

# **Final report**

**On the investigation into**

**“Electronic commerce in Europe“**

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## 1. Introduction

According to a market survey by the *Verband der deutschen Internet-Wirtschaft* (German Internet Economy Association), 7% of all German private households have access to the Internet. The European average is 8.3 %. The German average is particularly low in comparison with that of the Scandinavian countries. Sweden ranks first with an average of 39 %.

There are great expectations for Internet commerce. For the year 2001 there is already talk of an expected DM 3.5 billion (= 3.5 thousand million) turnover through German online shops. In 1997, sales on the Internet totalled DM 85 million. Hardware and software, books, CDs and records are at the top of the list. As regards services, there is a particularly large demand in the travel sector.

Bookshops especially are trying to win over customers to the idea of electronic commerce by means of attractive offers. On average, the delivery costs for books are considerably lower than for other goods offered. Many German suppliers even deliver books free of charge, and the delivery times are usually very short. There are also some very customer-friendly procedures for returning orders. *Amazon Deutschland*, for example, follows the American procedure, allowing 30 days for returning orders.

In spite of the many advantages such as convenience, 24 hour shopping and the ability to compare prices, there are also many obstacles, which explain the somewhat reserved attitude of German consumers and the concomitant relatively low demand. A representative survey of households by EMNID (German Opinion Research Institute) in June this year found that the greatest concern hinged on the security of paying by credit card via the Internet. There were also objections concerning:

- the lack of clarity regarding the legal situation of online consumers
- the lack of a shopping atmosphere and of advice
- high telephone costs for using the Internet.

Other obstacles include poor website design, long downloading times for Internet pages, lack of technical knowledge and an inadequate range of goods on offer. This shows that there is still much to be done if the targeted growth is to be achieved.

## **2. Consumer problems**

The Internet offers consumers totally new shopping possibilities. Nevertheless, compared to some of our European neighbours, consumers in Germany are still very reserved about virtual shopping.

According to one large company, there are indeed many interested net surfers who visit the websites and compare prices, but in the final analysis only one in a thousand visitors actually then places an order. At present, German consumers clearly prefer the service agency on the corner or the “real” large store.

Apart from the technical requirements and the related problems, there are valid reasons why consumers are so reserved. Internet shopping does indeed have some parallels with mail order shopping, which many consumers are familiar with, but many things are totally different. Ordering procedures are new and customers are often confronted with a selling system which is not yet fully developed. This not only leads to annoyance and resignation, it also means that Internet offers, techniques and procedures keep changing. This is particularly confusing for the user, all the more so because many aspects in this area are still unclear and legislation is still lacking.

The range of goods and services offered on the Internet is limitless. Package holidays, flights, tickets, hotels and goods of every type – it is now possible to buy almost everything via the Internet. Virtual shops are open all the time, prices can be compared in peace and quiet, shopping can be convenient and time saving. It is, however, essential that the web site has been carefully designed and that transactions can be carried out smoothly. Unfortunately this is still not always the case. Consumers often find it takes much time, money and patience in order to reach their target, and even then, not every attempt is successful.

Consumers are confronted with a huge and far from transparent market of suppliers. They have to acquaint themselves with new ordering and payment procedures which differ radically from company to company. As a rule, consumers are inadequately informed about contractual and security aspects applicable to the new medium – in other words there are many shortcomings, which lead to uncertainty and justifiable caution.

Unlike in "normal" shopping, the contractual partner is often not immediately identifiable. The name and address of the supplier then have to be sought out – a laborious process at best, an impossibility at worst.

The delivery terms, as well as the terms for returning goods and the costs involved, are further problematic areas. Here too the buyer sometimes has to go to great lengths to find out this and other important information. Unfortunately he is not always successful. Particular items of information often turn out not to be available at all.

Payment is another problem. When making a purchase via the Internet, it is sometimes only possible to pay by credit card or by online direct debit. But how safe is it to transmit these data via the Internet? Some suppliers encrypt at least the most important confidential data, such as credit card number and expiry date, bank details etc. (depending on the encryption system these details are more or less safe), provide purchasers with information on this subject and offer alternative methods of payment offline, by fax or telephone. Customer-friendly companies also offer the possibility of payment on receipt of invoice.

