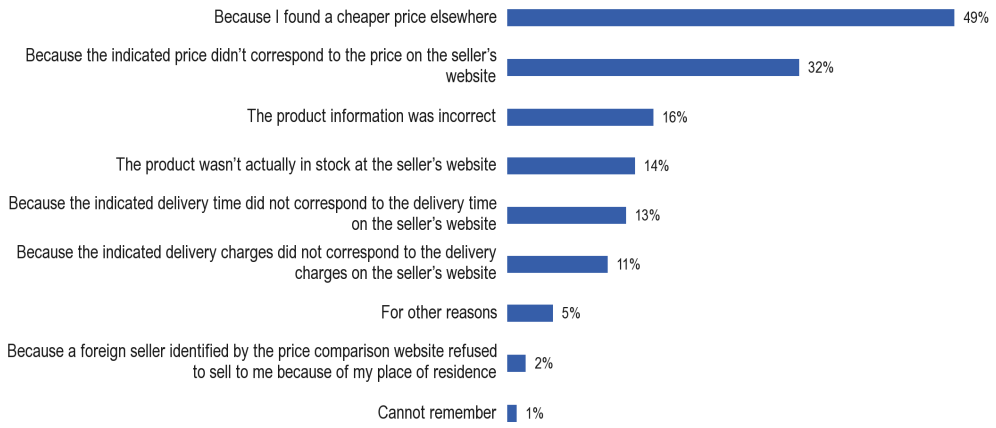
across several websites that they already know 13%. 14% prefer to speak to a person in a shop or on the phone. To a small extent, consumers say that there are some negative features in the service of price comparison websites that put them off from using them: 10% say they do not trust them, 6% say they do not provide adequate information about product specifications, 5% cannot find the products they are searching for, 4% find such websites to be very complicated, 4% find no variation in prices in the type of products they are searching for, 4% say the products compared are not the same and 3% find that the listed prices are not up to date.

Figure 5: Why don't you use price comparison websites?

Note: Based on non PCW user sub sample (N=5391)
Source: Civic Consulting (2011). "Consumer market study on the functioning of e-commerce".

36 Overall, most consumers using price comparison websites did not feel misled (70%), yet an important section thinks they were misled 12% while 18% report that they do not know if they were misled or not. From those that did feel misled, one in two (49%) said that they found a cheaper price elsewhere, one in three (32%) said that the indicated price did not correspond to the price on the seller's website and 16% said that the product information was not correct. Other reasons for being misled include delivery time, delivery charges, and retailers' refusal to sell because of a consumer's place of residence.

Figure 6: Why have you felt you were misled when using a price comparison website?



Note: Based on respondents who felt mislead (N=2832)

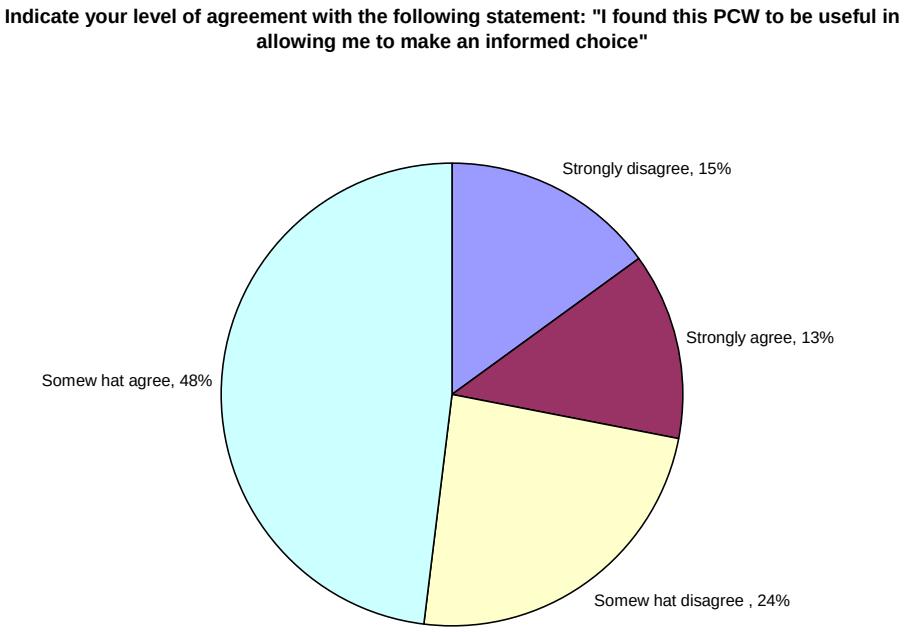
Source: Civic Consulting (2011). "Consumer market study on the functioning of e-commerce".

