

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

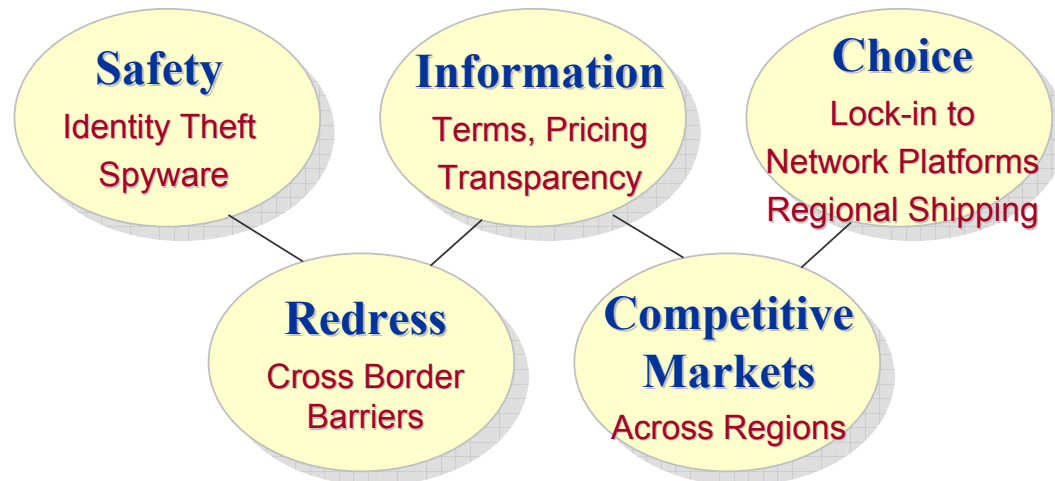
- **Eurobarometer on Consumer Confidence 2006**

- 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



Network Effects

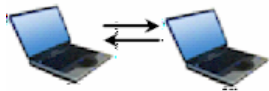
- **Policy Makers & Digital Market Dynamics**

Network Economics, Social Networks

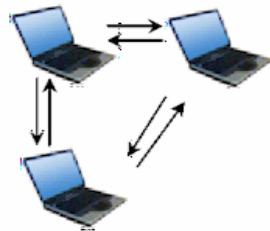
- **Dynamics of Network Effects**

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

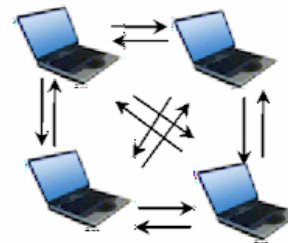
e.g. Mobile Phones, Internet, eBay, Multi Player Online Gaming