Unfortunately, it must be said that many companies provide no information whatsoever about this important matter, so that customers must decide for themselves whether they really want to feed their personal data into an incomprehensible, unsafe network, or whether they should simply not place the order.

### **3. Aims of the investigation**

The investigation is primarily intended to be useful to consumers, to give them an overview of the current market situation and outline the general problems and advantages of buying on the Internet.

In particular, the aim is to provide information about:

- the range of goods and services available
- effecting online transactions
- procedures for returning goods
- underlying contractual law
- methods of payment and related problems
- delivery charges
- import regulations, customs duties, import turnover taxes
- risks associated with buying abroad
- underlying security problems when transmitting confidential data.

In addition, all the undeniable advantages of Internet shopping will be presented, so that consumers can weigh up the pros and cons on the basis of a solid foundation of information. The comparative investigation results should enable consumers to select the suppliers who best meet their priorities and needs.

In short, the paramount aims of the investigation are to educate the consumer and to provide market transparency.

Suppliers, too, will benefit from increased consumer acceptance and increased customer interest if they can eliminate existing shortcomings.

#### **4. Subject of the investigation**

The subject of the investigation was the buying and cancelling of orders for goods and services via the Internet. The strategy involved dividing up the products into the following ten categories:

- Books
- Audio/video (mainly CDs and films)
- Clothing (clothes, shoes, accessories)
- Home and garden
- Computer (hardware and software, games)
- Sports and games (apparatus, sports clothes etc.)
- Gifts and jewellery
- Food and drink
- Health (nutrition supplements, cosmetics, body care products)
- Telecommunications.

The services ordered in Germany were all general services – financial services were not covered in this study. For practical reasons, orders were placed only with service suppliers based in Germany.

As with the goods sector, services were divided into ten categories, namely:

- Package holidays
- Last minute holidays
- Flights
- Hotel reservations
- Car hire
- Concert tickets and ticket booking
- Gift services (flowers and greeting cards)
- Delivery services
- Betting on lottery
- Agency services.

Buying the goods and services involved three stages of central importance to the investigation:

- Ordering/reserving
- Receipt of goods/confirmation of service
- Returning/cancelling

In addition, testers were required to observe and evaluate how the suppliers present themselves on the Internet, what information they provide and whether the sequential logic of the ordering process (from selection of product to placement of order) meets customers' needs.

The important questions to be considered in all of this are as follows:

- How does one look for a specific product and how easy/difficult is it to effect the complete transaction?
- How long does it take to place an order?
- How is the graphic presentation rated?
- How good are the textual descriptions (if there are any)?



- What information is the customer given regarding the supplier?
- Are the general terms and conditions of business given?
- What methods of payment are offered?
- Are delivery times stated?
- Is it possible to return goods if not satisfied? What charges are incurred when a service order is cancelled?
- Is the customer informed about the additional charges which have to be met and how much they amount to?
- Is there a special security system protecting the payment procedure?
- Is the customer given a confirmation of the order?
- When is the order delivered?
- When do customs duties and import turnover taxes have to be paid, and how much do they amount to?
- Were there any problems when returning goods?

The field study described below was carried out in a total of 9 European countries.

## **5. Investigation methodology**

We bought a total of 151 products in Germany, namely 16 in the “Clothing” category and 15 in each of the other categories. Approximately 70% were domestic purchases, the rest were purchased from abroad. The average order value was DM 90 including any additional charges.

In the case of services, one order was placed per category. For practical reasons we limited ourselves to German suppliers.

Transactions in the other European countries were largely carried out by our foreign partner organisations. We aimed for 50 goods orders and 3 – 5 services per country. England and Sweden were exceptions. In these two countries Stiftung Warentest organised the transactions with its own trained staff who were experienced Internet users. The target was for 30 and 15 goods orders respectively. Two services were to be ordered via the Internet in England and one in Sweden.

The project was divided into the following parts in order to meet the investigation aims described in point 3.

### **5.1 Market analysis**

The usual selection criteria, such as market significance, annual turnover etc., used for selecting companies on the basis of market research, were not available. The selling of goods and services on the Internet is still too new to for there to be any reliable analyses and statistics for us to refer to. Internet addresses were therefore chosen via an appropriate testing institute, from information sources such as secondary literature, Internet address directories and search engines. The goods and services on offer were checked and the suppliers then allocated to one of the selected product/service categories.