Price comparison websites – Usefulness as rated by mystery shoppers

37 On the whole (73%), mystery shoppers found price comparison websites to be relatively easy to use. Yet, a significant minority (27%) found them difficult to use. This suggests that there is some room for improvement.

38 Disappointingly, a large number of price comparison websites seem to fail in one of their primary tasks, allowing a consumer to make an informed choice. In nearly 4 out of ten cases (39%), mystery shoppers could not agree that the tested price comparison websites were useful in allowing them to make an informed choice. In 48% of cases they "somewhat agreed" and only in 13% of cases they said that they strongly agreed.

Figure 7: Usefulness of PCW for making an informed choice



Sample: N=227
Source: Civic Consulting (2011). "Consumer market study on the functioning of e-commerce".

39 There are various features on a price comparison website that affect a consumer's perception whether he or she is making an informed choice using a price comparison website. This can be traced from information about the website's business model to how results are ranked.

40 Mystery shoppers found that 91 price comparison websites (out of 233 tested) were not useful in providing information about their business model. This is very important since if this information is not provided the consumer cannot know how products are ranked, whether retailers' are paying to have their products listed, or what the market coverage is.

41 One aspect that mystery shoppers did not find useful was information about the products. 86 websites were found to be not useful in providing product information. This ranged from confusing product specifications, whether products were sold stand-alone or they included accessories, if essential components to a product (e.g. camera lens) were included in the price or not and so on.

42 Another important piece of information on price comparison websites that mystery shoppers thought was generally lacking was information about the retailers. Mystery shoppers found that 81 price comparison websites were not useful in this aspect. Provision of information about retailers can act as a significant boost to consumers' confidence. If a consumer knows that a specific retailer is not a rogue seller or an unreliable one, then he or she is much more likely to buy from them.

43 Two of the main reasons that consumers use online shopping are to save money and have a wider choice. Price comparison websites act as intermediaries that are supposed to help consumers making such purchase decisions. However, the mystery shoppers revealed that a large number of price comparison websites fail in this. They marked 78 price comparison websites as being not useful in helping them identify the correct offer.[77] This is because in some price comparison websites the products were not available at all, in others mystery shoppers had to use various search terms in order to identify them, some generated large numbers of totally unrelated products, while others did not generate easily the cheapest correct offer. The price function itself was marked as unhelpful in 72 price comparison websites out of the 233 checked. This was attributed to various reasons such as: limited range of correct offers, not being able to rank products according to price, addition of sponsored links on top, incorrect offers, add-on fees such as delivery missing from the price, lack of clarity on VAT and other taxes, and discrepancies between price comparison websites and retailer websites.

Consistency of price comparison websites and retailer websites

44 The mystery shoppers carried out around 1200 trials checking whether the information provided on price comparison websites, concerning the cheapest offer, were consistent with the information provided on the website of that specific retailer. Mystery shoppers found the cheapest offer on the price comparison website and then clicked through to the retailer's website and carried out a consistency check. This check included comparing information such as VAT, delivery costs, delivery time, product availability, product information.

45 In nearly the entirety of cases (95%), the links were functioning and direct to the retailers' websites. In the vast majority of cases, 90%, the retailer's name indicated on the price comparison website was identical to the name provided on the website of the retailer itself.

