

Annexe 1: Key data

Market data...	
Internet sales to consumers totalled £21.4bn in 2005 ...	<i>In 2005 the value of internet sales made to households by UK¹ non-financial businesses was £21.4bn – an increase of 30 per cent on the previous year, a fourfold increase from 2002.² In the same period household internet spending represented almost three per cent of total UK household spending.³</i>
...and predictions suggest that growth will continue	<i>Predictions suggest that the market for internet shopping will continue to grow rapidly. For example, one source⁴ suggests that retail sales will nearly triple by 2011. This means that online shopping would more than double its share of overall retail spending, from 4.0 per cent to 9.3 per cent.</i>
Businesses...	
Most businesses now have a website ...	<i>In 2005, nearly 70 per cent of businesses with 10 or more employees reported having a website, up by 4 per cent on the year before.⁵</i>
...although only a small proportion of all UK businesses sell online to households ...	<i>In 2005, 14 per cent (equivalent to 146,000) of all UK non-financial sector businesses were believed to sell online to other businesses or to households. Only six per cent of businesses (an estimated 62,000) were selling online to households alone.⁶</i>
Internet usage...	
Computer ownership has increased...	<i>By 2005/2006, 65 per cent of UK households had a computer, compared with only 33 per cent in 1998/1999.⁷</i>
...and there's been a sharp increase in the number of people accessing the internet	<i>By 2005/2006, 55 per cent of UK households could access the internet at home, compared with only 10 per cent in 1998/1999.⁸</i>

¹ The figures refer to UK unless otherwise stated.

² Office for National Statistics (ONS) Annual e-Commerce Survey 2006. The ONS asks a sample of UK non-financial businesses with 10 or more employees the value of internet sales of goods and services to households (including sales to non-UK households).

³ OFT estimates based on data from Office for National Statistics (2006a) and ONS Blue Book 2006.

⁴ Verdict (2007)

⁵ ONS – Annual E-Commerce Survey. This figure represents UK businesses with 10 or more employees.

⁶ The estimates are based on the Office for National Statistics (ONS) Annual e-Commerce Survey 2006. These estimates are for UK non-financial sector businesses only. They should also be treated with caution, because they assume that the rate of businesses with 0-9 employees selling online changed at the same rate as that for businesses with 10 or more employees.

⁷ Office for National Statistics (ONS) Annual e-Commerce Survey 2006

⁸ Office for National Statistics (ONS) Expenditure and Food Survey 2006

from home...	
...as well as a rise in broadband penetration...	<i>By 2006, 40 per cent of GB households had access to broadband – up from 28 per cent just the year before.⁹</i>
The internet is a major part of everyday life for many people...	<i>A 2006 OFCOM report found that UK adults used the internet for an average of nearly 10 hours a week, with access split broadly as two-thirds from home and one third from elsewhere.¹⁰</i>
Internet shopping...	
There are 20.4 million online shoppers in the UK...	<i>42 per cent of the total adult population (or 20.4 million people) shopped online in the 12 months to April 2006.¹¹</i>
Internet shopping is still a relatively new phenomenon...	<i>We found that 38 per cent of online shoppers had been shopping online for two years or less; and 70 per cent had been doing so for four years or less.</i>
More than half of internet shoppers spend more than £500 per year...	<i>Our survey found that 56 per cent of internet shoppers spent over £500 and almost a third (31 per cent) spent over £1,000 in the 12 months to November 2006.</i>
Internet shoppers are buying online regularly...	<i>Our survey found that nearly half (49 per cent) of online shoppers bought at least monthly. Data from elsewhere suggests that internet shoppers made an average of 14 online shopping 'trips' in 2006.¹²</i>
Consumers' concerns...	
However, we estimate that 3.4 million UK adults use the internet but do not shop online because of security fears...	<i>One in ten people (11 per cent) with internet access who could shop online are being put off by fears about security. This equates to 3.4 million UK adults.¹³</i>
The vast majority of internet users had at least some concerns about shopping online...	<i>86 per cent of internet users in our survey had at least some concerns about shopping online, while only 12 per cent had no concerns.¹⁴</i>

⁹ Office for National Statistics (2001-2006). This survey was not expanded to include Northern Ireland until 2006. The figure for broadband access for the UK in 2006 was also 40 per cent.

