

# Methodology

**Internet shopping - Annexe B**

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OFT921b

## Contents

1	Overview	1
2	Phase 1	3
3	Phase 2	6
4	List of contributors	11

# 1 OVERVIEW

1.1 This annexe details the research tools that we employed in addressing the overall aims of the market study of internet shopping, and how they contributed to our overall goals. We carried out wide-ranging, material from which can be found in the other annexes.

1.2 A key element of our research was the process of consulting with a broad range of relevant organisations. Section 4 of this annexe contains a list of organisations we contacted, and which contributed to this study.

1.3 It was clear when we commenced this study that it potentially encompassed a very wide scope, and we therefore began our research with 'Phase 1', a series of preliminary research exercises and evidence reviews, in order to define clearly the issues we ought to address. Having identified the issues more clearly, we carried out 'Phase 2', which consisted of more detailed and targeted research.

1.4 These '**Phase 1**' research workstreams were:

1.4.1. Reviews of existing evidence in the fields of:

- Statistics and market research
- Economics
- Social research and psychology ('Consumer attitudes review')
- Law.

1.4.2. An omnibus survey of 1,005 members of the public.

1.4.3. Interviews with a selection of enforcement officers from OFT and Local Authority Trading Standards Services (LATSS).

1.4.4. An initial questionnaire sent to approximately 100 stakeholders, and subsequent discussions with key organisations, including:

- Consumer groups
- Relevant trade associations
- Central government departments

- Regulatory bodies
- Businesses.

1.5 This research yielded early messages about which areas appeared to raise the most significant questions. The themes arising from this work were used to define the focus of the remainder of our research, '**Phase 2**', which consisted of:

1.5.1. Consumer research including:

- A telephone survey of 1,003 individuals
- An online survey of 1,275 internet users
- Four focus groups in different parts of the UK.

1.5.2. Business research, including:

- A telephone survey of 1,001 businesses across the UK
- In-depth interviews with 10 businesses.

1.5.3. An enforcement review, including:

- A survey of LATSS
- A workshop with enforcers and other key stakeholders
- A review of selected enforcement case studies.

1.5.4. An 'international review' to assess experiences in other countries of domestic and cross-border internet shopping, including:

- Questionnaire consultation of international regulators; and
- Follow-up contact with key international organisations.

1.5.5. A contents review of 250 internet shopping sites websites.

1.5.6. A review of media content.

1.5.7. Further meetings with key stakeholders.

## 2 PHASE 1

- 2.1 This section gives more detail of the 'Phase 1' research workstreams. This research laid the foundations for our subsequent work, by covering a broad field of study during a short timescale, in order to identify the key questions our more detailed research should address.

### Reviews of existing evidence

- 2.2 We carried out in-house, or commissioned from external contractors, four reviews of existing evidence. These were as follows:
- 2.2.1. **Review of statistics and market research.** This work was carried out by an in-house statistician, and consisted of bringing together recent data on personal use of the internet, internet shopping by consumers, and online selling by businesses. Sources of data included commercial market research reports, and research conducted by and on behalf of public sector bodies. This work was carried out at the beginning of the study and has continued throughout the period of research as existing sources are updated and new ones are published.
- 2.2.2. **Economic literature review.** This was externally commissioned from Europe Economics, and is included as **Annexe F**. Its purpose was to gather and review evidence on how internet shopping is developing and specifically to review the empirical literature to understand the impact of internet shopping on buying and selling, competition, consumer detriment and benefit. It also aimed to understand key developments which might be expected in these areas.
- 2.2.3. **Review of consumers' attitudes, behaviour and experience.** This work was carried out for us by DB Consulting, and is included at **Annexe E**. It aimed to establish how consumers perceive the internet as a sales channel, the reasons for using it or not using it, how consumers use the internet to purchase goods and services, and their experiences of such use. The answers to these questions were sought via a review of literature from academic

(sociological, psychological, business sciences, IT and marketing sciences), government, and commercial sources, and also from relevant sources such as consumer organisations, special interest groups, charities and pressure groups.