### **5.2 Covert field study**

In order to establish what precisely should be the subject of the investigation, and as a basis for designing the questionnaires, ten preliminary tests were carried out at home and abroad before the field study was started.

The investigation began in February 1999 and was completed in Germany by the end of May. Our foreign partner organisations started later, so that their part of the investigation was not completed until the end of June 1999.

Stiftung Warentest used trained staff who were experienced Internet users to compile and document the data.

The transactions involved three stages:

A. Ordering goods/booking service

- B. Receipt of goods/confirmation of service
- C. Returning the purchased goods/cancelling the ordered service.

The details were recorded on different protocol sheets and these were then evaluated. The questionnaires designed for services employ a structure and terminology tailored specifically to the services sector, although, content-wise, the test criteria remain unaltered.

The goods were required to be returned and the services cancelled, where possible.

In June 1999 our experts carried out an additional investigation of the websites of the suppliers in the categories Books and Audio/Video (German market only), since these categories had been chosen for publication in the 9/99 issue of the magazine *test*.

Experts also carried out an additional investigation of the relevant websites for the services sector investigation chosen for publication in the 8/99 issue of *test*. This took place in May 1999.

### **5.3 Price comparisons**

For the goods investigation, one product was chosen per product group and a price comparison made. The goods had to be available in normal shops in the same form as ordered from the Internet. As far as possible, the Internet price was compared with the price from three different sources on the normal market.

As far as possible, a price comparison was also made of the services offered.

## 6. Evaluation of the questionnaires for the goods sector

### 6.1 Numbers of purchases

The evaluation covered a total of nine countries.

The **number of purchases** differed greatly from country to country – this was on the one hand a result of the different planning specifications, but also a result of the fact that the ordering in England and Sweden was carried by Stiftung Warentest's own employees living there, with a lower target. Stiftung Warentest's foreign partner organisations were responsible for the ordering in the other countries.

Additionally, there were not enough available suppliers for our goods buying strategy in some countries, so that the target figure (Germany n = 150, otherwise n = 50) could not be met in many countries.

The following numbers of purchases form the basis for the individual country evaluations:

<b>Participating countries</b>	<b>No. of purchases</b>
Germany	151
Belgium	35
France	49
UK	15
Spain	49
The Netherlands	28
Sweden	15
Italy	50
Portugal	43
Total	435

## **6.2 Limitation of the number of variables**

All of the questions in the survey were included in the basic evaluation.

The large number of variables, their different characteristics, the international dimension and the differentiation between domestic and foreign orders dictated that we limit the number of variables presented here.

Since the investigation criteria are of differing relevance, we have selected what we consider to be the most important criteria and have presented the results country by country, in each case indicating the respective number of purchases, so that it is thus possible to make a direct comparison.

The following evaluation relates to all of the categories of goods. A separate evaluation for each product group (as published in *test 9/99*) would be pointless, due to the fact that there were too few purchases to provide the required data in some countries.

### 6.3 Selection of investigation variables

The selection of variables for evaluation is primarily orientated towards consumer interests and has the following structure, analogous to the publication in the magazine *test* 9/99:

- **General information**
  - Percentages of orders placed with domestic and foreign suppliers
  - Language choice
  - Worldwide delivery
  
- **Provision of information**
  - Details of delivery time
  - Details of terms for returning goods
  - Details of deadlines for returning goods
  - Details of delivery costs
  - Details concerning customs duties and import turnover taxes
  
- **Additional costs**
  - Are there any delivery costs? / How high are the delivery costs?
  - Findability and precision of information on delivery costs
  - Costs of returning goods
  
- **Ordering procedure**
  - Is it necessary to register?
  - Was an order confirmation issued?
  - Duration of the ordering procedure

- **Payment methods**
  - Methods of payment offered
  - Method of payment chosen
  - Correctness of the invoice
  - Where payment is made by credit card: credit card account debited before goods delivered?
  - For payment by credit card and direct debit (online): details about data security during data transfer?
  - Refund on returned goods
  
- **Delivery**
  - Were the goods delivered?
  - Deliverer of the goods
  - Correctness of delivery (correct, complete, undamaged)
  - Punctuality of delivery
  - Delivery time in days
  
- **Tester's subjective assessment**

of the following points:

  - the product choice in general
  - logical structure of the ordering system
  - graphic display
  - provision of information by supplier
  - pleasure of buying online
  - price advantages
  - other advantages
  - acceptability of time involved
  - how complicated was the ordering procedure?

