



Industry
Canada Industrie
Canada

OFFICE OF CONSUMER AFFAIRS

Consumer Quarterly

Industry Canada
Library Online

MAY 12 2000

Industrie Canada

Electronic Commerce: Just the Facts

V. 5, # 2
Spring 2000

"Internet Shopping Booming!"

"Internet Retailers Can Look Forward to Even More Explosive Growth!"

IN THIS EDITION

Consumer Protection in
Electronic Commerce

Federal-Provincial
Action

Trustmarks and Seals

Guidelines from
the OECD

Consumer Shopping Tips

Watch Out for Scams

What's Next?

Consumers are being bombarded with headlines like these concerning the Internet and the growth of on-line shopping. "Dot-com" companies are inundating us with ads to buy goods on-line.

This edition of *Consumer Quarterly* provides information on public and private sector initiatives to protect consumers both nationally and internationally, and tips to safely shop on-line.

Shopping On-line During the Holidays ■ ■ ■ ■ ■ ■ ■ ■ ■ ■

According to an ACNielsen poll, 50 percent of Canadians now have access to the Internet, and approximately 25 percent of those people have bought something on-line. The Christmas season provided a great opportunity to look at Canadians' shopping habits on the Internet. According to studies of the 1999 shopping season, 10 percent of Canadians with access to the Internet did some form of on-line shopping and together spent approximately \$627 million. That's up considerably from the \$150 million Canadians spent on-line during the 1998 holiday season. The on-line shoppers tended to purchase "low-risk" items: books (34 percent), recorded music (18 percent), toys (22 percent) and clothing (19 percent). The average amount per purchase was \$50 and the average total purchase was \$100. Only a small number of on-line shoppers, about 7 percent, spent more than \$1000. Almost 60 percent of people shopping

on-line during the holidays found it to be a positive experience and only a small number said they found it to be negative.

It seems as though more Canadians are buying and spending on-line than ever before, but consumers are still worried about something going wrong with transactions. ACNielsen's survey found that 67 percent of Canadian Internet users are worried about the security of their credit card numbers, 59 percent about what would happen if the purchase went wrong, 54 percent about being able to verify information about the merchant, 51 percent about the privacy of personal information and 50 percent about getting useful product information. However, government, business and consumer representatives, both in Canada and around the world, are working to make the Internet a safer place to shop.



Canada

Consumer Protection in Electronic Commerce ■ ■ ■ ■ ■ ■ ■ ■ ■ ■

Since last fall, several groups have taken important steps toward on-line consumer protection in Canada. In November, Canadian governments, business and consumer associations released a set of principles for the protection of consumers shopping on the Internet. *Principles of Consumer Protection for Electronic Commerce: A Canadian Framework* outlines steps that governments, businesses and consumer associations should follow to make sure that Canadian Web sites are safe for consumers. This document is unique because it was developed and agreed to by government, business and consumer associations.

Canadian Principles

The principles call for the following:

- clear information, in plain language, about a business's identity, the goods and services it offers, and the terms and conditions of sale;
- a straightforward process for buying — in other words, clear steps for the consumer to follow when buying an item;
- security and protection of personal and financial information;
- restrictions on the use of mass marketing e-mail;
- a fair balance of liability between the merchant and consumer if there are problems with a transaction; and
- timely and affordable means of complaint handling and redress.

The Canadian Association of Internet Providers and the Canadian Marketing Association already have codes of conduct consistent with the principles. Other associations are considering using the principles to develop codes of practice for on-line merchants.

Along with the principles, the working group also developed two educational documents — one for consumers (see page 3) and one for merchants — to help everyone make the most of their on-line shopping experience.

Federal-Provincial Action ■ ■ ■ ■ ■ ■ ■ ■ ■ ■

Also in November 1999, the federal and provincial ministers responsible for consumer affairs agreed to update consumer protection laws to deal with the realities of the electronic marketplace. The legislative changes include provisions to allow the use of electronic signatures. They will also ensure that consumers have sufficient information to make an informed decision and can withdraw from transactions without penalty if suppliers fail to deliver goods within a reasonable amount of time.

Trustmarks and Seals ■ ■ ■ ■ ■ ■ ■ ■ ■ ■

If you've done any shopping on the Internet, you may have noticed that some on-line merchants use seals of approval. Much like the Canadian Automobile Association (CAA) allowing a garage to use the CAA logo when the garage meets the CAA standard, on-line seal programs "certify" Web sites so consumers know if a merchant is reliable or not. Seals such as BBB On-line (run by the U.S. Better Business Bureau) and WebTrust of the Canadian Institute of Chartered Accountants are now being used on the Internet. The provincial consumer protection office in Quebec is working with the province's standards board

to develop a standard for consumer protection in electronic commerce that would be based on the Canadian principles. As well, the Canadian E-business Roundtable, a private sector initiative whose objective is to promote electronic commerce in Canada, has recommended setting up a Canadian consumer protection mark and a forum for dispute resolution. All of these initiatives result from the fact that shoppers want more certainty about the protection they can expect when shopping on-line. The challenge is to ensure that all seal programs guarantee a consistent level of good business practice.

Guidelines from the OECD ■ ■ ■ ■ ■ ■ ■ ■ ■ ■

Because the Internet allows you to visit any Web site around the world, consumer protection has to be international. In December 1999, the Organisation for Economic Co-operation and Development

(OECD) released its *Guidelines for Consumer Protection in the Context of Electronic Commerce*. The working party that developed these guidelines was chaired by Canada.