¹⁰ OFCOM (2006), Media Literacy Audit

¹¹ OFT estimate based on Office for National Statistics (ONS) (2006), Internet Access: Households and Individuals

¹² Verdict (2007) UK e-Retail 2007

¹³ OFT Consumer Telephone Survey and Office for National Statistics (ONS) (2006), Internet Access: Households and Individuals

¹⁴ Note that 'internet users' refers to internet shoppers and non-shopping internet users. In our consumer telephone survey, ninety per cent of 'internet users' were also internet shoppers (as set by quota).

The biggest concern of internet users is having financial details divulged...	<i>79 per cent of internet users told us that having financial details divulged was a concern, while 31 per cent were concerned about divulging personal details. In comparison, product delivery was a concern for 23 per cent of these respondents and the quality of the product was a concern for 16 per cent.</i>
Internet users only sometimes check the security of a site...	<i>34 per cent of internet users only sometimes check the security of a site and one in five (19 per cent) never check. One reason appeared to be apathy among those who only sometimes or never checked: 28 per cent said that they 'just don't bother'.</i>
A small number of sites do not use secure links when collecting consumers' payment card details...	<i>We found that 2 per cent of electrical sites, 6 per cent of travel sites and 8 per cent of music sites did not appear to use secure links when collecting consumers' payment card details.</i>
Problems, awareness and compliance...	
Almost one quarter of online shoppers had experienced a problem when shopping online...	<i>Our consumer survey found that 23 per cent of internet shoppers had experienced some form of problem in an online transaction in the last year.</i>
The most prevalent problem internet shoppers had experienced related to delivery...	<i>About half (48 per cent) of those who had experienced a problem shopping online in the past 12 months said the most recent problem related to delivery.</i>
...but other problems related to the goods themselves, as well as difficulties getting refunds and contacting traders...	<i>When combined, wrong, damaged, faulty or poor quality goods were also a typical cause of complaint, accounting for 17 per cent of the problems. Difficulties with refunds and returns accounted for 16 per cent of problems consumers said they had experienced. And problems communicating with the trader accounted for 14 per cent.</i>
Most online shoppers could resolve their problems...	<i>Most (63 per cent) online shoppers, who had experienced a problem in the past 12 months, had had it resolved to their satisfaction.</i>
However, one in five could not resolve their problem...	<i>One in five (20 per cent) of those who experienced a problem had given up trying to resolve it, and 17 per cent were still trying to achieve redress.</i>
Internet shoppers have relatively low awareness of their additional rights...	<i>56 per cent of internet shoppers did not know of their right to cancel, or considered there was no such right.</i>
Some businesses are not aware of the consumer right to return	<i>When we surveyed the awareness of electrical retailers, who were selling online about a consumer's right to reject goods that were not faulty, we found that 20 per cent said</i>

<p>non-faulty goods...</p>	<p><i>consumers did not have a right to cancellation, or did not know.</i></p>
<p>Many retailers were not aware of the cancellation procedure...</p>	<p><i>The majority (57 per cent of electrical retailers and 51 per cent of music retailers) of the retailers wrongly thought they could withhold the cost of outward delivery.</i></p> <p><i>Also, 43 per cent of those electrical retailers who were aware of the right to return wrongly thought they could withhold a restocking or administration fee.</i></p>
<p>...and some sites did not seem to be providing consumers with their full rights to cancel</p>	<p><i>Where electrical retailers' sites mentioned a cancellation period, most (84 per cent) appeared to give shoppers seven working days or more – apparently meeting or exceeding the requirements of the regulations.</i></p> <p><i>However, we also found that 12 per cent of electrical retailers' sites appeared not to mention any cancellation period and 4 per cent seemed to say it was less than seven days. Also 39 per cent of music retail sites appeared not to mention a period or said there was no right to cancel.</i></p>
<p>The majority of electrical retailers attached at least one condition on consumers' rights to cancel...</p>	<p><i>Of the 100 electrical websites reviewed, 59 per cent stated at least one condition on consumers' rights to cancel and receive a refund which, depending on the circumstances, may have meant a breach of the regulations.</i></p>
<p>Some businesses also had gaps in their knowledge of the legal requirements of selling online...</p>	<p><i>A fifth (21 per cent) did not think they had to provide their email address, and a quarter (24 per cent) did not think they had to provide their geographical address.</i></p>
<p>Some businesses had never sought advice on their obligations to consumers' rights...</p>	<p><i>66 per cent of businesses currently selling online told us that they had never sought advice on their obligations to consumers when selling online.</i></p>