## 6.4 Investigation results

### 6.4.1 General information

#### Percentages of orders placed with domestic and foreign suppliers

Table 1 shows the percentages of orders placed with domestic and foreign suppliers, plus those in which the testers were unable to identify the country of supply.

Table 1:	Germany (n = 151)	EU (n = 284)
Domestic purchases	72.2%	61.6%
Foreign purchases	25.2%	35.6%
No identification/No answer	2.6%	2.8%

Table 2: Breakdown by participating countries, excluding those cases where testers were unable to identify the country of supply.

Table 2: Frequency of domestic/foreign purchases			
	Number of online purchases	of which domestic	of which foreign
Germany	151	74.1% (n = 109)	25.9% (n = 38)
Belgium	35	54.5% (n = 18)	45.5% (n = 15)
France	49	72.9% (n = 35)	27.2% (n = 13)
UK	15	66.7% (n = 10)	33.3% (n = 5)
Spain	49	72.9% (n = 35)	27.1% (n = 13)
Netherlands	28	68.0% (n = 17)	32.0% (n = 8)
Sweden	15	35.7% (n = 5)	64.3% (n = 9)
Italy	50	64.0% (n = 32)	36.0% (n = 18)
Portugal	43	53.5% (n = 23)	46.5% (n = 20)
Total	435	67.1% (n = 284)	32.9% (n = 139)



## Language choice

Table 3 compares the language choice offered by suppliers in each country. The orders placed with foreign suppliers were evaluated cumulatively for all participating countries together.

<b>Table 3:</b>	<b>EN</b>	<b>DE</b>	<b>FR</b>	<b>ES</b>	<b>IT**</b>	<b>PT**</b>	<b>NL**</b>	<b>other</b>
<i>Language choice when ordering from the domestic market</i>								
Germany(n = 109)	17.4	100.0	6.4	6.4	0.0	0.0	0.0	6.4
Belgium (n = 18)	55.6	5.6	55.6	0.0	0.0	0.0	72.2	0.0
France (n = 35)	42.9	8.6	100.0	2.9	0.0	0.0	0.0	2.9
UK (n = 10)	100.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Spain (n = 35)	14.3	0.0	2.9	100.0	0.0	0.0	0.0	14.3
Netherlands(n= 17)	23.5	11.8	17.6	11.8	5.9	0.0	100.0	0.0
Sweden (n = 5)	20.0	20.0	0.0	0.0	0.0	0.0	0.0	100.0*
Italy (n = 32)	37.5	9.4	6.3	3.1	96.9	3.1	3.1	0.0
Portugal (n = 23)	30.4	8.7	4.3	13.0	0.0	100.0	0.0	0.0
<i>Language choice when ordering from abroad (n= 139)</i>								
<i>All countries</i>	82.0	25.9	28.1	10.8	10.8	7.9	10.8	7.9

Note: Figures in %

EN = English, DE = German, FR = French, ES = Spanish, IT = Italian, PT = Portuguese, NL = Dutch, other = other languages; figures in %; more than one response possible.

\* "Other" here means Swedish and Danish/Norwegian, which were not indicated as separate categories

\*\* This language was not indicated as a separate category on the German questionnaire

## Worldwide delivery

Worldwide delivery of goods was offered in **45.1% of the 435 transactions evaluated**.

For the purposes of this investigation, however, "worldwide" does not mean that goods are actually delivered to every country in the world, but merely that they are delivered to many countries and several continents.

#### **6.4.2 Provision of information**

##### **Indications of delivery times, terms for returning goods, deadlines for returning goods.**

Table 4 presents these three criteria, once again with a country by country breakdown for the domestic orders and cumulative values for the foreign orders.

Supplementary information concerning Table 4:

Taking all cases together (domestic and foreign orders), the delivery time was indicated in 50.6 % of all cases, although this figure differs significantly from country to country.

In 39.6% of cases, no deadline for goods returns was indicated. Of those suppliers who indicated such a deadline, 0.9% allowed less than a week, 34.9% up to two weeks, and 23.1% up to a month. Suppliers from the USA allowed more than a month (1.2% of cases).

