

Monitoring the internet shopping market

Assessing changes to consumer awareness and
business practices in the market following OFT work

January 2010

OFT1153

© **Crown copyright 2010**

This publication (excluding the OFT logo) may be reproduced free of charge in any format or medium provided that it is reproduced accurately and not used in a misleading context. The material must be acknowledged as crown copyright and the title of the publication specified.

CONTENTS

<i>Chapter/Annexe</i>	<i>Page</i>
1 Executive Summary	4
2 Introduction	9
3 The 2009 Web Sweep	15
4 Analysis of the Results of the 2009 Web Sweep and Consumer Research	18
Annexe A. Changes to Key Success Indicators since 2006	27
Annexe B. Findings from the 2009 Web Sweep	28
Annexe C. Web Sweep Questions	36

1 EXECUTIVE SUMMARY

- 1.1 The OFT published the Internet Shopping market study in June 2007 and followed it up with activities that aimed to improve compliance and raise awareness of rights amongst businesses and consumers. This report assesses changes in consumer awareness of rights, business practices, and consumer confidence about internet shopping since 2007.
- 1.2 It draws from consumer omnibus surveys¹ commissioned in January 2009 relating to consumers' experience of online shopping and a web sweep of top retail sites in March 2009 – involving Trading Standards Officers (TSOs) reviewing websites that were EU based to assess business assumed compliance with the regulations.²
- 1.3 Findings from the omnibus surveys were published in May 2009³ in a report that compared the 2009 findings to those of the original surveys conducted in 2006 as part of the OFT Internet Shopping market study. In this report, we compare findings from a web sweep carried out in March 2009 to those from a similar exercise undertaken in December 2007. We then analyse the results of the omnibus surveys and the web-sweep exercise to give an overall assessment of market developments on such key issues as awareness of cancellation rights, security concerns and consumer confidence.

¹ GFK NOP Telebus (telephone omnibus), and TNS Onlinebus (online omnibus).

² All websites reviewed were EU based and sold to UK consumers. The assessments conducted between 2-18 March 2009 were made by TSOs but are not intended to be a legal finding of compliance or non-compliance with relevant consumer legislation by any particular business, nor to be relied on as such. Accordingly, we refer to findings as 'assumed' compliance or non-compliance with applicable regulations. Reviews are only indicative of whether sites may be complying with legislation (or not) and assumed compliance could be later concluded as unfounded if further investigation were undertaken (or vice versa).

³ For more details please see *Findings from consumer surveys on Internet Shopping*, OFT1079, May 2009. www.offt.gov.uk/shared_offt/reports/Evaluating-OFTs-work/oft1079.pdf.

1.4 It must be noted that this report is not an in depth evaluation but rather an exercise that aims to monitor market developments post OFT actions to assess if our initial estimates of impact are reasonable. We recognise that it would not be possible to assess the effects of previous OFT work in isolation from general market changes. This is particularly so when there are other influential external factors, for example - current economic climate, work done by consumer associations and change in profile of shoppers. By gathering evidence on the key success indicators (KSIs) in the market (business assumed compliance, consumer awareness and confidence) following OFT actions, we can assess whether these have moved in the direction we intended in order to benefit consumers.

Summary findings from web sweep and consumer surveys

1.5 Overall, there have been many positive changes in the internet shopping market following the OFT study and follow up activities, and the KSIs have moved in the direction we intended, broadly supporting the estimates of impact of the Internet Shopping market study.⁴

Business assumed² compliance

- Overall assumed compliance and information provision by online businesses has improved with more sites (89 per cent in 2009 compared to 84 per cent in 2006) now providing full geographical addresses, and fewer sites (26 per cent in 2009 compared to 38 per cent in 2006) imposing restrictions on cancellations.
- A greater proportion of sites reviewed in 2009 (21 per cent compared to 17 per cent in 2008) appeared to comply on all aspects

⁴ Positive Impact 08-09 included impact from the Internet Shopping market study (£24m average annual benefits). See OFT1102 - www.offt.gov.uk/shared_offt/reports/Evaluating-OFTs-work/oft1102.pdf

for which they were assessed.⁵ While the web sweep covered larger businesses, it is possible that assumed compliance of smaller sites, not included in the review, also improved due to the larger sites setting a higher standard.

Consumer awareness

- Awareness of consumer rights. The 2009 online omnibus shows an increase in the proportion of shoppers claiming to be very or fairly aware of their rights when shopping online (up from 49 per cent in 2006 to 62 per cent in 2009). Shoppers are also more aware of where to go when looking for advice on their rights⁶ (decrease in those reporting they do not know where to go for advice from 28 per cent in 2006 to 16 per cent in 2009).
- Cancellation and refund rights. Consumer awareness about cancellation rights has improved since 2006 (51 percent in 2009 compared to 44 per cent in 2006). 68 per cent of telephone omnibus shoppers stated that better information on cancellation was available compared to a year ago.
- Ability to search. While fewer shoppers used price comparison sites in 2009 (60 per cent) compared to 2006 (73 per cent), the key

⁵ Assessments were made of certain key aspects of the Distance Selling Regulations 2000 and of the Electronic Commerce (EC Directive) Regulations 2002 in relation to websites selling goods to which cancellation rights applied. For the purpose of this exercise, sites were assumed to be fully compliant if the following criteria were met: a. The site lists a business address, b. There is a full geographical address, c. There is an email address, d. Site provides consumers with information on right to cancel, e. Correct cancellation period (or longer) was mentioned, f. Site did not appear to impose any unlawful restrictions/ conditions on cancellation refund rights, g. Site appeared to refund full cost of the good including cost of outward delivery, h. Site does not appear to breach any other legislation.

⁶ See OFT press release dated 11 May, 2009 that states – 'New figures released by Consumer Direct show that more people than ever are seeking guidance about internet shopping transactions. Enquiries about online purchases now account for 10 per cent of calls to Consumer Direct compared to six per cent in 2006.

reason cited for this was a preference to shop from familiar sites rather than lack of awareness about price comparison sites.⁷

Consumer confidence

- Consumers increasingly felt that shopping online was safe. The proportion of telephone omnibus shoppers who felt shopping online was as safe as shopping in store doubled from 26 per cent in 2006 to 54 per cent in 2009. 85 per cent of shoppers felt very or fairly confident about shopping online. There has been a reduction in concerns over delivery (telephone omnibus shows this is down from 24 per cent in 2006 to 12 per cent in 2009) and security of financial details (down from 78 per cent in 2006 to 68 per cent in 2009).
- Consumers claiming to be more aware were less concerned about shopping online. 70 per cent of shoppers in the telephone omnibus who said they were very/fairly aware of their rights reported few or no concerns about online shopping. However, there is still distrust about internet shopping amongst 'non-users' (those who do not use the internet for shopping) – with 23 per cent of the 2009 telephone omnibus respondents using the internet but not shopping online.

