CONSUMER CONFIDENCE IN THE DIGITAL ENVIRONMENT



Mini Hearing of the Committee on Internal Market and Consumer Protection 24th January 2007

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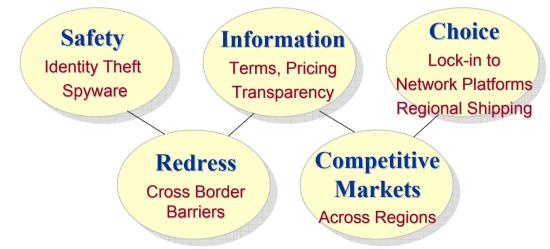
Building Consumer Confidence

Regulatory Experience

Tangible Products, Intangible Services

- Eurobarometer on Consumer Confidence 2006
 - 27% of Europeans have conducted an online purchase in one year (100% more than 2003)
 - Only 6% of Europeans have shopped online across borders.
- Principles of Consumer Confidence

Consumer Protection Mechanism + Competitive Forces



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Network Effects

Policy Makers & Digital Market Dynamics
 Network Economics. Social Networks

Dynamics of Network Effects

New customers encourage even more customers as the number of links grows exponentially

e.g. Mobile Phones, Internet, eBay, Multi Player Online Gaming



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Network Effects



"Square the People"

1,000 users: ~1,000,000 e-channels n²

1,000,000 users: ~1,000,000,000,000 e-channels

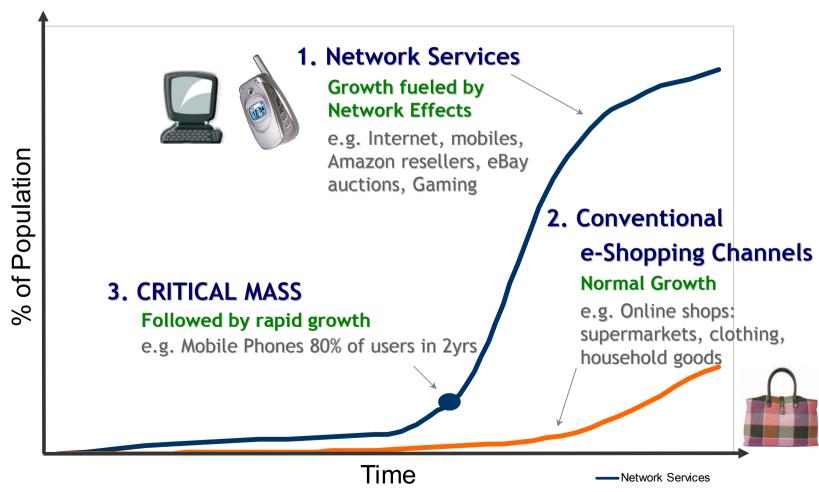
Implications for Consumer Confidence

- Network Services have a rapid exponential adoption
 e.g. Internet, Mobile Phones, Amazon, eBay, Multi Player Online Gaming
- Conventional e-Shopping Channels have slower linear adoption e.g. Online shopping: supermarkets, clothing, household goods, services

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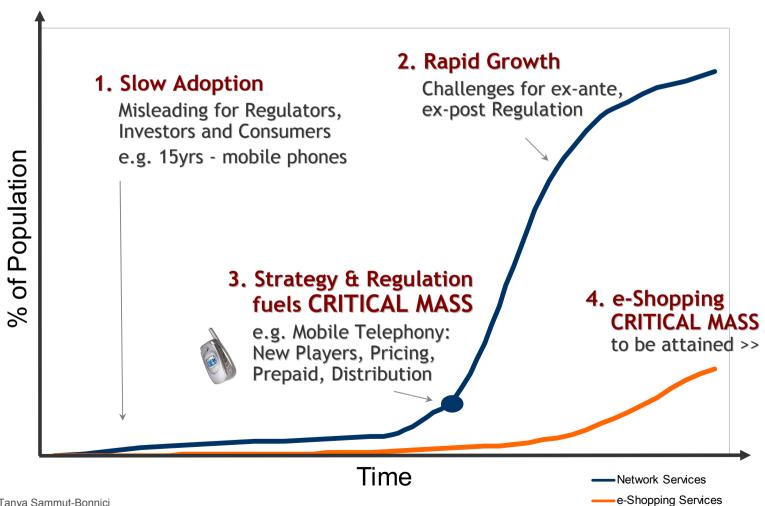
Network Effects & Rates of Adoption

Network Services, e-Shopping Channel



Network Effects & Rates of Adoption

Challenges for Regulation



Network Effects & Rates of Adoption

Regulation & Critical Mass Strategy

Consumer Confidence Principles e-Shopping Services Safety Spyware, Identity Theft e-Finance Regulation Information Transparency of Terms, Pricing, Shipping Choice Lock-in to OS, software Lock-in to Regional Suppliers **Redress** CRITICAL MASS Across regions, Accessible to Consumer Fueling Growth through Competition Strategy and Regulation Technology Platforms, Standards, Supply Chain, Trans Regional Supply

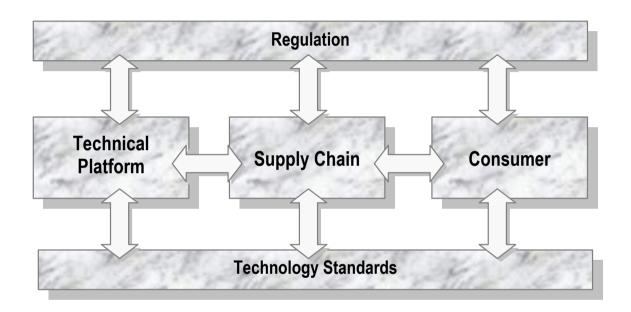
% of Population

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Now

Time

Building Consumer Confidence



- 1. Policy Makers should be aware of Digital Markets Dynamics.
- 2. Regulators & Governments can provide Critical Mass to fuel rapid market growth.
- 3. Critical Mass is attained when barriers to e-purchasing are removed (by addressing Consumer Confidence Principles).

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