



Understanding DSM obstacles – the evidence

European Consumer Consultative Group meeting
24-25 March 2015

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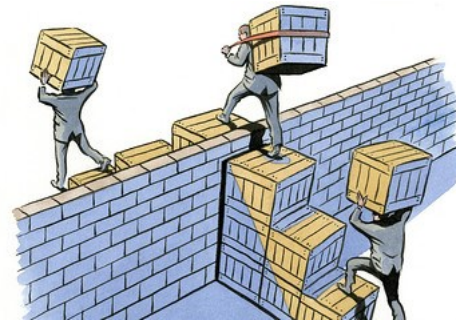


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What do we need to know?

Logic:

- Removing obstacles (not regulating supply, demand)
- Win-win



Market features:

- Online cross-border B2C trade flows
- supply side: e.g. costs, barriers, commercial strategies
- demand side: e.g. trust, concerns, home bias
- role of intermediaries: comparison tools, platforms



Obstacles:

- supply side / demand side
- relative importance, sequencing, combined impact



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What do we know?

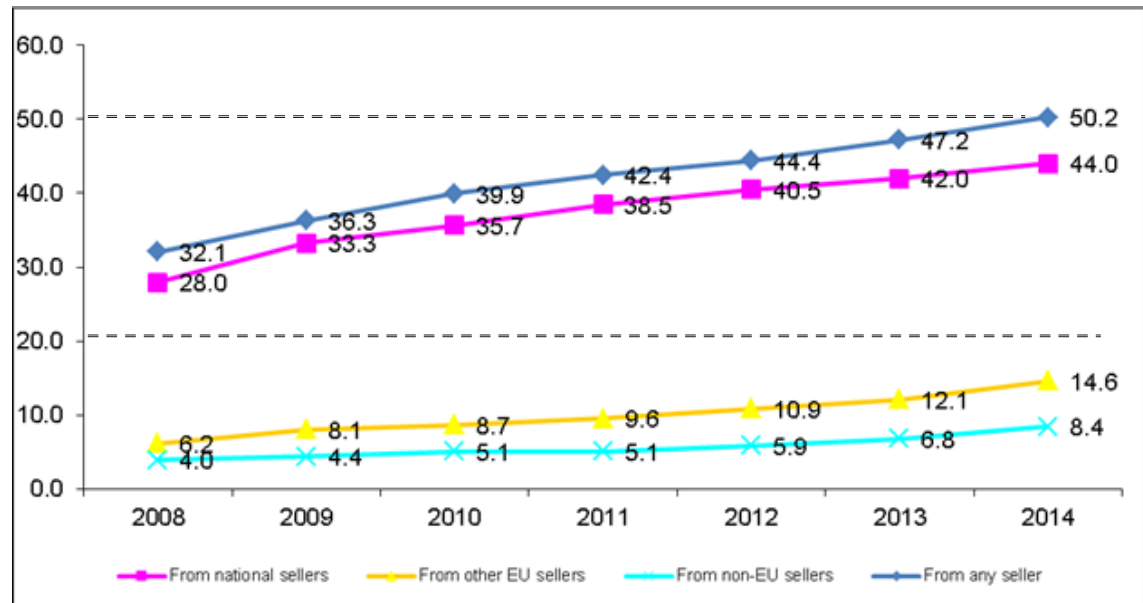


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Online B2C flows

- growing B2C e-commerce (352-363Bn€ in 2013, +17%, 2.2%GDP, 2m+ jobs, Europe world's leading market ~ 33%)
- cross-border potential remains largely untapped (11.7Bn€/year can be saved shopping cross-border; potentially up to 204Bn€ in consumer welfare gains from e-commerce in goods; 260Bn€ overall gains to EU economy achievable in coming years)
- cross-border shoppers' total online spending (domestic+CB) is 2x that of domestic only shoppers
- ...Open question: How to benchmark the DSM performance?