Conclusion

- 1.6 There have been many positive changes in the internet shopping market following the OFT study and follow up activities, and KSIs have moved in the direction intended. Business assumed compliance with regulation and information provision has improved, levels of consumer awareness

⁷ It is difficult to draw a firm conclusion that use of price comparison sites has fallen. Desk research suggests otherwise. Online research publication, E Marketer, stated in its August 2009 report that a survey of UK internet users carried out by Internet Advertising Bureau UK and Lightspeed Research, UK revealed that the recession had affected the frequency of visits to (retail) websites. 41 per cent of respondents said the time they spent shopping had increased and 45 per cent said they were spending more time looking for deals. 33.7 per cent of respondents said they visited price comparison sites more often due to the recession. www.emarketer.com/Article.aspx?R=1007223.

and confidence have increased since 2006, though there is still scope for the absolute levels to improve for the market to thrive. This supports our initial fairly conservative estimate of impact of the Internet Shopping market study and awareness raising activities.

2 INTRODUCTION

- 2.1 The OFT launched a fact finding market study into the Internet Shopping market in April 2006. The study assessed consumer and business attitudes and experiences, the regulatory framework and awareness of rights and their enforcement. The report was published in June 2007 and concluded that awareness of online shoppers' rights was low for businesses and consumers, security and privacy concerns put some consumers off buying online altogether and by searching more effectively shoppers could find big savings.
- 2.2 The Internet Shopping market study estimated that in 2005 the UK internet shopping market had grown by 30 per cent compared to the previous year and was worth over £21.4bn,⁸ and that the previous year over 20 million people had shopped online with nearly a third of them spending over £1,000.
- 2.3 The study was followed by a six-month project where follow up activities were devised and implemented to raise consumer and business awareness of rights and obligations, and promote business assumed compliance. The work was completed by December 2007.⁹ The follow up work strands included:
- Publishing a range of summary materials to supplement existing OFT guidance documents and integrating them into the Consumer Direct web site. These included tips for safe shopping online such as checking if websites are secure, refund policy and cancellation rights. The November 2007 National Consumer Week was used to promote these messages.

⁸ Please see - Internet Shopping: An OFT Market Study (June 2007), OFT921 www.of.gov.uk/shared_of/reports/consumer_protection/oft921.pdf.

⁹ The web sweep to assess business compliance was carried out in December 2007 but the report was not published until March 2008.

- Updating OFT's advice to business web pages, including a summary of key regulatory requirements and advice for small firms on online security to protect themselves and their consumers by adhering to sensible security practices. This information was shared with industry bodies such as APACS for onward distribution.
- Working with the Consumer Education Alliance to distribute materials through consumer-facing web sites.
- Securing the agreement of the top five internet auction sites to provide information to consumers about their rights under the Distance Selling Regulations (DSR) and to provide clearer identification of traders. Under the DSR, consumers have the right to receive clear information about goods/services they buy and the cancellation period in appropriate cases.¹⁰
- Securing the agreement of key price comparison sites to include consumer advice and links to the guidance on Consumer Direct.
- Findings from an initial assessment of assumed compliance by a small number of leading web sites were shared with industry bodies – British Retail Consortium (BRC), Interactive Media in Retail Group (IMRG), and Confederation of British Industry (CBI) with a view to encouraging members to address any gaps.
- The OFT co-ordinated a national web-sweep by nearly 100 local authority Trading Standards Services (TSS) of the 'top 600' online retailers in December 2007. It published a report and press release on the overall results of the exercise in March 2008. The results indicated that most large UK based online retailers were complying with key consumer protection requirements. However, they also

¹⁰ The DSRs do not apply to all distance contracts. Contracts to which they do not apply are set out in Regulation 5; contracts to which only part of the DSRs apply are in Regulation 6 and exceptions to the right to cancel are set out in Regulation 13. See also the joint DTI/OFT guide for businesses on distance selling, September 2006.

identified room for improvement in some areas, including the provision of adequate contact details, and transparency in cancellation and refund rights. The OFT then worked with the TSS officers to inform over 400¹¹ UK retailers of the results and indicated that, in some cases, TSS officers would follow up their findings by directly advising the retailers on compliance with the regulations.

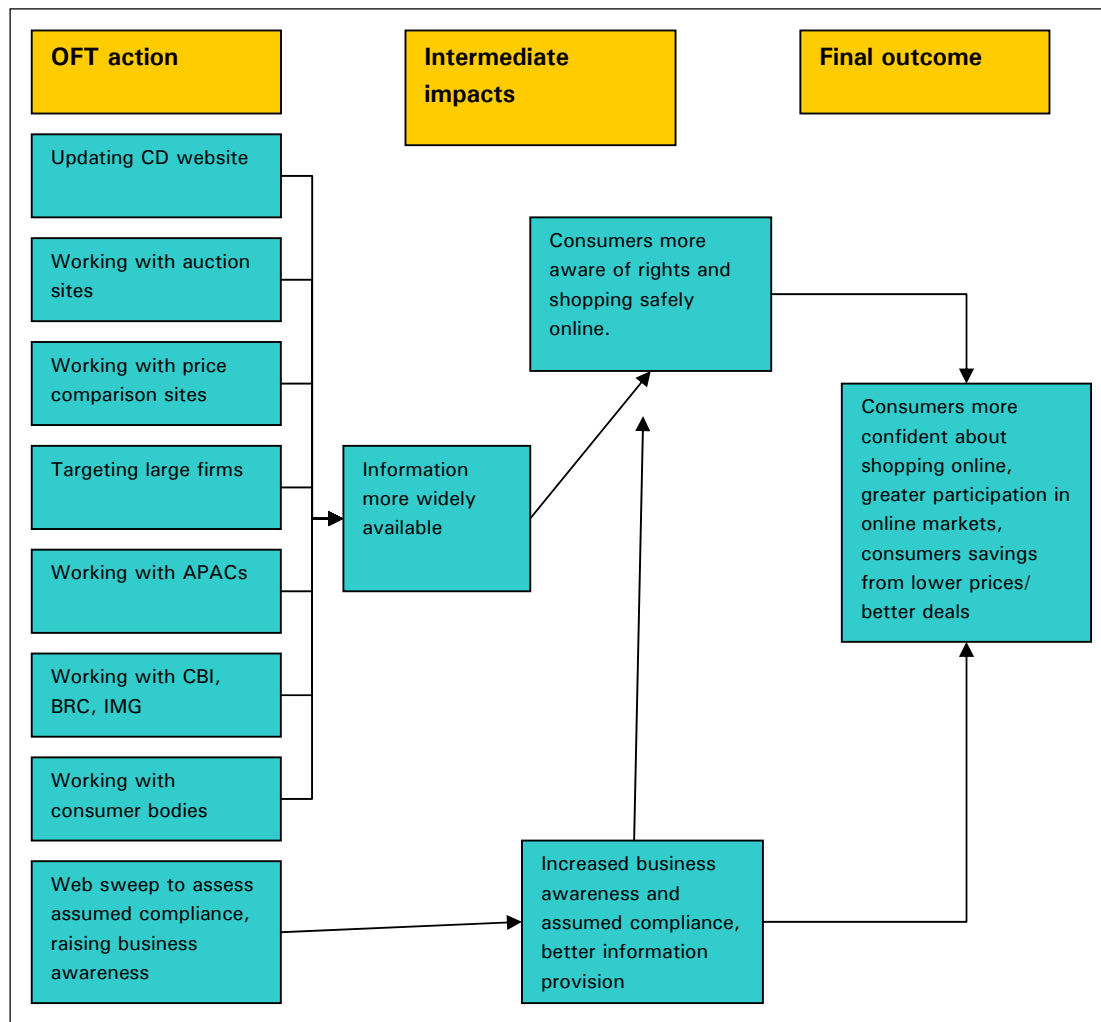
Impact estimation

- 2.4 Positive Impact 08/09 estimated that the average annual impact from OFT's study and follow up activities to raise awareness and compliance in the market was around £24m.¹²
- 2.5 The below intervention logic model is a theoretical framework that sets out how positive impact might have come about following OFT actions.