2 users: 2 e-channels



3:6



4:12

Network Effects



- **“Square the People”**

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

n^2

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

- **Implications for Consumer Confidence**

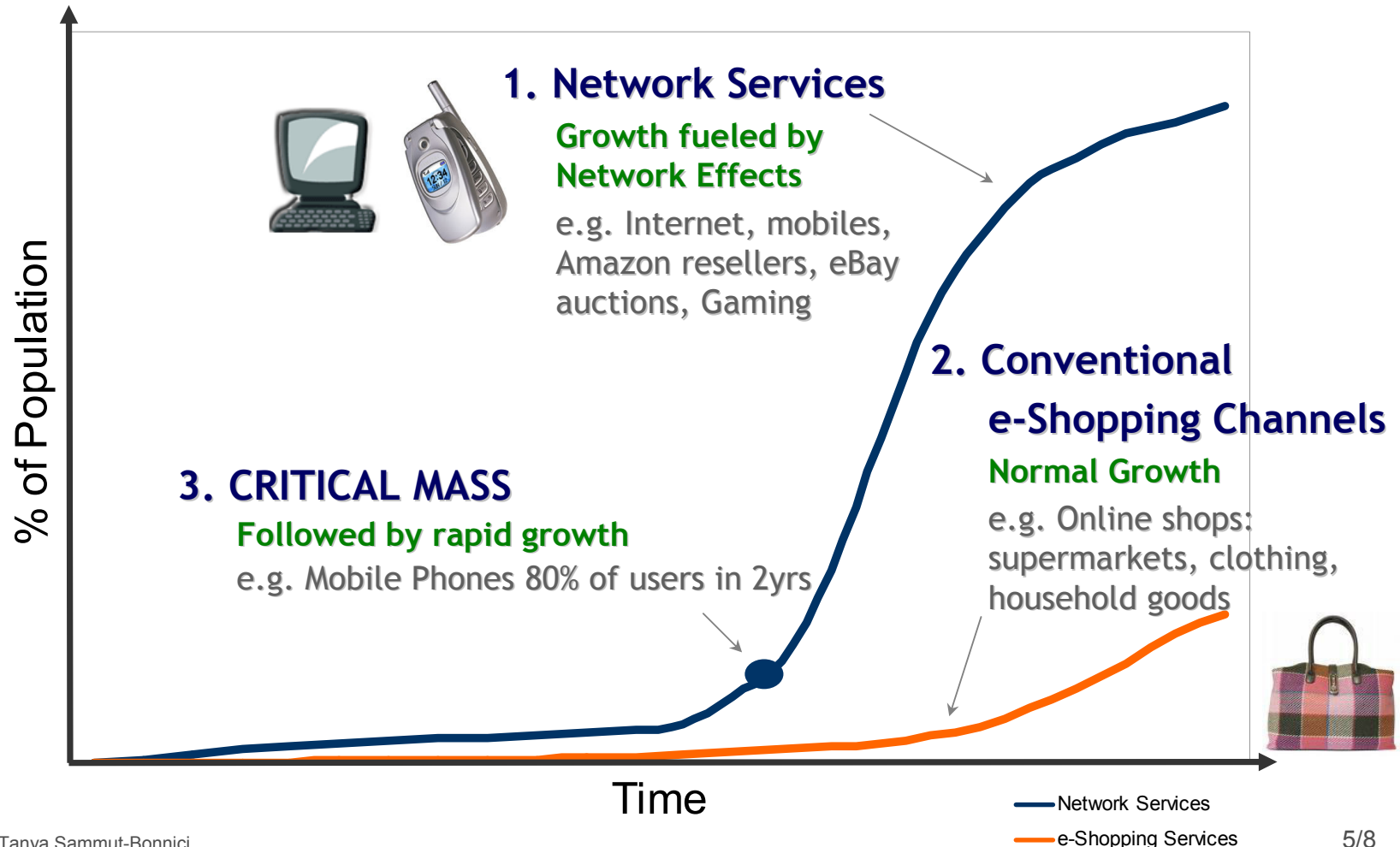
- Network Services have a rapid exponential adoption