<b>Table 4: Indications of delivery times, terms for returning goods, deadlines for returning goods</b>						
	Indication of a delivery time	Terms for returning goods			Deadlines for returning goods	
	Yes	If not liked	Only if defective indication	No indication consulting suppliers*	No indication	>31 days
<i>Domestic orders</i>						
Germany (n = 109/107/98)	35.8	44.9	14.0	36.4	48.0	0.0
Belgium (n = 18/18/17)	83.3	44.4	5.6	50.0	47.1	0.0
France (n = 35)	71.4	62.9	5.7	31.4	38.2	0.0
UK (n = 10/9/10)**	100.0	88.9	11.1	0.0	20.0	0.0
Spain (n = 34/35/35)	61.8	31.4	8.6	60.0	65.7	0.0
Netherlands (n = 16/14/3)	37.5	28.6	7.1	64.3	0.0	0.0
Sweden (n = 5/4/5)**	100.0	75.0	25.0	0.0	20.0	0.0
Italy (n = 32/32/12)	12.5	31.3	6.3	62.5	50.0	0.0
Portugal (n = 23/21/4)	56.5	9.5	4.8	85.7	25.0	0.0
<i>Orders from abroad (n= 139/137/112)</i>						
<b>All countries</b>	<b>56.8</b>	<b>62.0</b>	<b>5.1</b>	<b>32.8</b>	<b>27.7</b>	<b>2.7</b>

Note: Figures in %.

\* This category could only be created for Germany.

\*\* In one case, no indication of terms for return of goods, but indication of deadline for returns.

### **Information concerning customs duties and import turnover taxes**

This applies only to orders from suppliers outside the European Union, i.e. from third countries such as Switzerland, the USA, etc.

In all, 67 orders were from third countries. In approximately 71.6% of these cases, purchasers were informed that, depending on individual countries' regulations and tax free allowances, additional costs such as customs duties and import turnover taxes might be payable.

Of the orders placed outside the EU, 60 were to the USA, 3 to Switzerland, 2 to Canada, 1 to Hong Kong and 1 to Martinique.

### **6.4.3 Additional costs**

In online shopping the additional costs, such as delivery costs and costs of returning goods, are important to the consumer.

They are a particular concern when ordering from abroad - especially from the USA, where price savings on goods can often be eroded by high delivery costs. On top of this, customs duties and import turnover taxes are also often payable. All of this can erode any price advantage. And if goods have to be returned, the purchaser generally has to pay out once again.

Consumers should therefore check carefully, in each individual case, whether buying from abroad is actually worthwhile, and as far as possible should avoid exchanging goods because they do not like them or because the goods are the wrong fit.

### **Are there any delivery costs? / How high are the delivery costs?**

**Table 5** presents an evaluation of the delivery costs. In most cases, additional costs means delivery costs. The Table shows in what percentage of cases, and at what rate, these costs applied.

Supplementary information concerning Table 5:

Only 19% **of all purchases** (domestic and foreign) were free of any additional costs. This figure varies substantially between countries and between domestic and foreign orders. 76% of orders placed with domestic suppliers were subject to delivery costs, compared with 92% of orders placed with foreign suppliers.

**Table 5a** shows the percentage of orders not attracting delivery costs, as well as the average delivery costs imposed, for each of the different product groups. A distinction is also made between domestic and foreign purchases. This breakdown by product groups was performed only for Germany, since the number of transactions was higher in Germany.

**Table 5b** shows the average delivery costs and average goods values, both in euros and in the respective national currencies, as well as the ratio of delivery cost to goods value (in %).

Figures 1 - 4: Graphs representing delivery costs.