¹¹ Please note that while the top 600 sites were selected for the web sweep, only 439 sites (EU based and selling to UK consumers) were reviewed.

¹² Please note this figure is different from estimated impact per year (£25m). Total impact over two years assumed duration is £50m. This was then annualised taking net present value by applying a 3.5 per cent discount rate to get average annual impact of £24m reported in Positive Impact 08/09. www.offt.gov.uk/shared_offt/reports/Evaluating-OFTs-work/oft1102.pdf.

Figure 1. Intervention Logic Model (ILM)



2.6 The following broad key success indicators (KSIs) were identified by the ILM model.

- Improvements in **business assumed compliance** and **information provision** (broadly) required under The Consumer Protection (Distance Selling) Regulations 2000 (DSRs), the Electronic Commerce Regulations 2002 (ECRs), and other relevant regulations.
- Increase in **awareness** of online consumer rights.

- Increase in **consumer confidence** about online shopping.

2.7 Research undertaken as part of the 2007 study quantified detriment arising from three specific drivers within the broad KSIs listed in paragraph 2.6. To estimate quantitative impact, we relied on these estimates of consumer detriment published in the 2007 market study. These were:

- £175-350m from missed savings – people who have internet connections but are afraid to shop online (based on about three million consumers)
- £150-240m from not searching effectively (one million consumers)
- £60-100m in detriment from extra charges – hidden charges which were not apparent when the purchase transaction was contemplated (1.2 million consumers).

{ + £ unknown from lack of awareness of consumer rights }

2.8 Using the three lower bound estimates gives total consumer detriment of £385m estimated based on about five million¹³ affected consumers in 2005.

2.9 To estimate quantitative impact we assumed that the market size in 2007 was about 50 per cent bigger, and therefore the total detriment in 2007 was at least £500m per annum.¹⁴ We assumed that roughly five

¹³ There might be some overlap between the three groups of affected consumers (missed savings, lack of effective search, and hidden charges) but given that this is a fast growing market we feel that five million is a reasonable estimate. There might also be some consumers who suffer detriment due to reasons other than the three quantified above (for example – lack of awareness and therefore failure to exercise consumer rights) that we have not taken into account so overall our calculations are conservative.

¹⁴ Consumer detriment of £385m was estimated based on a total market size of £20 bn. We assumed that the market size in 2007 was about £30bn and scaled up the benefits to about £500mn (that is, 385m/20bn x 30bn). In fact, according to IMRG, market size in 2007 was about £42bn. <http://econsultancy.com/blog/1118-online-sales-to-hit-78bn-by-2010-imrg>.

per cent of affected consumers were reached by OFT actions and benefitted from it and therefore about five per cent of the total detriment was averted to arrive at the total estimated impact of £25m¹⁵ per year. We assumed that the impact would last for about two years, giving us a net present value (discounted at 3.5 percent) of total impact of about £48m.

- 2.10 The aim of the monitoring exercises (web sweep and consumer surveys) undertaken in 2009 was to gather evidence on whether the broad KSI set out in the intervention logic model (ILM) were moving in the direction intended. The results broadly support the early fairly conservative estimates of impact. Section three describes the web sweep carried out in February 2009 and compares these to the 2008 sweep. Section four draws together findings from the omnibus surveys and web sweep to assess whether KSIs in the market have moved in the right direction to support our initial estimate of impact. Annexe A lists changes to KSIs and Annexe B presents detailed findings from the 2009 web sweep.

¹⁵ We assumed that roughly five per cent of the affected five million consumers were reached due to OFT activities and benefitted from it (that is, 250,000 consumers). Multiplying this by the average detriment £100 (£500m/five million consumers) gives us annual consumer savings of £25m (average detriment £100 x 250,000 consumers).

3 THE 2009 WEB SWEEP

Introduction

- 3.1 The aim of the 2008 websweep¹⁶ was to assess the extent to which the UK's top retail websites were complying with some of the key requirements of online shopping laws. In order to assess whether there had been any change since the 2008 measurements, this exercise was repeated in March 2009. This section compares results from the recent web sweep to those from the previous web sweep.
- 3.2 We are grateful to all participating TSS.

Background

- 3.3 The 2007 market study reported that many businesses had a low awareness of online shoppers' rights and that some were not complying with the relevant regulations.
- 3.4 UK online retailers must comply with a wide range of regulations designed to protect consumers including The Sale of Goods Act 1979, Data Protection Act 1998, the Unfair Terms in Consumer Contracts Regulations 1999, The Consumer Protection (Distance Selling) Regulations 2000 (DSRs) and the Electronic Commerce (EC Directive) Regulations 2002 (ECRs).

Methodology

- 3.5 In February 2009, all TSS in England and Wales were asked to participate in the 2009 web sweep. Each participating TSS was then provided with a small number of websites to review. Each review was expected to take 30 - 40 minutes to complete and certainly not more than half a day's work in total.

¹⁶ Please note the web sweep exercise was conducted in December 2007 by TSS volunteers but the report was published in March 2008. We therefore refer to it as the 2008 web sweep.

- 3.6 The websites reviewed were randomly allocated from a list of the top 485 sites from the January 2009 Hitwise listing, excluding Auctions, Classifieds, Rewards & Directories, Ticketing and Wholesale and Relationship Sales.¹⁷ In 2008, 530 sites of the top 600 sites were reviewed and 439 sold to UK consumers. In 2009, 406 of the top 485 were checked and 370 of these sold to UK consumers. The guidance¹⁸ and review form used were as for the 2008 exercise.
- 3.7 Trading Standards Officers (TSOs) were asked to complete the online form whilst reviewing the site. All websites reviewed were EU based and if a site did not sell to UK consumers the review was terminated as EU legislation may not be applicable. All reviews were conducted between 2 - 18 March 2009.
- 3.8 The assessments were made by TSOs. Reviews are only indicative of whether sites may be breaching legislation and potential breaches of legislation could be later concluded as unfounded if further investigation were undertaken.
- 3.9 It is also possible that the information on any particular website has been updated since the day on which it was reviewed. This report is a high level analysis and the OFT will not be identifying individual businesses, however, where apparent breaches have been identified and home authorities have been informed, it is for TSOs to decide how to proceed on a case by case basis.
- 3.10 In order to be able to apply statistical testing methods we must define our populations as the UK's most popular websites. Whilst we can be confident that these sites account for a large proportion of UK online sales we cannot infer that the results presented here are representative

¹⁷ www.hitwise.co.uk. This excluded auction sites, classifieds, directories, ticketing and wholesale and relationship sales.

