



Building Consumer Trust :

Creating a Consumer-oriented e-Commerce Environment
In the Digital Era

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1. Introduction

About Korea Consumer Agency



The Korea Consumer Agency is a government organization established in July 1987 based on the Consumer Protection Act. Its founding principle is to protect consumer rights and interests, to promote a rational consumption life and to contribute to the sound development of the nation's economy.

- Provide **consumer counseling** and **redress**
- Conduct comprehensive **researches** and **studies** to enhance national life
- Collect and provide **information** on rationalization and **safety** of consumption life
- Conduct **tests** and investigations on standards, quality and safety of products and services
- Research and propose **consumer protection policies** and **laws**
- Provide **educations/trainings** on and promote consumer protection
- Deliberate **consumer protection laws & regulations** requested by central and local **governments**
- Handle other consumer-related matters

1. Introduction

Overseas cooperation

Improve national image by actively responding to global consumer issues based on exchange and cooperation with international consumer organizations (OECD CCP and ICPEN).

Consumer policy study

Study policies that can improve consumer rights and interests, and propose policies for the government to implement.

Consumer counseling and redress

Operate the Consumer Counseling Center and the Consumer Dispute Settlement Commission to resolve consumer complaints and redress consumer damages.



Improve transaction environment

Improve transaction environment to protect consumers from unfair trade practices regarding goods and services.

Consumer education

Educate consumer leaders and develop useful contents to provide via online/offline channels.

Ensure consumer safety

Ensure consumer safety through conducting product quality and performance tests.

1. Introduction

- **The Digital Economy is spreading into everyday life**
 - Wide-spread usage of Mobile Devices, Social Network Services, and Online Services
 - The world today witnesses continuous growth of digital economy and e-Commerce markets

- **The global cooperation is more important than ever,**
in order to detect changes in global digital world including those in Korea,
 - To **identify** relevant **consumer issues**
 - To **protect** digital consumers' **rights and interest**
 - To **create** an environment for **fair transactions**

1. Introduction

● Major Challenges

- **First**, we need to **establish Evidence-based scientific policies** through various **surveys** and **studies** for **the protection of next-generation consumers** and to **promote the information sharing**.
- **Second**, we need to **strengthen the cooperation** at the level of **G20** as well as **OECD** and **UN**, in order **to build all the necessary infrastructure** to **establish global standards** and **regulations** and to **carry out technical implementation** of them.
- **Third**, we need to **encourage the participation** of **various stakeholders** such as **”voluntary cooperation among business operators”**, in a way to **improve the e-Commerce environment** and **secure consumer confidence**.

2. Key Issues and Approaches

● Digitalization, Technological changes, and The Consumer life

- Consumers in all over the world enjoy their consumption life through e-Commerce such as online and mobile transactions.

● Key Issues

- **Consumers** are now **easily exposed** to **mal-operations of various IT devices** and **risks of non-face-to-face transactions**.
- **Conflicts** between **consumer protection** and **the duty of** mail order sales **business operators** and their brokers.
- **Securing a fair system** for **labeling and advertising** is also important, since e-Commerce lures consumers to buy goods and services through **online advertisements and commercials**.

2. Key Issues and Approaches

- **(Current Status of Consumer damage)** According to the data gathered by the KCA, The biggest reason for requesting consumer redress in e-Commerce transactions is related to **Contracts(51%)**,
 - And it includes non or incomplete fulfillment of contracts, cancellation and termination of contracts, penalty for the breach of contracts, and withdrawal of contracts.
 - **Quality & A/S** related requests(29.2%), **Unfair practices of business operators**(14.4%)

➔ **Methods of consumer redress** : Refund(33.6%), Provision of Info. & Counselling(33.6%), Request for Consumer Dispute Mediation(7.3%), Cancellation of Contracts(7%), Compensation(5.5%), Exchange(3.8%)
- **(Direction of Approaches)** Under these circumstances, **Korea** is making great efforts to **protect digital consumers' rights and interest**, and **build an environment for fair transactions**.
- **(Laws & Instructions for Confidence Building)**
Currently in Korea, **e-Commerce activities are regulated by the Fair Labelling and Advertising Act and the Regulation of Adhesion Contract Act under the Act on the Consumer Protection in the Electronic Commerce Transactions**

3. Function of Fairness & Confidence

- Creating a digital transaction environment that can obtain **consumer confidence** embraces two of the biggest issues in the digital era
 - **Enhancing consumers' Rights and Interest & Market's Surviving in the infinite global competition**
 - the **establishment of consumer-oriented policies** and the **promotion of fair management of businesses** from **the perspective of improving consumer welfare** will play a very important role in terms of securing competitive edge of businesses, which will lead to their future growth.

3. Function of Fairness & Confidence

- Meanwhile, Obtaining **Consumer Confidence** is critical in terms of **soft landing** of **new and consumer-oriented digital markets** as well as **rational and information-based consumer decisions** and **enhancement of their rights to choose**
- As a result, the Korean government is trying very hard to establish an institutional framework to prevent consumer damages and secure the market confidence.
 - Major consumer protection systems under **the Act on the Consumer Protection in the Electronic Commerce Transactions**, etc., include **'Obligation to provide information, 'Cooling-off system (withdrawal of contracts), and 'Consumer indemnity insurance system'**, and breaches of these obligations will lead to judicial or administrative sanctions.
 - In the case of **online services**, the **fairness** of **search services** and **display of advertisements & services** in return for some **rewards** are also becoming issues.