<b>Table 5: Delivery costs</b>							
	Additional costs				Details of delivery costs provided by supplier*		
	no additional costs	0 – 10%	10 – 20%	more than 20%	Precise details	Imprecise details	No details
<i>Domestic orders</i>							
Germany (n = 108)	25.0	16.7	33.3	25.0	83.8	6.1	10.1
Belgium (n = 18)	22.2	27.8	16.7	33.3			
France (n = 35)	17.1	8.6	22.9	51.4			
UK (n = 10)	20.0	30.0	20.0	30.0			
Spain (n = 35)	20.0	17.1	20.0	42.9			
Netherlands (n = 17)	23.5	11.8	41.2	23.5			
Sweden (n = 5)	0.0	60.0	0.0	40.0			
Italy (n = 31)	29.0	0.0	25.8	45.2			
Portugal (n = 22)	40.9	4.5	31.8	22.7			
<i>Foreign orders</i>							
Germany (n = 36)	8.3	8.3	8.3	75.0	78.1	12.1	9.1
Belgium (n = 15)	0.0	0.0	6.7	93.3			
France (n = 13)	0.0	0.0	0.0	100.0			
UK (n = 5)	20.0	20.0	40.0	20.0			
Spain (n = 13)	0.0	0.0	7.7	92.3			
Netherlands (n = 7)	0.0	14.3	0.0	85.7			
Sweden (n = 6)	16.7	16.7	16.7	50.0			
Italy (n = 18)	27.8	11.1	27.8	33.3			
Portugal (n = 19)	0.0	15.8	15.8	68.4			
<i>Total foreign orders (n= 132)</i>							
<i>All countries</i>	8.3	8.3	11.4	72.0			

Note: Figures in %.

\* This question was asked only in the German questionnaire (n = 99/33).

<b>Table 5a: Delivery costs by product group (Germany)</b>				
	<i>Domestic orders</i>		<i>Foreign orders</i>	
	no delivery costs*	average delivery costs	no delivery costs*	average delivery costs
Books (n = 10/1/5/5)	90.0	6.00 DM	0.0	18.00 DM
Audio/Video (n = 11/10/4/3)	9.1	7.10 DM	25.0	13.80 DM
Clothing (n = 11/8/5/5)	27.3	9.00 DM	0.0	40.00 DM
Computers (n = 9/7/4/3)	22.2	17.10 DM	25.0	53.00 DM
Sport+Games (n = 12/11/3/3)	8.3	11.00 DM	0.0	59.00 DM
Gifts (n = 11/7/3/3)	36.4	10.20 DM	0.0	38.70 DM
Food+Drink (n = 12/11/3/3)	8.3	8.90 DM	0.0	34.20 DM
Health (n = 10/7/3/3)	30.0	8.00 DM	0.0	33.90 DM
Home and garden (n = 11/10/2/3)	18.2	10.70 DM	0.0	23.40 DM
Telecommunications (n = 11/10/4/3)	9.1	10.00 DM	25.0	73.20 DM
<b>All product groups (n=108/82/36/34)</b>	<b>25.0</b>	<b>10.00 DM</b>	<b>8.3</b>	<b>37.70 DM</b>

Note: \*Figures in %; Average values relate to those orders which were actually subject to additional costs.

<b>Table 5b: Average delivery costs and average goods values</b>					
	in EURO		in the national currency		in percent
	Delivery costs	Goods value	Delivery costs	Goods value	Delivery costs/ Goods value
<i>Domestic orders</i>					
Germany (n = 82/109)	5.237	36.006	10.20 DM	70.40 DM	14.5%
Belgium (n = 14/18)	5.266	29.364	212.40 BEF	1.185.- BEF	17.9%
France (n = 29/35)	6.067	33.435	39.80 FRF	219.30 FRF	18.2%
UK (n = 8/10)	4.363	43.259	2.80 GBP	27.60 GBP	10.1%
Spain (n = 28/35)	5.403	39.711	899.- ESP	6.607.- ESP	13.6%
Netherlands (n = 13/17)	5.472	49.259	12.10 NLG	108.60 NLG	11.1%
Sweden (n = 5)	5.990	77.309	51.40 SEK	663.20 SEK	7.7%
Italy (n = 22/32)	6.877	25.037	13.315.- ITL	48.478.- ITL	27.5%
Portugal (n = 13/23)	3.788	21.291	759.- PTE	4.268.- PTE	17.8%
<i>Foreign orders</i>					
Germany (n = 34/37)	35.574	79.472	69.60 DM	155.43 DM	44.8%
Belgium (n = 15)	14.205	20.027	573.- BEF	807.91 BEF	70.9%
France (n = 13)	20.984	34.939	137.70 FRF	229.19 FRF	60.1%
UK (n = 4/5)	14.376	85.273	9.20 GBP	54.48 GBP	16.9%
Spain (n = 12/13)	11.938	26.362	1.986.- ESP	4.386 ESP	45.3%
Netherlands (n = 7)	8.199	16.621	18.10 NLG	36.63 NLG	49.3%
Sweden (n = 5/9)	11.769	41.540	101.- SEK	356.33 SEK	28.3%
Italy (n = 13/18)	6.396	34.110	12.384.- ITL	66.046 ITL	18.8%
Portugal (n = 19/20)	13.459	24.087	2.698.- PTE	4.829 PTE	55.9%