¹⁸ Please refer to Annexe 3 of the 2008 Web Sweep report, OFT 982. www.of.gov.uk/shared_of/reports/consumer_protection/oft982.pdf.

of smaller EU based websites selling to UK or non-EU sites where EU regulations do not apply. In particular, these results do not represent small independent online traders.

4 ANALYSIS OF THE RESULTS OF THE 2009 WEB SWEEP AND CONSUMER RESEARCH

- 4.1 In this concluding section, we draw some overall assessments on market developments. We analyse findings from the consumer omnibus surveys and web sweep to assess how the KSIs (business assumed compliance, consumer awareness, and consumer confidence) have changed since 2007.
- 4.2 We recognise that it would not be possible to assess the effects of previous OFT work in isolation from general market changes. This is particularly so when there are other influential external factors, for example the current economic climate, work done by consumer associations and change in profile of shoppers. By gathering evidence on the KSIs in the market following OFT actions, we can assess whether these have moved in the direction we intended in order to benefit consumers.
- 4.3 The differences discussed are all significant at the 95 per cent confidence level.

Business assumed compliance

Overall assumed compliance and information provision by online businesses has improved with more sites (89 per cent) now providing full geographical addresses, and fewer sites (26 per cent) imposing assumed unlawful restrictions on cancellations. Fewer sites indicated additional compulsory charges to be added to the final price though there was no change in the proportion of sites actually adding these charges.

- 4.4 The detailed findings from the 2009 web sweep can be found in Annex B. Below we present select results and compare these to the findings from the 2008 web sweep.
- Overall assumed compliance with regulations. A greater proportion of sites reviewed in 2009 (21 per cent compared to 17 per cent in

2008) appeared to be fully compliant for the purposes of this review.¹⁹ While smaller businesses were not reviewed as part of the web sweep, it is possible that assumed compliance of smaller sites, not included in the review, also improved due to the larger sites setting a higher standard.

- Contact details. The web sweep showed an increase in the number of sites providing full geographical address from 84 per cent in 2008 to 89 per cent in 2009.
- Additional charges. There was a decrease in the proportion of sites indicating additional charges to be added to the final price from 25 per cent in 2008 to 22 per cent in 2009. However there was no significant change in the proportion of sites (55 per cent) which actually added compulsory charges to the initial price.
- Breaches of legislation. There was a decline in sites apparently breaching legislations other than the DSR and ECR from 16 per cent in 2008 to 13 per cent.
- Displaying padlock. There was no change in the proportion of sites (84 per cent) displaying the padlock symbol (or https) to indicate that information on the page was secure.
- Information on cancellation rights. 87 per cent of sites reviewed in 2009 provided information on rights to cancel a purchase compared to 85 per cent in 2008. Of the sites that did provide information on

¹⁹ Assessments were made of certain key aspects of the Distance Selling Regulations 2000 and of the Electronic Commerce (EC Directive) Regulations 2002 in relation to websites selling goods to which cancellation rights applied. For the purpose of this exercise, sites were assumed fully compliant if the following criteria were met: a. The site lists a physical address b. There is a full geographical address, c. There is an email address, d. Site provides consumers with information on right to cancel, e. Correct cancellation period (or longer) was mentioned, f. Site did not appear to impose any unlawful restrictions/ conditions on cancellation refund rights, g. Site appeared to refund full cost of the good including cost of outward delivery, h. Site does not appear to breach any other consumer legislation...

cancellation, the proportion placing assumed unlawful restrictions on cancellations declined from 38 per cent in 2008 to 26 per cent in 2009.²⁰

4.5 The following paragraphs present some of the key findings on consumer awareness and confidence from the 2009 omnibus surveys and link some of these to relevant web sweep results. The detailed findings from the 2009 consumer omnibus surveys can be found in an OFT report published in May 2009.²¹

Consumer awareness

Awareness of consumer rights. There has been an increase in the proportion of shoppers who stated that they are aware of their rights when shopping online. Shoppers are also more aware of where to go when looking for advice on their rights. However, a substantial minority still claim to be unaware of their rights.

Cancellation and refund rights. Consumer awareness of the existence of cancellation rights has improved since 2006, although the majority were still not aware of the correct cancellation period. The surveys and web sweep indicate that more information on cancellation rights is available on retail sites and business compliance with this requirement appears to have improved.²²

Ability to search. While fewer shoppers used price comparison sites in 2009 compared to 2006, the key reason cited for this was a preference to shop from familiar sites rather than lack of awareness about price comparison sites.

²⁰ For the application of cancellation rights to goods supplied at a distance, see footnote 10.

²¹ OFT 1079 - www.of.gov.uk/shared_of/reports/Evaluating-OFTs-work/oft1079.pdf.

²² The time at which the cancellation period ends depends on the time at which the business provides the consumer with information concerning cancellation right and other information in writing or in another durable form. See paragraph 3.22ff. of the dti/OFT guide for businesses on distance selling. Provided the business gives your consumer the required written information no later than the time the goods are delivered, their cancellation rights end seven working days after the day on which they received the goods.

4.6 There has been significant improvement in awareness amongst online shoppers, in particular awareness about cancellation rights. Awareness increases as consumers learn from past experience or have access to more information or if better informed consumers enter the market.

Awareness of consumer rights

- The 2009 online omnibus showed that a proportion of internet shoppers claiming to be very or fairly aware of their rights when shopping online had risen from 49 per cent in 2006 to 62 per cent 2009.²³
- The telephone omnibus survey responses were similar to this level, with 63 per cent of shoppers stating they were very or fairly aware. The proportion of very aware consumers had nearly doubled since 2006 (from 12 per cent to 23 per cent).
- In addition, the telephone omnibus showed a decrease in the proportion of shoppers who did not know where to go for advice on their rights in 2009 compared to 2006, down to 16 per cent from 28 per cent.
- We could infer from the survey results that growing consumer experience plus availability of more information on retail sites have improved awareness of cancellation rights. A greater proportion of internet shoppers responding to the 2009 online omnibus (51 per cent in 2009 compared to 44 per cent in 2006) correctly thought they could return an item bought online. Of the 51 per cent, 22 per cent had exercised their right and actually returned an item.
- 79 per cent of shoppers in the telephone omnibus answered that retail sites provided accurate information on cancellation rights and

²³ Further analysis revealed that 60 per cent of the very/fairly aware shoppers answered correctly when asked whether they had the right to return an item bought online. In addition, most of the very/fairly aware shoppers (76 per cent) who owned a credit card were aware of their rights in case of credit card fraud.

68 per cent of respondents stated that better information on cancellation was available compared to a year ago. This is consistent with the web sweep findings that show an increase in sites providing cancellation information and better assumed compliance with this obligation.²⁴

- Only 25 per cent of shoppers in the online omnibus knew the correct answer when asked how long they had to cancel an order and this has not changed since 2006.