2.2.4. **Legal review.** Internet shopping is developing rapidly, and the framework of relevant legislation also sees rapid change. It was therefore necessary for the wider research team to acquaint itself with the regulatory framework applicable to internet shopping, both at the preliminary stage of our research and continuously throughout the study, as new developments took place. The 'legal review' largely comprised an informal exercise carried out in-house by the OFT's legal team.

### **Consumer omnibus survey**

2.3 Before we had started the study, OFT commissioned TNS to include a set of basic questions on internet shopping in their Omnibus survey. This surveyed 1,005 GB adults over the telephone in January 2006. The areas covered included internet access and usage, as well as attitudes to use of the internet as a sales channel. The results of the survey are included at **Annexe K**.

### **Enforcement interviews**

2.4 It was clear that regulatory enforcement in the internet environment had characteristics which were distinct from offline enforcement so, in order to provide an initial assessment of the challenges enforcers faced online, we conducted in-depth interviews with a selection of TSS officers and OFT case officers. In these interviews we discussed whether the powers, resources, skills, focus, policy etc of enforcement agencies were adequate to deal with issues related to internet shopping.

### **Initial stakeholder consultation**

2.5 An important element of our early research was to consult as widely as possible with interested parties, in order to identify key concerns.

2.5.1. **Stakeholder questionnaire survey.** We therefore carried out an initial small-scale questionnaire sent to approximately 100 stakeholders. The questionnaire asked for organisations' broad views on a range of general areas including:

- potential risks faced by consumers online
- awareness of rights among consumers and businesses
- the effectiveness of relevant regulation, enforcement and self-regulation
- any competition issues
- international issues
- likely future developments.

2.5.2. The organisations to which we sent questionnaires fell into the following categories:

- consumer groups
- relevant trade associations
- central government departments
- regulatory bodies
- businesses in our case study sectors of online auctions, electricals, music and travel.

2.5.3. **Stakeholder meetings.** We also held subsequent discussions with many of the organisations in the above categories, in order to explore in more detail the issues raised by the questionnaire.

### 3 PHASE 2

- 3.1 Phase 1 of our research yielded many messages about areas that appeared to raise the most significant questions for us. The themes arising from this work were used to define the focus of the remainder of our research, '**Phase 2**'. The elements of Phase 2 were as follows.

#### Consumer research

- 3.2 It was essential to gather a wide range of data on consumers' online shopping behaviour, as well as their attitudes and experiences concerning the internet as a sales channel. We therefore carried out three main pieces of consumer research:
- 3.2.1. **Telephone survey.** A survey of 1,003 randomly selected individuals was carried out by TNS in November 2006 to explore our key themes. In order to understand any issues holding back the growth of internet shopping, the survey was targeted to include 100 non-internet users, and 100 internet users who do not shop online; the remaining respondents were internet shoppers. A pilot was held in order to refine questions, and minimum quotas were also set for the four constituent countries of the UK, with results weighted to ensure that they were representative of the UK population. Areas covered by questions included reasons for shopping/not shopping online, frequency of shopping and levels of spend, types of products purchased, attitudes and knowledge regarding legal rights, problems encountered and whether they were solved.
- 3.2.2. **Online survey.** A web-based questionnaire was completed by 1,275 respondents (all by default internet users), who were drawn from the TNS Online Panel. Again minimum regional quotas were set and results subsequently weighted. This survey, conducted in November 2006, supplemented the findings of the telephone survey, addressing some more detailed aspects of internet shopping, and in particular looking at experiences of shopping via online auction sites. Results and more detailed

methodologies of both the telephone and online surveys are included as **Annexe H**.