4. Establishment of a Consumer-oriented e-Commerce Environment & Approaches

- **(Consumer-Oriented Cooperation)** Now, it is very important to **participate in the implementation of Global Standards** and to **build a consumer-oriented e-Commerce market environment**.
- **(Construction of Consumer-oriented infrastructure)** The KCA is actively engaged in such efforts to construct necessary infrastructure for obtaining market confidence and constructing **cooperative governance of various stakeholders** including the government, businesses, & relevant organizations.
 - Focusing our efforts on the **“establishment of evidence-based e-Commerce policies”** in accordance with the implementation principles of **OECD e-Commerce Guideline**.
 - Trying to reflect the current status of consumer issues and consumer dispute resolutions into the establishment of scientific consumer policies by producing **Consumption Life Indicators** and by constructing a **Big Data Center**.
 - Currently the basic **Online Dispute Resolution (ODR)**, such as submitting a request for ODR is being operated. However, Under **the UNICITRAL ODR**, KCA has also set up a taskforce **to apply Technical Notes on ODR** in a way that **fits the Korean environment**.
 - ➔ This will not only **help protecting consumers in e-Commerce transactions** but also implementing more efficient mechanisms and **technical solutions**.

4. Establishment of a Consumer-oriented e-Commerce Environment & Approaches

- **(Voluntary Responsibilities & Restrictions of Business Operators)**
Furthermore, we are urging to put more responsibility on business operators for transactions in the digital market and to **create a consumer-oriented market environment** as a **market-based solution** such as **voluntary recalls of defective products** by business operators.
- **(Enhancement of Consumer Capabilities)**
We are also trying to strengthen the market environment for fair transactions based on the **reinforcement of consumers' digital capacity**.
 - Continuously **developing** a variety of **educational contents**, and **cooperating with a number of consumer-related bodies** including consumer organizations, academy and international organizations in the process of providing such educations for business operators and consumers.
- **(Research on protection of Next Generation Consumers)**
On the other hand, we are conducting multiple studies and surveys in order to find **the measures to resolve issues of next generation consumers in the digital world** and **to build up consumer confidence**.

5. Measurement of Consumer Confidence KCA

● (Studies on New Transaction in the Digital era)

Currently in Korea, the possibility of applying the Electronic Transactions Act to telecommunication-based sales business brokers and electronic bulletin service providers including those who provide online platforms.

- The **purpose** of this review is to keep those **online platforms** suitable for fair transactions and **to expand the responsibility of business operators** for online transactions.
- And discussions are carried out focusing on the complementation of the systems by **strengthening business operators' obligations to provide information** and by **strengthening their ability to resolve consumer disputes**.

● (Surveys on Consumer awareness over Consumption Life & Future Outlook)

KCA is also **conducting national surveys** on **consumption life indicators** and **consumer awareness in Korea**, which is similar to **EU's Consumer Condition Scoreboard**

- It is a representative survey to study and predict Korean consumers' consumption trend including e-Commerce and their awareness on consumption life(Korea Consumption Life Indicators)

* the proportions of **internet shopping**, **mobile shopping**, and **overseas direct purchase** are **continuously increasing**, together with the amount of money spent for such e-Commerce. However, the purchase amount per order seems to be decreasing, while the amount of consumer damage is going up.

- This year, we are planning to improve these studies to make them a tool to predict future consumption life and check the level of consumer confidence over markets and policies.

5. Measurement of Consumer Confidence

- **(Research on Consumers of New Technology and New Markets)**

In order to catch up with continuous growth of the digital world, we are also conducting a study to find ways to reflect consumers' rights and interest into the new market policies of the government and businesses.

The study includes research and investigations to secure consumer-orientation trend toward new technologies and markets such as Internet of Things (IoT) and online platforms.

6. Approaches to Building up Fairness and Trust

- **The Three Pillars** necessary for consumer protection in the digital world in terms of establishing and using good indicators are,

First, expansion of relevant laws and consumer rights,

Second, support from specialized organizations, and,

Third, provision of information, education and awareness campaigns.
- These Three Pillars will serve as **important criteria for establishing the ground** for **digital innovation** and **changes that can be obtain consumer confidence**.

6. Approaches to Building up Fairness and Trust

- First, it is important to implement and monitor global standard regulations in a way to expand relevant laws and consumer rights. Regulations on personal information protection, OECD e-Commerce Guidelines, and Technical Notes on Online Dispute Resolution can be good examples of such global standard regulations.
- Second, it is essential to protect next generation consumers through specialized organizations such as KCA. For example, those organizations can monitor and supervise markets, assess the quality of products, utilize the big data, and produce confidence indicators as an outcome of their policies and surveys on consumption life.
- Third, it is also critical to enhance consumer capabilities by providing information, education, and awareness campaigns. The examples include media literacy and training sessions for consumers and business operators.

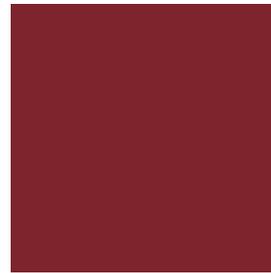
7. Conclusions and Implications

- **(Improvement measures and action items for the future)**
It is important to participate in the implementation of global standards, to create a consumer-oriented e-Commerce market environment, to set up all the necessary legal, systematic, technological, and market infrastructures, to build collaborative governance among various stakeholders such as the government, businesses and organizations, and to solidify the market environment for fair transactions by strengthening digital capabilities of consumers.
- The official motto of the G20 Summit scheduled in July this year is “Shaping an Interconnected World,” and the major goals are building stability, improving capabilities for the future, and assuming responsibility. And the key words for consumer protection will be transparency and confidence-building.
- Now is the time for various stakeholders in every country including Korea to actively participate in the governance of developing global government policies, and to join in the efforts to facilitate their collaborative discussions and activities such as detection of issues related to digital markets and future generation consumers as well as prevention of consumer problems in advance.

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Thank You



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