Seller information

- The 2009 web sweep found better assumed compliance (compared to 2007) by retail sites in providing contact details (paragraph 4.4) and the telephone omnibus shows that consumers are increasingly looking for information on sellers, in particular on terms and conditions (49 per cent to 55 per cent), consumer reviews of site (21 per cent to 36 per cent), and contact telephone (51 per cent to 57 per cent). A greater proportion of consumers (up from 65 per cent in 2006 to 70 per cent in 2009) using auction sites checked to see if they were buying from a private seller or trader.²⁵

Ability to search

- Fewer shoppers responding to the 2009 online omnibus used price comparison sites (60 per cent) compared to 2006 (73 per cent).²⁶ The main reason cited by those not using price comparison sites was that they preferred to shop from familiar sites. This went up from 43

²⁴ See footnote 22 above as to the time when the cancellation period ends.

²⁵ The DSRs do not apply to private sellers who are not acting in a commercial or professional capacity.

²⁶ However, according to the research and analysis firm, E Marketer, about 34 per cent of internet users used price comparison sites more often in 2008 than before due to the recession. For more on this see footnote 7.

per cent in 2006 to 51 per cent in 2009. Twenty per cent of non-users of price comparison sites said they used search engines instead and the proportion saying they did not know how to use price comparison sites halved from 18 per cent to nine per cent.

- The main reason for shopping online according to the shoppers responding to the telephone omnibus was because of the wider choice and ability to compare prices online (an increase from 74 per cent in 2008 to 85 per cent in 2009).

Consumer confidence

Confidence amongst online shoppers has increased and there has been a reduction in concerns over delivery and security of financial and personal details (though the absolute level of the latter is still high). Shoppers claiming to be more aware were less concerned about shopping online. In fact, 70 per cent of shoppers in the telephone omnibus who said they were very/fairly aware of their rights reported few or no concerns about online shopping. Online shoppers increasingly felt that shopping online was safe and most shoppers felt very or fairly confident about shopping online. However, there is still distrust about internet shopping amongst non-users.

Lack of trust

- The proportion of shoppers in the telephone omnibus who felt shopping online was as safe as shopping in store more than doubled (26 per cent to 54 per cent). The proportion that felt shopping in person was safer than shopping online fell from 72 per cent in 2008 to 41 per cent in 2009. Most shoppers who preferred to shop in-store to shopping online said they liked to check their goods before buying and a preferred face to face transaction.
- Eighty-five per cent of shoppers responding to the telephone omnibus were very or fairly confident that their rights were protected when shopping online.

- The 2009 telephone omnibus found an increase in the proportion of shoppers who said public bodies help resolve problems (50 per cent to 76 per cent) and in the proportion who felt the internet was becoming a safer place to shop (64 per cent to 81 per cent). One of the factors contributing to the increase in consumer confidence could be the overall improvement in business assumed compliance (see web sweep results in paragraph 4.4). But 60 per cent of shoppers felt it was difficult to resolve problems when shopping online compared to the high street.
- 46 per cent of respondents to the telephone omnibus had shopped online in the past 12 months with 31 per cent of respondents having never used the internet.²⁷ For the third of the respondents who had used the internet but not shopped online,²⁸ the reasons for not doing so included, did not trust the internet for shopping (30 per cent), did not trust online sellers (15 per cent), and concerns about personal security (20 per cent).

Security of personal/financial information

- Fewer shoppers who responded to the telephone omnibus were concerned about security of financial details (down from 78 per cent to 68 per cent)
- The proportion of shoppers in the online omnibus looking for the padlock symbol which indicates that information entered on the site is securely encrypted decreased from 70 per cent in 2006 to 61 per cent in 2009. However, this does not in itself indicate lack of awareness. Filtering the online survey responses, we find that of the

²⁷ It is not possible to compare these figures with the 2006 survey results because of differences in the sample. The 2006 sample was set to a particular quota - such that around 10 per cent of respondents had not used the internet and 10 per cent of internet users should not have shopped online in the previous 12 months. This was not repeated in the 2009 surveys.

²⁸ Twenty-three per cent of internet users on the Telebus had not shopped online but only seven per cent of respondents to the Onlinebus had not shopped online.

shoppers who do not look for padlock/code/ trade association, 47 per cent prefer to shop from the sites they know. In addition, the web sweep showed that 84 per cent of sites reviewed were secure.

Delivery

- Concerns about delivery and product quality have decreased amongst shoppers who responded to the telephone omnibus. Delivery concerns halved from 24 per cent in 2006 to 12 per cent in 2009 and concerns about quality fell from 16 per cent in 2006 to 11 per cent in 2009.

Frequency of online shopping

- Overall frequency of online shopping has not changed since 2006 but shoppers say they have been spending less in 2009. The proportion of shoppers in the online omnibus spending less than £100 was up from seven per cent to 21 per cent and those spending more than £1,000 fell from 32 per cent to 13 per cent. It is difficult to conclude from these results whether the frequency and volume of online retail transactions has been affected by any changes to consumer confidence. The prevailing financial climate has arguably had a greater impact.²⁹

Conclusion

- 4.7 There have been many positive changes in the internet shopping market following the OFT study and awareness raising activities. Business

²⁹ E Marketer, a research and analysis firm, reported in August 2009 that growth in UK business-to-consumer (B2C) e-commerce sales (including travel) slowed in 2008 and that the current climate is expected to continue to influence online buying activity through 2010. The research firm also found that 45 per cent of respondents to a survey conducted by the [Internet Advertising Bureau UK](#) (IAB UK) and [Lightspeed Research](#) said they were spending more time looking for deals but this did not necessarily mean that they were spending more. However it said that the number of online buyers would increase. Article available at www.emarketer.com/Article.aspx?R=1007223.

assumed compliance with regulation and information provision has improved, levels of consumer awareness and confidence have increased since 2006, though there is still scope for the absolute levels to improve for the market to thrive. Overall, the KSIs have moved in the direction intended supporting the initial estimate of impact.

ANNEXE A. CHANGES TO KEY SUCCESS INDICATORS SINCE 2006

	Positive change	No change	Negative change
Business assumed compliance / Information Provision	Overall assumed compliance with legislation	Proportion of sites actually adding compulsory charges	Sites providing information on additional charges to be added to the final price
	Sites providing full geographical address	Sites displaying padlock symbol	
	Sites providing information on the right to cancel		
	Sites imposing unreasonable restrictions on cancellations		
Consumer Awareness	Shoppers claiming to be very aware	Awareness of cancellation period	Use of price comparison sites
	Awareness about source of advice on consumer rights		
	Awareness about cancellation rights		
	Shoppers not using price comparison sites because they don't know how		
	Shoppers not using auction sites because they don't know how		
	Shoppers claiming they always look for terms and conditions, consumer reviews, contact telephone numbers		
Consumer Confidence	Shoppers reporting no concerns	Shoppers reporting problems when shopping online	Shoppers looking for padlock symbol
	Shoppers who felt internet had become a safer place to shop	Frequency of online shopping	
	Shoppers reporting internet shopping as safe as shopping in the store	Concerns about security of personal/financial details amongst non-users	
	Shoppers' concerns about financial details being divulged	Lack of trust amongst non-users about online shopping	
	Concerns about delivery amongst shoppers		