**3.2.3. Focus groups.** Four focus groups were carried out, also by TNS, in different parts of the UK, with a total of 27 individuals from a variety of ages and backgrounds – including non-internet shoppers. It explored with them key themes such as drivers and barriers to internet shopping, behaviour (including how they respond to risks), awareness and understanding (including use of search tools), and experiences (both positive and negative, and specifically problems faced and how they have been resolved). Results and a detailed methodology are contained in **Annexe I**.

## **Business research**

**3.3** In order to complete the spectrum of parties involved in online shopping, we conducted two main pieces of research into businesses. These were as follows:

**3.3.1. Telephone survey.** This research was conducted for us by FDS and involved telephone interviews with representatives of 1001 businesses of various sizes across the UK. Interviews were conducted between October and November 2006, and the businesses were selected from our three case-study sectors (electricals, travel and music), and from businesses selling via auction sites. In order to investigate barriers to online selling, quotas were set for businesses with no websites and businesses with websites not enabled for online transactions. However, most interviews were with those selling online, since the main focus of questions was on businesses' experiences of internet selling, and their understanding of the regulations governing online sales.

**3.3.2. In-depth interviews.** Following the quantitative telephone survey, more detailed telephone interviews were conducted with ten businesses of varying size, location and experience, which had been questioned for the telephone survey. These interviews, lasting 20-25 minutes, were held in January 2007 and focused on areas of particular interest highlighted by the results of the main

business survey. Results and more detailed methodologies for the telephone survey and in-depth interviews are included at **Annexe J**.

## **Enforcement review**

3.4 Following on from the Phase 1 enforcement interviews, we conducted a detailed and systematic review of enforcement, including:

3.4.1. **LATSS survey.** A questionnaire was sent to the Heads of 204 Local Authority Trading Standards Services (LATSS), with the aim of gaining an overview of the current state of enforcement with regard to online shopping. Results and analysis of this survey are included at **Annexe G**. Questions covered:

- the extent to which internet shopping raise concerns
- key issues faced by TSS when investigating internet traders
- the fitness of the regulatory regime for this sales channel
- the priorities given by authorities to ensuring compliance with relevant regulations by internet traders
- resources allocated to internet enforcement by TSS
- the frequency and types of interventions taken by TSS.

3.4.2. **Enforcement workshop.** To understand better the challenges faced by those involved in online enforcement, we also held a workshop for enforcers and other key stakeholders. The workshop focused on:

- the impact for consumers and enforcers of future developments
- clarification of the enforcement structure and roles
- clarification of problems and issues investigated by TSS and others
- identification of good practice and how it could be transferred
- discussions on options for possible solutions.

3.4.3. **Case studies.** As part of the study we also reviewed a selection of OFT enforcement cases where the internet was noted as the sales channel. This was to gauge trends and maintain our

awareness of current developments in online trading practice and the issues facing enforcers.

## **International review**

3.5 Because of the essentially borderless nature of internet shopping, it was necessary to gain an awareness of the issues surrounding cross-border internet trade by UK consumers, as well as to learn from the experiences in other countries of domestic and cross-border internet shopping. We therefore conducted an 'international review', which included:

3.5.1. **Consultation of enforcers.** A questionnaire was sent to all national member organisations of the International Consumer Protection and Enforcement Network (ICPEN), of which the OFT is a member. Participants were asked questions relating to the scale of domestic and cross-border internet shopping in their countries. They were also asked about concerns, levels of confidence and awareness of consumer rights, with regard to online shopping. In particular, they were asked to mention any innovative practices in the areas of consumer and business education, enforcement, and other means of improving consumer protection and confidence in internet trade.

3.5.2. **International follow-up.** Following the analysis of the results of the consultation, we conducted meetings or follow-up correspondence with certain respondents in order to address in more detail those answers which appeared to offer the most relevant lessons for us.