Annexe 2: Key advice – Businesses

- 1. Know your legal obligations when selling online to consumers. Abide by**
 - all of the usual consumer and trading legislation (see the links below)
 - additional regulations that relate to internet selling, in particular the Distance Selling Regulations ('DSRs') and the E-Commerce Regulations ('ECRs')

- 2. Be open and easy to contact**
 - Being open with consumers improves their experiences and confidence, and encourages repeat business
 - The law requires internet traders to provide certain information, including -
 - the business' name and address, and email address
 - the full price of products, including taxes and delivery costs
 - details of the customer's right to cancel

- 3. Respect consumers' unconditional right to cancel**
 - Consumers should be able to shop with confidence, knowing they can cancel most purchases (usually within seven working days) for a full refund

- 4. Secure your website**
 - This is essential if you are accepting online payments or storing personal data
 - There are many technical protections against fraudulent transactions online, for instance 3D-Secure authentication

- 5. Respect consumers' personal information**
 - by making sure you abide by data protection laws in this area
 - by not sending unwanted emails and making sure consumers can opt out

- 6. Keep up to date**
 - Everything in this area moves quickly, so use the links below to keep up with changes to the law which affect your business and any new security threats
 - Make use of email alert facilities offered by these sites

There are many sources of advice for businesses on selling online, including:

- OFT www.oft.gov.uk/advice_and_resources/small_businesses/distance-selling (for advice on the law relating to distance selling)
- Business Link www.businesslink.gov.uk (for advice on setting up an online shop and getting the most out of selling online)
- Get Safe Online www.getsafeonline.org (for information on internet security)
- Information Commissioner's Office www.ico.gov.uk (for information on respecting consumers' personal information)

Annexe 3: Key advice – Consumers

1. Make sure you're getting the best deal before deciding to buy

- Shop around using more than one search engine or price comparison site
- When comparing prices, check that the advertised price includes everything you have to pay, for example tax and delivery charges

2. Know who you're dealing with

- Check the trader's details on their website, including their full geographical address (not just a PO box number)
- Don't assume '.uk' means that the seller is based in the UK
- If unsure, contact the trader by telephone if a number is provided (be wary of mobile phone numbers) or email. Businesses must provide an email address.

3. Know your rights, and be ready to defend them

- Remember your cancellation right: you can get a full refund on most online purchases if you cancel within seven working days after you receive the goods and have taken reasonable care of them while in your possession (check the terms and conditions to see who will cover the cost of returning the goods)
- Remember that 'internet auctions' are only a marketplace for sellers and do not take responsibility for items sold on their sites
- Check and keep receipts, order confirmations and correspondence (including electronic communications)
- Complain to the trader if you have a problem shopping online
- If that doesn't solve the problem, try Consumer Direct (see below)

4. Protect your personal and financial information online

- Check the links below for more advice, but some good precautions are:
 - use security software and keep it up to date
 - stay alert for scamming emails and do not open emails with attachments from unknown senders
 - look for a padlock symbol (🔒) or 'https' in the website address when inputting personal details
 - remember that, if you use a credit card for purchases of £100 or more, you may get compensation from the card company if something goes wrong
 - check your bank and credit card statements regularly and contact your bank immediately if you think your details have been disclosed

There are many sites that can give you advice about internet shopping, including:

- Consumer Direct www.consumerdirect.gov.uk or 08454 04 05 06 (for information on consumer rights and advice about redress)
- OFT www.offt.gov.uk/oft at work/consumer initiatives/scams/ (for advice on internet scams)