46 In around eight out of ten cases (79%) the retailer's price including VAT matched the price indicated on the price comparison website. At the same time, in 21% of cases the prices quoted on the price comparison website were not accurate. In the relatively few cases (19%) that the price comparison website provided the final price including VAT,

[77] The "correct offer" is identified as the cheapest available product that matches the specifications of the product on the mystery shoppers' list

other taxes and delivery costs, this was not consistent with the price on the retailer's website in one in three cases (36%).

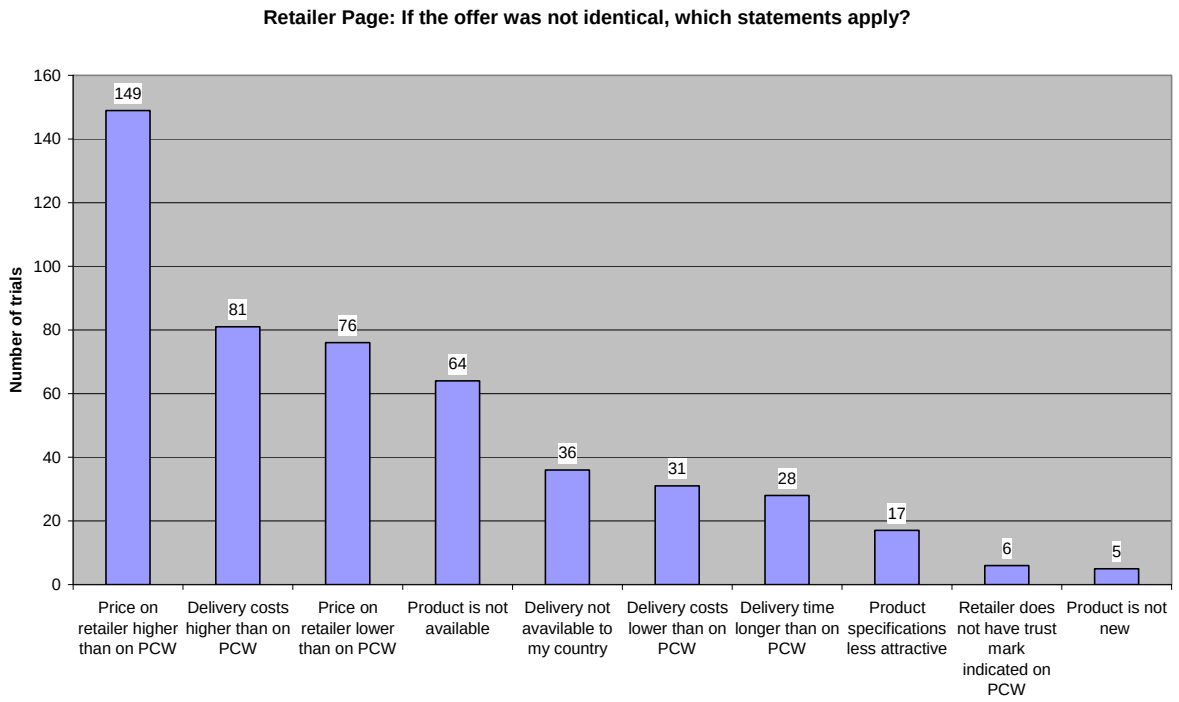
47 It is unusual that price comparison websites display information about the time it takes for goods to be delivered. This happens only in out of five cases (20%). Even when the price comparison websites indicate such information, in more than half of cases (57%) the delivery time on the retailer's websites does not match that indicated by the price comparison website.

48 Most price comparison websites (62%) do not provide information on the availability of specific products. In the case of the ones that do, this is usually matched by the information provided on the retailer's website, 80% of cases. However, in one out of five cases the information offered by the retailer on product availability is different.

49 The situation concerning information on product specification is much better as this is indicated in nearly three out of four (74%) times. When such information is indicated on a price comparison website, this matched by retailers almost always (in 90% of cases).

50 The table below summarises results where the offer available on a retailer's website was not identical to the offer available on a price comparison website.