ANNEXE B. FINDINGS FROM THE 2009 WEB SWEEP

Introduction

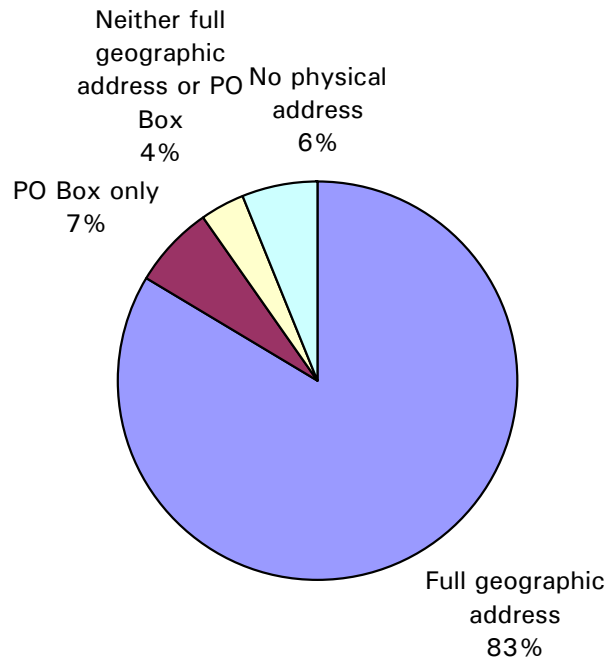
- B1. This section outlines the main results of the 2009 web sweep exercise carried out to assess business assumed compliance with online shopping laws and information provision.
- B2. Ninety-one per cent (370) of the 406 sites reviewed allowed UK consumers to order products online. Reviews were terminated if sites did not allow UK consumers to order products online.

Results

- B3. Ninety-four per cent of the reviewed sites which allowed UK consumers to order online listed a physical address for the business. In order to comply with the ECR, a business selling online must provide a full geographic address at which the business is established. Eighty-three per cent of the sites reviewed complied with this requirement. It is not sufficient to provide only a PO Box or a PO Box supported by an incomplete geographic address. As illustrated in Chart B.1, six per cent of sites did not provide any kind of physical address and a further 11 per cent of sites did not provide a complete geographic address.³⁰

³⁰ Under the DSRs, where payment is required in advance, businesses must also provide their address to the consumer in good time before concluding the distance contract. In addition, under the CPRs a trader making an invitation to purchase on a website must provide his geographical address.

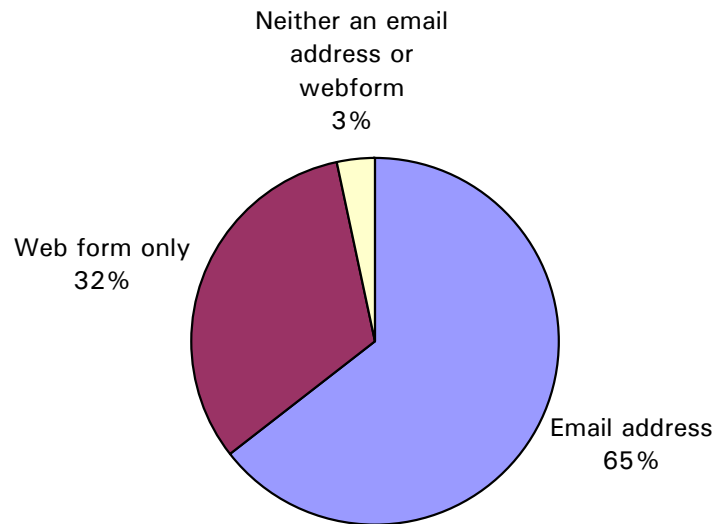
Chart B.1: Proportion of reviews containing full geographic address and/or PO Box



Base all completed reviews (370)

B4. The ECRs also require businesses selling online to provide an email address. Nearly two-thirds (65 per cent) of sites reviewed complied with this requirement. However, nearly one third of sites reviewed (32 per cent) only provided a web form and three per cent did not provide an email address or a web form. A web form alone does not strictly comply with ECRs which require an email address to be given, although a web form may allow for direct and effective communication.

Chart B.2: Proportion of reviews containing an email address and/or a web form

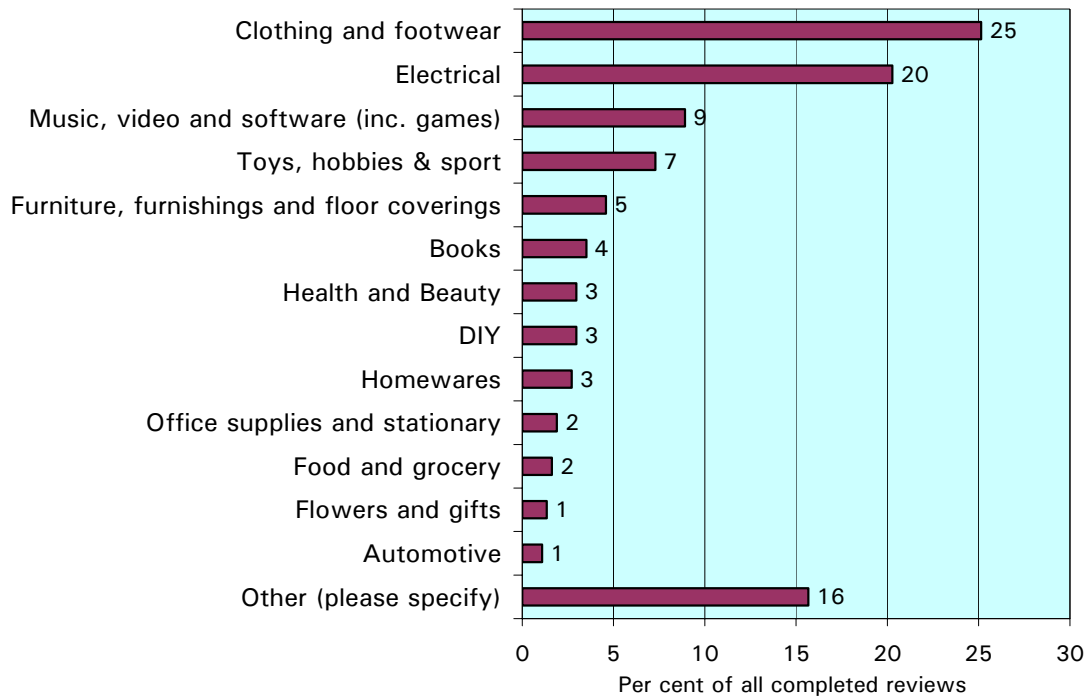


Base: all completed reviews (370)

- B5. Reviewers were asked to choose a typical product sold on the site they were reviewing. They were asked to choose goods rather than services if possible, and to choose a product which was 'typical' rather than something on special promotion which may have been subject to different terms such as free delivery.

- B6. Nearly half of the sites were reviewed with respect to the purchase of an item of clothing or footwear (25 per cent) or an electrical item (20 per cent). Chart B.3 illustrates the goods and services 'shopped' in the 2009 web sweep.