## **Websites review**

3.6 This comprised a 'mystery shopping' exercise, reviewing in depth the contents of 250 websites selling items in our case-study sectors (electricals, music and flights). The bulk of the fieldwork for this research was carried out for us by FDS International, with subsequent checks of legally required content carried out in-house by our legal team. The research mainly comprised assessing the type, accuracy and accessibility of information being provided to consumers on websites, and specifically

its compliance with the requirements of the main consumer protection legislation (with regard to information on product, price, terms and conditions, trader identity, contact details etc). Additionally, checks were carried out of search engines and price comparison sites in order to review the effectiveness of these tools at providing accurate information on sellers and prices etc. We have the raw data, analysis and key findings from this research; these will now be produced as a report which we aim to publish on the OFT website (as Annexe L) by the end of August 2007.

## **Media review**

- 3.7 It had been hypothesised that media coverage had a strong influence on consumer attitudes to internet shopping, and might be reducing confidence. We therefore commissioned TNS Media Intelligence to analyse internet shopping-related press and broadcast coverage over a five-month period, to determine whether the tone of coverage on balance was positive, negative or neutral. A set of keywords were selected and used to identify media items of relevance. A fuller methodology and results are contained in **Annexe D**.

## **Stakeholder follow-up meetings**

- 3.8 Throughout the study, and particularly during the latter period during which we analysed results and formulated our conclusions, we consulted extensively with interested parties. This process was necessary to ensure that we tested emerging findings and remained aware of the latest practical and policy development in the area. During this phase, we consulted with key organisations of the following types:

- consumer groups
- relevant trade associations
- central government departments
- regulatory bodies
- international organisations, and
- businesses in our case study sectors of online auctions, electricals, music and travel.

## 4 LIST OF CONTRIBUTORS

4.1 At all stages of our research we were assisted by a very broad range of contributors. We would like to thank all those who contributed to the OFT market study on internet shopping, including the following organisations, Government Departments, agencies (including those of other countries and the European Commission), Devolved Administrations and Local Authorities:

Advertising Standards Authority

Air Transport Users Council (AUC)

Amazon.com

Anti-Counterfeiting Group (ACG)

AOL

APACS

Apco UK

Apple

Association of British Travel Agents (ABTA)

Association of Independent Music

BE Direct

BEUC (The European Consumers' Organisation)

British Airways

British Association of Record Dealers

British Bankers' Association

British Chambers of Commerce

British Interactive Media Association (BIMA)

British Retail Consortium

BT Group plc

Burberry

Cabinet Office

Cardwatch (APACS)

CIFAS

Citizens' Advice

Civil Aviation Authority

Comet Group plc

Commerce Commission, Ministry of Consumer Affairs, New Zealand

Committee of Advertising Practice

Community Information Trading Standards

Confederation of British Industries (CBI)

Consumer Affairs Victoria, Australia

Consumer Agency & Ombudsman, Finland

Consumer Direct (CD)

Consumer Protection Board of Estonia

Consumer Protection Commission, Taiwan

Danish Consumer Ombudsman

Dell

Department for Transport

Department of Constitutional Affairs

Department of Culture, Media and Sports

Department of Trade and Industry

DG Enforcement & Mediation, Belgium

DG SANCO

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DSG International plc

easyJet Airline Company Limited

eBay (UK) Ltd

eDigitalResearch Ltd

EMI Music

EmpireDirect

Enterprise Privacy Group Limited

European Commission

European Consumer Centre Denmark

Federal Trade Commission (FTC), United States

Federation of Internet Traders

Federation of Small Businesses

Financial Services Authority (FSA)

Food Standards Agency

Forbrukerombudet (The Norwegian Consumer Ombudsman)

Foundation for Information Policy Research

Gambling Commission

General Inspectorate for Consumer Protection (Hungary)

Get Safe Online

HM Revenue and Customs

HM Treasury

HMV Group plc

Home Office

Hungarian Competition Authority

ICSTIS

Information Commissioner's Office

Interactive Media in Retail Group (IMRG)

International Consumer Protection and Enforcement Network (ICPEN)