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

- Conventional e-Shopping Channels have slower linear adoption

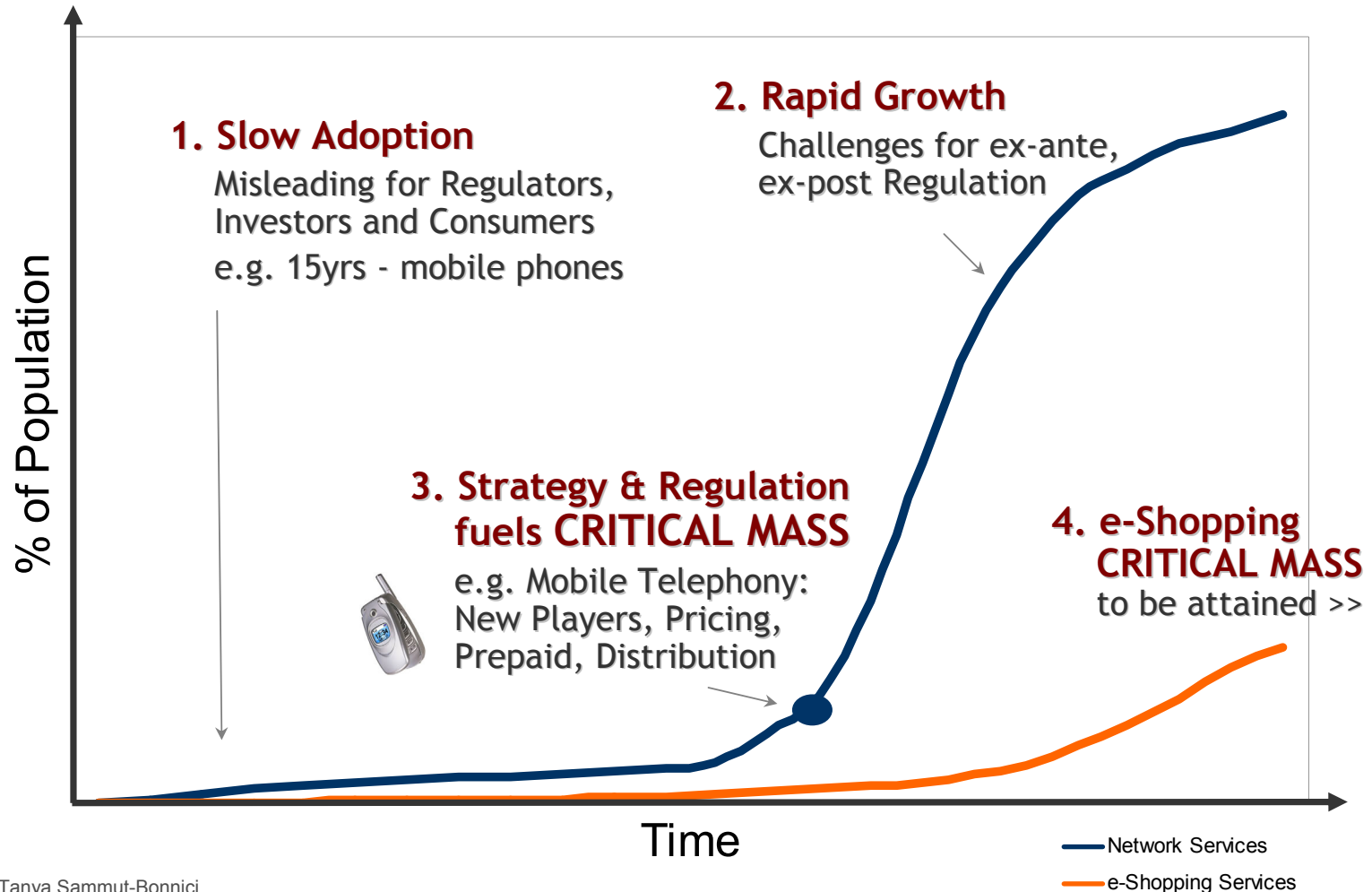
e.g. Online shopping: supermarkets, clothing, household goods, services

