CONSUMER CONFIDENCE IN THE DIGITAL ENVIRONMENT

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

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Digital Market Dynamics & Regulation

Building Consumer Confidence

• Regulatory Experience
  Tangible Products, Intangible Services

• Principles of Consumer Confidence
  Consumer Protection Mechanism + Fair Trade
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
Digital Market Dynamics & Regulation

Network Effects

• “Square the People”

  1,000 users: \( \sim 1,000,000 \) e-channels
  1,000,000 users: \( \sim 1,000,000,000,000 \) e-channels

• Implications for Consumer Confidence

  - Network Services have a rapid exponential adoption
    e.g. Internet, Mobile Phones, Amazon resellers, eBay auctions, Gaming
  - Conventional e-Shopping Channels have slower linear adoption
    e.g. Online shopping: supermarkets, clothing, household goods
Network Effects & Rates of Adoption

Network Services, e-Shopping Channel

1. **Network Services**
   - Growth fueled by Network Effects
   - e.g. Internet, mobiles, Amazon resellers, eBay auctions, Gaming

2. **Conventional e-Shopping Channels**
   - Normal Growth
   - e.g. Online shops: supermarkets, clothing, household goods

3. **CRITICAL MASS**
   - Rapid growth post this event
   - e.g. Mobile Phones 80% of users in 2yrs
Network Effects & Rates of Adoption

Challenges for Regulation

1. Slow Adoption
   Misleading for Regulators, Investors and Consumers
   e.g. 15yrs - mobile phones

2. Rapid Growth
   Challenges for ex-ante, ex-post Regulation

3. Strategy & Regulation fuels CRITICAL MASS
   e.g. Mobile Telephony: Competition, Pricing, Prepaid, Distribution

4. e-Shopping CRITICAL MASS
   yet to be attained >>

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Dr. Tanya Sammut-Bonnici
**Network Effects & Rates of Adoption**

**Regulation & Critical Mass Strategy**

**Consumer Confidence Principles**

- **Safety**
  Spyware, Identity Theft

- **Information**
  Transparency of Terms, Pricing, Shipping

- **Choice**
  Across regions, Invisible Borders

- **Redress**
  Across regions, Accessible to Consumer

- **Competition**
  Technology Platform, Standards, Supply Chain, Trans Regional Supply

**Now**

**Time**

**CRITICAL MASS**

Fueling Growth through Strategy and Regulation

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