% of EU consumers buying online (past 12 months)

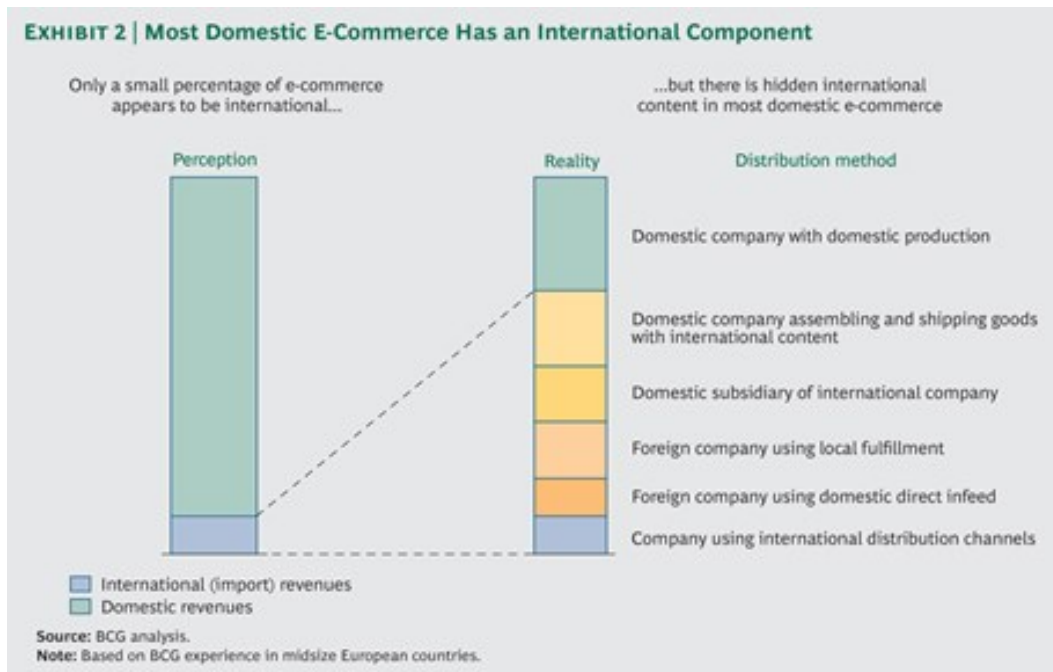




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Online B2C flows – some caveats

Consumers may under-report cross-border purchases



Cross-border as credible alternative more important than actual incidence of purchases



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Digital products

- 31% of EU online shoppers bought digital content in 2014
- In 2016, 67% of global spending on entertainment and media growth will be generated by digital spending
- EU **app economy** ~17.5 Bn€ (2013; est.63Bn by 2018), 1m jobs, global leader on games apps
- **Availability** of digital content across EU is high: 75-80% for music (iTunes), lower for film... but strong **consumer home bias** +common preference for English
- **Online games** one of the fastest growing markets, followed by **digital music**; market for e-books smaller and turnover growing much more slowly.
- "Freemium" model influential for games, digital music, online video
- **Problems** reported by 54% of respondents, e.g. no or unclear information (42% of the two most recent problems); problems with access to (31%), the quality (14%) and the security (9%) of the products.