Note: Conversion rates:  
 EUR/DM = 1.95583; EUR/FRF = 6.55957; EUR/BEF = 40.3399; EUR/GBP = 0.6389; EUR/ESP = 166.386;  
 EUR/NLG = 2.20371; EUR/SEK = 8 5780; EUR/ITL = 1936.27; EUR/PTE = 200.482. (Date: 21.9.1999  
 Daily currency market exchange rates of the Commerzbank).

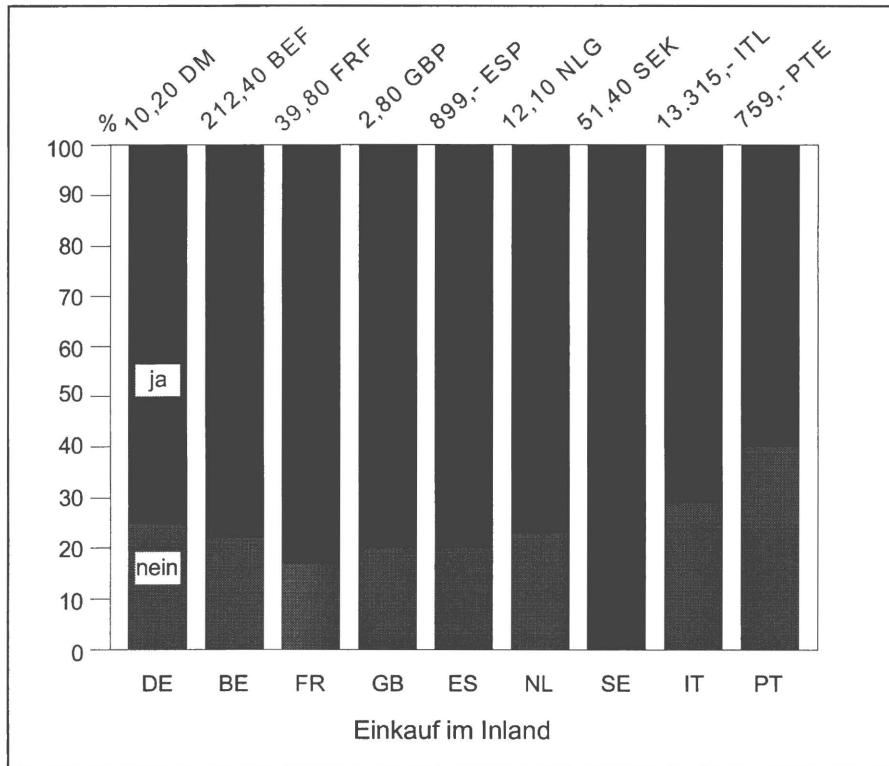


**Figures relating to the delivery costs**

**Figure 1** shows the following values for domestic purchases:

1. Number of orders subject to delivery costs (in %).
2. Average delivery cost in the relevant national currency.

**Figure 1: Delivery costs for domestic purchases**



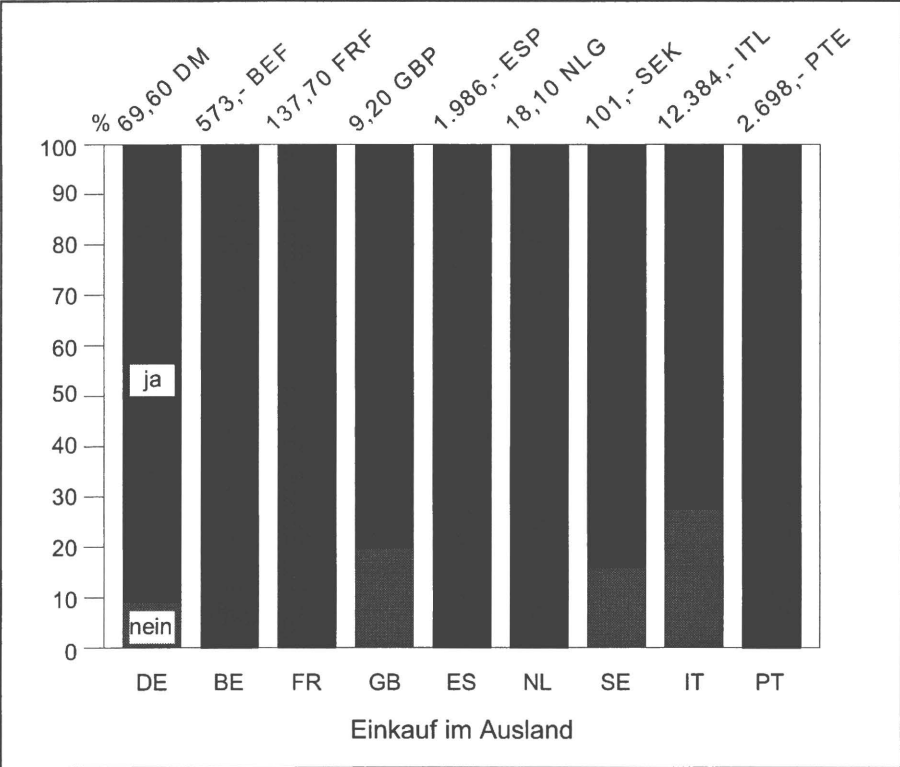