Chart: B.3: products used to complete website reviews

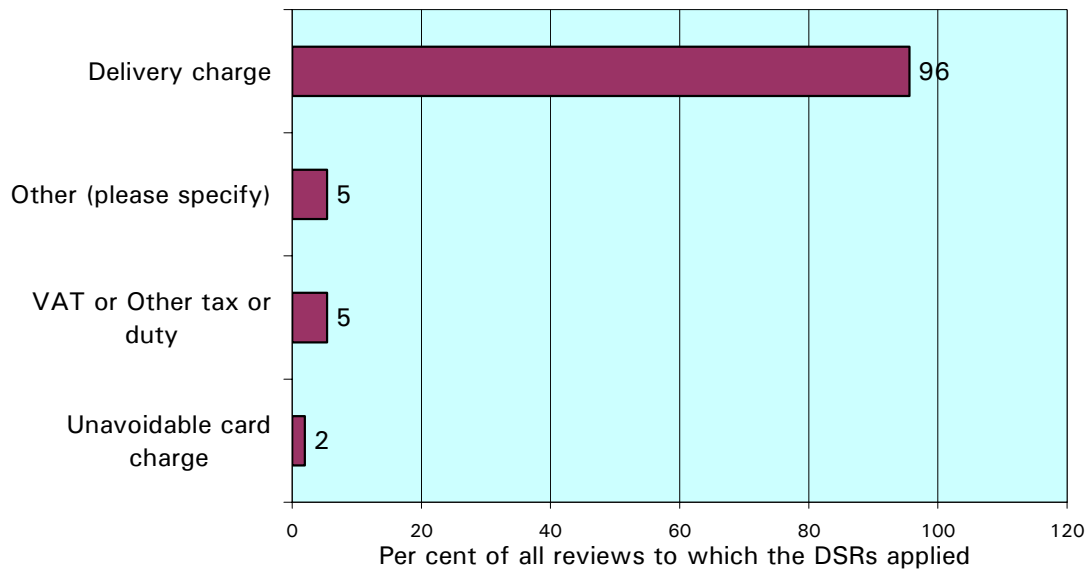


Base: all completed reviews (370)

- B7. Popular 'other' categories included pet accessories/goods, mobile phones and art (prints etc). Ninety-eight per cent of products used for the reviews were defined as goods, with just two per cent defined as services.
- B8. Reviewers were asked to note the exact value of the first price quoted when they selected a product for the review. In 22 per cent of reviews it was indicated at this stage that there would be compulsory additional charges that were not yet included in the price. Otherwise, additional charges were not mentioned or the price appeared to be inclusive (for example of VAT/delivery).
- B9. Where additional charges were mentioned, 86 per cent of sites stated delivery charges, 13 per cent referred to the addition of VAT and 11 per cent mentioned 'other' charges.

B10. On more than half (55 per cent) of the sites reviewed it was discovered that the final checkout price included compulsory additions to the first price shown. As discussed in paragraph 4.8 such charges were only indicated in 22 per cent of all sites reviewed. In nearly every case (96 per cent) where additional compulsory charges were experienced at checkout all or part of these were delivery charges. Chart B.4 details the incidence of additional compulsory charges added at checkout.

Chart B.4: additional compulsory charge added at checkout



Base: all sites reviewed with additional compulsory charges added to the initial price at checkout (204)

Note: More than one charge could be present so answers sum to more than 100 per cent

B11. Reviewers concluded that cancellation rights applied to the chosen product in 94 per cent of reviews. Of the 346 reviews to which the cancellation rights in the DSR were applicable, 87 per cent provided consumers with information on the right to cancel whilst the remaining 13 per cent did not. About 87 per cent of the sites which provided consumers with information on the right to cancel provided the correct cancellation period or longer. Two per cent of sites did not mention the

cancellation period and the remaining 11 per cent indicated a shorter or potentially shorter period.

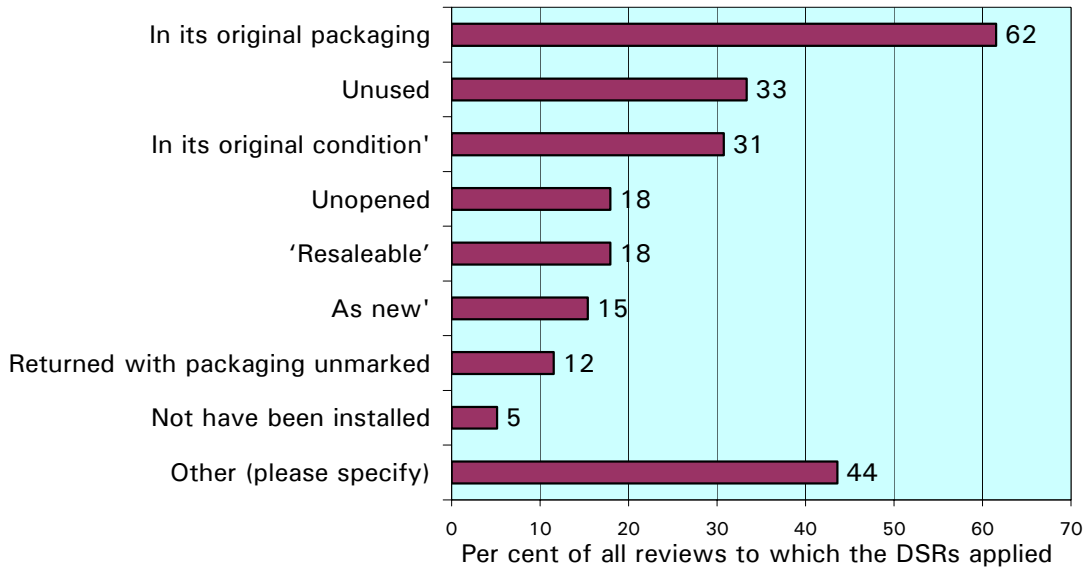
B12. Sites which limited the cancellation period did so to 'within seven days/seven working days' or 'within seven days/seven working days of receipt'. The DSR allow a consumer to cancel at any time after ordering until seven working days, starting from the day after the goods were delivered.³¹ Other limitations included returning goods to a store within seven days and cancelling immediately after delivery or before the item is shipped.

B13. Twenty-six per cent of the 301 reviews which provided cancellation information concluded that the site appeared to impose restrictions or conditions on cancellation refund rights which infringed the consumer's right to reasonably inspect and assess the product.³²

³¹ See footnote 22.

³² For the purposes of this review, we rely on the TSO's judgement in determining what is an 'unlawful' restriction Cancellation rights do not apply to all contracts, for example – unsealed CDs.

Chart B.5: Potentially unreasonable conditions imposed which may infringe upon the consumers right to reasonably inspect and assess the product



Base: all reviews to which the DSRs were applicable and which imposed conditions upon the consumer's right to reasonably inspect and assess the product (78)

Note: it was possible to select more than one condition so answers do not sum to 100 per cent

B14. In 70 per cent of reviews of sites with cancellation information, it appeared that in the case of a refund, the full cost of the goods - including the cost of outward delivery would be refunded.³³ The remainder did not clearly include outward delivery costs in the refund. The most common reasons given as to why sites did not comply were because the cost of the original delivery is excluded (49 per cent) or because the site is silent or unclear on what will be refunded (40 per cent).