Network Services, e-Shopping Channel

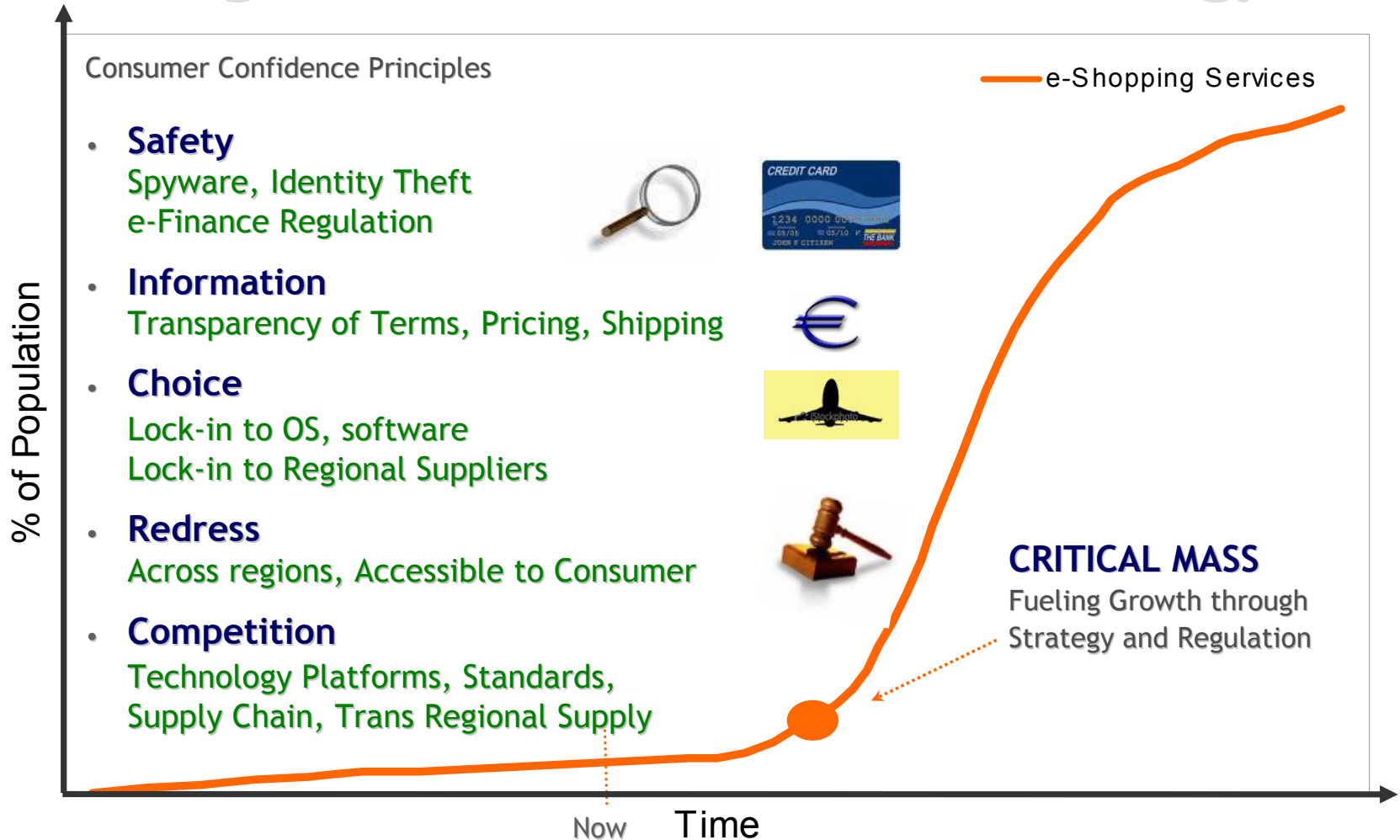


Network Effects & Rates of Adoption

Challenges for Regulation

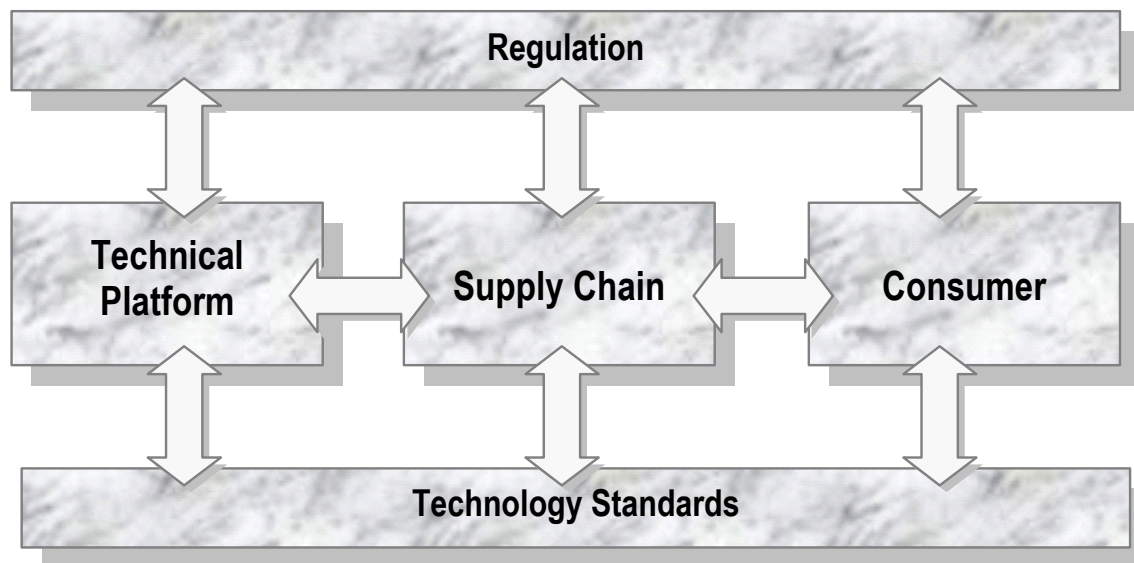


Regulation & Critical Mass Strategy



Digital Market Dynamics & Regulation

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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