Figure 8: Reasons for discrepancies between offers on price comparison websites and retailers' websites



Source: Civic Consulting (2011). "Consumer market study on the functioning of e-commerce".

51 As the table reveals[78], most of the discrepancies are related to price differences. This does not always mean that prices are more expensive on a retailer's website. As a matter of fact, in 107 cases one aspect of the price was cheaper. However, in 230 cases one aspect of the price was more expensive on retailers' websites. The underlying reason for such differences is not necessarily price manipulation. These discrepancies can be partly attributed to technical reasons such as ineffective or delayed up-dating of price data. Despite the underlying motive for the resulting negative price differentials, the end outcome remains the same for consumer.

Add-on costs

52 The mystery shopping exercise and to a lesser extent the consumer survey, reveal that often there are various add-ons to prices indicated on price comparison websites. These add-on costs are not clear upfront and they appear as incremental add-ons, dripping through the entire purchasing process. These higher costs are due to a variety of reasons: VAT and/or other taxes, higher delivery charges, longer delivery time, etc.

53 Consumers often focus on the initial price of the chosen offer (e.g. what appears as the cheapest good) and commit to buy from that business even if the price gradually increases until they purchase the good. Since consumers have demonstrably the tendency to focus on the initial price of what looks to be the cheapest offer, businesses have an incentive to adopt similar strategies and exclude add-on costs from the initial offer. Therefore, it is likely that consumers find it very difficult to choose meaningfully between different products or businesses since many of the initial offers do not reveal the end price that consumers have to pay. The way offers are presented has a marked effect on consumer behaviour the latest research has shown that this causes considerable consumer detriment[79]. The provision of prices and other key information should be offered upfront to consumers in a clear and simple manner.

Retailer websites – Provision of information

54 It is not only important that price comparison websites provide clear and transparent information themselves, but it is as equally essential that the retailers to which consumers are directed at do the same.

Business address

55 According to the e-commerce directive[80], online retailers should have on their websites details that allow them to be contacted rapidly and communicated with in a direct and effective manner. This includes geographic address and electronic mail address. In 67% of cases, retailers provided their business address while in 27% of cases it was partially provided (e.g. missing postcode, or country). 6% of traders did not provide any information concerning their business address. Concerning electronic mail address, in 77% of cases retailers provided this on their websites. However, a significant percentage

[78] "Delivery not available to my country". This item was checked only in trials in Member States with a low number (less than 10) of price comparison websites.

[79] Advertising of prices. OFT (2010)

[80] Directive 2000/31/EC of the European Parliament and of the Council of 8 June 2000 on certain legal aspects of information society services, in particular electronic commerce, in the Internal Market (Directive on electronic commerce)

(23%) did not provide this, as they are obliged. The absence of geographic and electronic mail address appears to be exacerbated in the case where retailers appear on the websites of online market places.

Cooling-off period

56 In four out of five cases (83%) mystery shoppers were able to find information concerning their right to return a good without giving a reason at least within seven days after the purchase. However, in 14% of cases retailers did not provide any information on this and in 3% the information provided was unclear.

Legal warrantee

57 The situation concerning provision of information about consumers' right to have a faulty good repaired or replaced or even get a refund, within two years after purchasing the goods seems to be worse. Such information was provided only in 37% of cases. In 16% of cases this information was unclear while in nearly one in two cases (47%), such information was not provided at all.

Retailer websites – Offers

58 In two thirds (67%) of cases, retailers were registered in the same country as the one at which the price comparison websites were targeted. Yet, up to 27% of retailers provided a business address outside the targeted country while in 6% of cases the provided information was unclear. In the cases where cross-border targeting is observed, this usually involves business from countries with bigger economies offering their goods on price comparison websites targeted at consumers in countries with smaller economies. For example, most price comparison websites targeted at Belgian consumers are very frequently French listed businesses, some price comparison websites targeted at Irish consumers are UK listed businesses, and price comparison websites targeting Austrian consumers are German listed businesses.