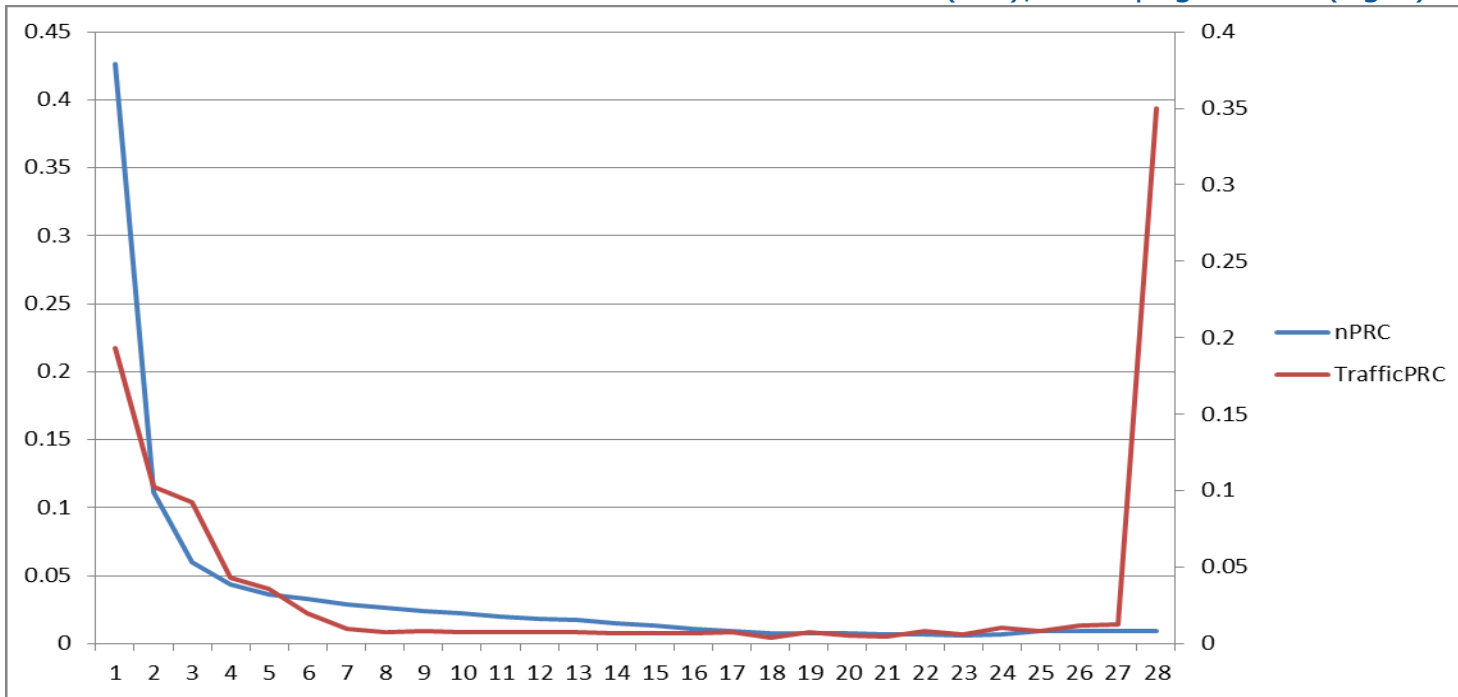


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Concentration

- Google and Facebook dominate global mobile ad revenues
- 80% of traffic on <3% of websites = global platforms
- App developers squeezed by US-based platforms through high fees

Number of EU28 MS where websites are used: % of website (left), % of page views (right) in EU28





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Obstacles as experienced by consumers

- Persistent **trust gap**: consumers more confident making domestic online purchases (61%) than from other EU countries (38%)
- **Market segmentation** by companies:
 - **impossibility of completing a purchase**: 10% say foreign seller refused to deliver to their country; 8% were redirected to a website in their own country where prices were different; 5% report that retailer did not accept payment from their country (2014)
 - 74% of the complaints concerning services received by ECC's related to consumers facing **difference in price or service** when buying online cross-border (2010-12)



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Obstacles as experienced by businesses

- Retailers that sell online cross-border quote as main barriers to selling to other EU countries:
 - higher fraud and non-payment risks (42,7%)
 - differences in national contract law (38,8%)
 - differences in tax (38,6%)
 - differences in consumer protection rules (38,4%)
 - costs involved in resolving complaints and disputes cross-border (35,2%)
 - transport costs due to distance (34,6%)
- Failed intra-EU trade due to contract law: 26-184 Bn€ (2011)



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Fresh evidence

- In-depth surveys of businesses and consumers to rank DSM obstacles (2015)
 - Regulatory fragmentation and compliance costs
 - Trust and security in online transactions
 - Territorial or vertical restrictions
 - Access to infrastructure and digital resources
- Consumer survey
 - Tangible goods & services / digital content / online services
 - Digital content: paid vs. free, downloaded vs. streamed
 - Reasons for buying, trust, concerns, problems
 - Purchasing journey
 - Complemented with *clickstream* data (actual online behaviour)
- Behavioural study on online Terms and Conditions (early 2016)



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Surveys on DSM obstacles - initial findings

- Business survey
 - A limited number of barriers really matter, e.g. settling cross-border disputes, suppliers' restrictions to sell cross-border, delivery costs, taxation rules, and knowledge of "the rules" abroad.
 - These barriers matter most for small firms who find it harder to overcome the associated trade costs.
- Consumer survey
 - Concerns on cross-border purchases mostly relate to delivery and remedies
 - Problems experienced mainly on delivery, non-conformity, remedies
 - Consumers in EU13 spend proportionally more cross-border than EU15
- Analysis still ongoing – will feed into DSM Strategy
- Consumer survey findings will be reported more extensively in the next Consumer Conditions Scoreboard (Sept. 2015)



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Some (still) open questions

- How will the benefits of removing contract law obstacles be distributed?
 - Business vs consumers?
 - Small business vs big business?
 - Consumers in smaller markets / poorer countries vs consumers in bigger markets / more affluent countries?

Looking forward to your views, insights, evidence



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Thank you!