

Distance selling regulations project 2010-11

Distance trading, in particular online, is becoming an increasingly popular way to buy and sell goods. As more customers switch to these purchase methods and more companies develop distance selling capacity, compliance with the Consumer Protection (Distance Selling) Regulations 2000 (DSRs) becomes ever more important to minimise potential consumer detriment in these markets. This paper sets out how the Office of Fair Trading (OFT) aims to provide information on the DSRs in order to increase businesses awareness, understanding and compliance with the Regulations.

Background

Purely competitive markets should function effectively, however there are times when markets fail and interventions are required. One of the tools the OFT employs in order to encourage markets to work efficiently is to engage with business. Engaging with business is an effective way to complement enforcement activity. It can encourage compliance with the law whilst not imposing additional costs on business that can hinder businesses from starting up, investing or growing.

The distance selling market

The web is now a significant part of the overall retail mix, accounting for 10 per cent of total sales in 2009. The number of e-shoppers rose by 23 million between 1998 and November 2009, with the average amount spent online in the last six months by shoppers increasing from £195 to £589 over the period.¹

The Office of National Statistics note that for goods purchases in August 2010, compared to August 2009:

- the *value* of retail sales was 1.9 per cent higher, with non-store purchases increasing by 14.6 per cent.
- the *volume* of retail sales was 0.4 per cent higher, with non-store purchases increase by 16.6 per cent.

Current levels of business awareness of the DSRs

The recent OFT Drivers of Consumer Compliance report (2010) indicated that around nine per cent of business respondents considered themselves to be very familiar with the DSRs.

In June 2007, the OFT internet shopping market study also found that 28 per cent of surveyed on-line traders said that they were not aware or only slightly aware of the laws applying to internet shopping, and two-thirds

¹ Mintel Changing Face of the Web - A Ten Year Review, Market Intelligence, July 2010

(66 per cent) had never sought advice on them. A web-sweep found that that one in ten (12 per cent) of electrical sites and nearly four in ten (39 per cent) of music retailers' sites selling CDs did not appear to mention the cancellation period allowed under the DSRs.

Strategic objective

- To increase businesses compliance with the DSRs.
- To reduce consumer detriment occurring due to lack of compliance with the DSRs.

Communications objectives

- To increase business awareness of the DSRs.
- To increase business understanding of how to comply with the DSRs.
- To increase business awareness of the DSRs hub

Target audience

Business that sell via:

- the internet
- digital television
- mail order, including catalogue shopping
- phone
- fax.

Consultation

The purpose of the consultation for the DSRs project was to gather insight into:

- current levels of knowledge and key gaps in understanding
- what barriers and motivations exist
- key times or occasions when businesses are more engaged in this issue
- current sources of information business consult

The consultation consisted of 17 depth interviews, the majority of which were conducted face-to-face, with:

- 2 Micro businesses (9 employees or less)
- 2 Small\medium businesses (10-249 employees)
- 5 Large businesses (250+ employees)
- 7 Stakeholders (eg Trading Standards, Trade Associations and Business Support Organisations)

- 1 Outsourced call centre for a large business

Key consultation findings

- The materials should be housed online in a hub as;
 - businesses show a strong preference for an online source of information
 - there is no appetite for printed items
 - feedback on the SOGA hub is overwhelmingly positive.
- The 'Distance Selling hub' should cover DSRs and E-commerce Regulations in full (and other legislation will be covered in part or signposted) as businesses access the information by situation (eg returning goods bought online) as opposed to by legislation (searching for DSRs or ECRs).
- The hub should be linked to current portals particularly BusinessLink, and also ERWIN and DirectGov, as businesses are keen to see a single portal to access guidance on regulation/legislation online
- The current OFT guidance document on DSRs is well thought of and should be used as the source text for writing the new materials. Key areas of uncertainty raised by consultees should be explored in the new materials
 - Whereas smaller businesses need to be made aware of the DSRs and the requirements of the legislation, larger businesses need help interpreting the legislation in a consistent way.

Next Steps

- Building on the insights gained during the consultation (see above) we are developing the online framework, materials and content required for the Distance Selling hub

- Once the materials have been developed, we will validate the information with consultees to ensure it accurately reflects their expressed needs.
- We will launch the materials through PR and stakeholder liaison – ensuring cross-promotion with other online portals. A further dissemination programme will ensure target audiences are aware that the information is available (dissemination and stakeholder plan are in development)
- We are currently developing an evaluation programme to identify the effectiveness of the project.

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