³³ The OFT guide on distance selling advises that in case of cancellation, retailers must refund consumers the full price of the goods, any deposits or pre-payments made, including the cost of delivery.

- B15. In 78 per cent of the 204 cases where there were additional compulsory charges reviewers said that there were no charges that they were not expecting. 22 per cent of sites incurring additional compulsory charges at check out were described as unexpected. Around half of these related to delivery or handling charges and four were VAT charges.
- B16. In 84 per cent of reviews, it was reported that the padlock symbol³⁴ was present on all pages where personal data was requested. On six per cent of sites reviewed it was only present on some of the pages and on a further 10 per cent of sites it was not present on any of the pages where personal data was requested.
- B17. Reviewers reported other potential breaches of legislation in 13 per cent of (48 out of 370) sites and said that they would take follow-up action in two-thirds of these cases (32 sites). These were mostly breaches of the DSR (69 per cent) and reviewers said that they would pass on the details of these breaches to the site's home authority.

³⁴ The padlock symbol indicates that the web page is secure – that is any information entered on the page will be encrypted and then sent to mitigate against the risk of the information getting stolen.

ANNEXE C. WEB SWEEP QUESTIONS

1. Please enter your work email address.
2. Please enter the name of the business being assessed (as shown on the list we supplied).
3. Please enter the website address (as shown on the list we supplied).
4. Does the site allow UK consumers to order products online?

Note: See accompanying guidance. If UK consumers cannot order online from this site, select one of the 'No' options and you will be redirected to the end of the form so you can move on to the next retailer on the list.

Yes

No-UK consumers cannot buy from this site

No-you can only order offline

No-only sells to other businesses

No-Only sells to other businesses

No-redirects to another trader's site

No-Other (please specify)

5. Does the site list any physical address for the business?

Note: This information will probably be available in 'About Us', 'Contract Terms' or similar.

Yes

No

6. What type of physical address does the business give?

Note: Tick all that apply
Full Geographical Address

PO Box

7. Please enter available physical address details here

Business Name:

PO Box (if applicable):

Line 1:

Line 2:

Line 3:

Postcode:

Country (if not UK):

8. Could you find an email address (as required by the E-Commerce Regulations) or a contact web form?

Note: Tick all that apply

Email address

Web Form

Neither

9. What is the name of the trader's local Trading Standards Service?

Note: See guidance for a list of sources.

Cannot identify- no or insufficient contact details.

Cannot identify- not listed on Trading Standards or LACORS databases or elsewhere.

Cannot identify- only non-UK contact provided.

Can identify- Enter home authority in box (please use full name).

10. Please identify the type of product that you have chosen to check
Note: Please do not select a 'featured product' highlighted on the front page as they may not be representative of the offers made throughout the site. Please choose goods if possible (only choose a service if the site does not sell goods)

Automotive

Books

Toys, hobbies & sport

Clothing and footwear

DIY

Electrical

Food and grocery

Furniture, furnishings and floor coverings

Health and Beauty
Homewares (for example cleaning products, tableware, kitchenware)
Music, video and software (including games)
Flowers and gifts
Office supplies and stationary
Other (please specify)

11. Please give a brief description of the product you are checking (for example Sony TV ABC123)

12. When you are first shown the price, is it indicated that there will be compulsory additional charges that are not included in the initial price?
Note: This can be a complex issue. Please refer to the guidance. We recommend you also make a note of the price shown now.

Yes, additional charges are indicated on the page
No, additional charges are not mentioned, or the price appears to be inclusive (for example of VAT/ delivery)

13. Please specify types of additional compulsory charges
Note: Tick all that apply

Delivery charge
Unavoidable card charge
VAT
Other tax or duty
Other (please specify)

14. Would you define the product as goods or services

Goods
Services

15. Do the cancellation rights in the Distance Selling Regulations (DSRs) apply to the product in question?

Note: see the supplied guidance on applicability of DSRs

Yes
No

16. Does the site comply with the DSRs by providing consumers with information on the right to cancel?

Yes

No

17. Is the correct cancellation period mentioned?

Note: This can be a complex issue, please refer to the supplied guidance note before answering.

Yes- the correct period or longer is given

No- there is no mention of the cancellation period

No- a shorted or potentially shorter period is given (please explain)

18. Does the site appear to impose any restrictions or conditions on cancellation refund rights which infringe the consumer's right to reasonably inspect and assess the product?

Note: Examples of unreasonable restrictions can be found in Question 19, below

Yes-please answer question 19

No-please go to next page

19. If the site appears to impose potentially unreasonable conditions, what are these?

Note: Tick all that apply. If no unreasonable conditions appear to be imposed please leave this question blank

Product must be 'as new'

Product must be 'in its original condition'

Product must be 'resaleable'

Product must be unopened

Product must be in its original packaging

Product must be returned with packaging unmarked

Product must be unused

Product must not have been installed

Other (please specify- please only use this option if the condition imposed is not close to one of the above options)

20. The DSRs require online retailers to refund the full cost of the goods- including the cost of outward delivery. Does the site appear to comply with this requirement?

Yes

No

21. Why does site not appear to comply? (tick all that apply)

Site is silent or unclear on what will be refunded
Cost of original delivery is excluded
Restocking fee is charged
Other administrative charge is levied
Proportion of cost of product is deducted (for example, to account for reduction in resale value)
Site appears to only offer a partial refund
Other (please specify- please only use this option if charge is not close to one of the above options)

22. Does the final checkout price include any compulsory additions to the very first price you were shown?

Yes, the final price is higher
No the price is the same (or lower)

23. Please specify types of all additional compulsory charges added.
Note: tick all that apply

Delivery charge
Unavoidable card charge
VAT Other tax or duty
Other (please specify)

24. In your opinion, does the final price include any additional charges which you were not expecting?

No
Yes, please describe

25. Does the padlock symbol appear on the screen for all pages you encounter where personal details are requested?
Note: you can also check whether the address of the webpage begins with 'https:' rather than 'http:'

Yes- All pages where personal details are requested have a padlock
No- Only some pages where personal details are requested have a padlock
NO- None of the pages show a padlock

26. While reviewing the site did you spot any possible breaches of other legislation? (for example the Unfair Terms in Consumer Contracts Regulations 1999 or the Consumer Protection Act 1987)

Yes

No

27. Please give a brief description of the possible breaches you identified of other legislation.

28. Do you plan to take up any follow up action in response to your findings (for example referral to Home Authority)?

Yes

No

29. Why do you not plan to take action?

The site appears to be compliant

Any possible breaches do not appear to be significant

The site was not compliant but is based abroad

We cannot identify the home authority

We do not have the time/resources to follow up any possible breaches

Other (please specify)

30. Under what legislation to you plan to take action? (tick all that apply)

Distance Selling Regulations

Electronic Commerce Regulations

Other legislation (please specify)

31. What type of follow up action do you anticipate?

Pass details to home authority

Other (please specify)

32. If you have any other observations about the site you have surveyed please write them here (optional)