International Federation of Phonographic Industry

Internet Ombudsman (Austria)

Internet Services Providers Association (ISPA UK)

Japan Fair Trade Commission (JFTC)

John Lewis Partnership

Kelkoo UK

Korea Consumer Protection Boards (South Korea)

Lastminute.com

Local Authorities Coordinators of Regulatory Services (LACORS)

Luckners

Mail Order Traders Association

MasterCard UK

MCPS-PRS Alliance

Metropolitan Police

Microsoft Limited

Ministry of Industry and Trade, Czech Republic

National Assembly for Wales

National Consumer Council

Netherlands Consumer Authority

Nominet

Office for National Statistics

Office of Communications (Ofcom)

Office of Competition and Consumer Protection, Poland

Office of the Director of Consumer Affairs, Ireland

Office of the Federal Attorney for Consumer Protection (Profeco), Mexico

Organisation for Economic Co-operation and Development (OECD)

Patent Office

PayPal

Pixmania

Play.com

Pricegrabber

PriceRunner Limited

QED-UK

Risks Approval Group Ltd

Royal Mail

SafeBuy

Scottish Consumer Council

Scottish Executive

Seatwave

Segala

Sony United Kingdom Limited

Tesco plc

Thomsonfly

Trading Standards Institute (TSI)

TUI UK

UK Intellectual Property Office (previously the Patent Office)

ValueClick

Verisign

Virgin Megastores

Visa

WebTraderUK

Welsh Assembly Government

Welsh Consumer Council

WH Smith

Which?

WorldPay

Yahoo UK & Ireland

Z Group plc

**Trading Standards Services (TSS) at:**

Aberdeen City Council

Aberdeenshire Council

Angus Council

Argyll & Bute Council

Birmingham City Council

Bolton Metropolitan Borough Council

Bournemouth Borough Council

Bridgend County Borough Council

Brighton & Hove Council

Bristol City Council

Buckinghamshire County Council

Caerphilly County Borough Council

Carmarthenshire County Council

City and County of Swansea

City of Coventry

City of Edinburgh

Department of Enterprise, Trade and Investment in Northern Ireland  
(DETINI)

Dorset County Council

Dumfries & Galloway Council

Dundee City Council

Durham County Council

East Dumbartonshire Council

East Lothian Council

East Renfrewshire Council

East Sussex County Council

Essex County Council

Flintshire County Council

Gateshead Metropolitan Borough Council

Glasgow City Council

Hampshire County Council

Hartlepool Borough Council

Hertfordshire Council

Isle of Wight Council

Kent County Council

Leicestershire County Council

London Borough of Barking & Dagenham

London Borough of Bromley

London Borough of Croydon

London Borough of Ealing

London Borough of Lewisham

London Borough of Merton

London Borough of Richmond-Upon-Thames

London Borough of Tower Hamlets

London Borough of Westminster

Luton Borough Council

Milton Keynes Council

Neath Port Talbot County Borough Council

Norfolk County Council

North Ayrshire Council

North Lanarkshire Council

North Lincolnshire Council

North Tyneside Metropolitan Borough Council

North Yorkshire County Council

Nottinghamshire County Council

Oldham Metropolitan Borough Council

Orkney Islands Council

Oxfordshire County Council

Perth and Kinross Council

Poole Borough Council

Portsmouth City Council

Redcar and Cleveland Borough Council

Royal Borough of Windsor and Maidenhead

Sandwell Metropolitan Borough Council

Scottish Borders Council

Slough Borough Council

Somerset County Council

South Ayrshire Council

Southampton City Council

South Gloucestershire Council

South Lanarkshire Council

Staffordshire County Council

Stockton-on-Tees Borough Council

Suffolk County Council

Surrey County Council

The Highland Council

The Moray Council

Torbay Council

Torfaen County Borough Council

West Lothian Council

West Sussex County Council

West Yorkshire

Wiltshire County Council

Worcestershire County Borough Council