Note: Average value in the relevant national currency;  
yes – delivery costs; no – no delivery costs.

Key to graphic	
Original text	Translation
ja / nein	yes / no
Einkauf im Inland	Domestic purchase

Figure 2 shows the following values for foreign purchases:

1. Number of orders subject to delivery costs (in %).
2. Average delivery cost in the relevant national currency.

Figure 2: Delivery costs for foreign purchases



Note: Average value in the relevant national currency; yes – delivery costs; no – no delivery costs.

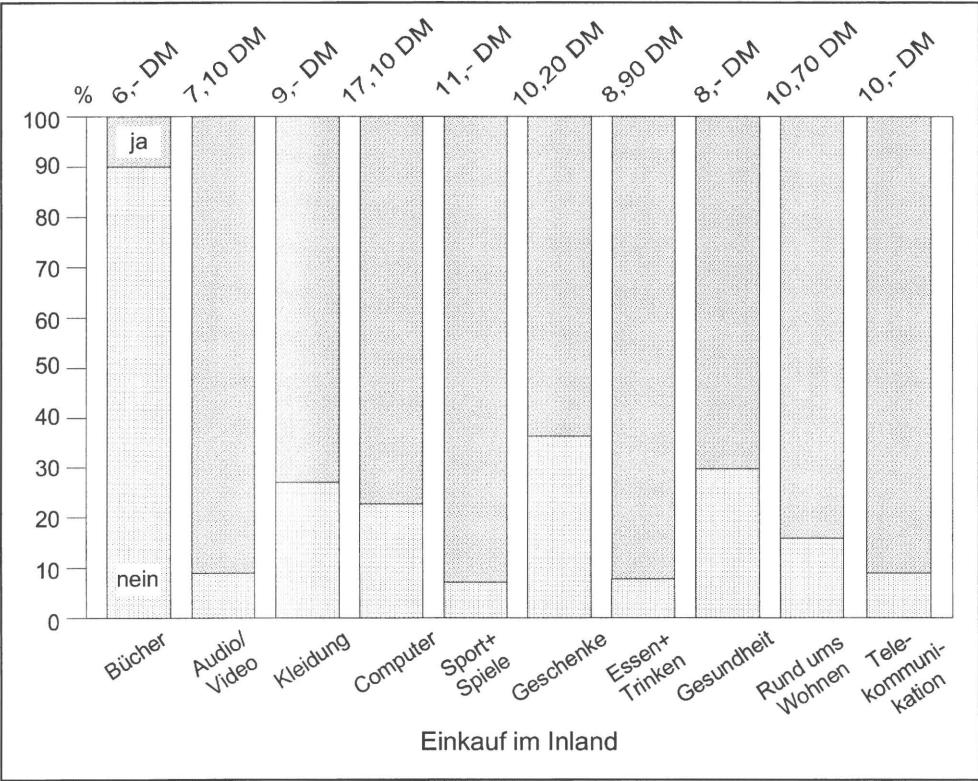
Key to graphic	
Original text	Translation
ja / nein	yes / no
Einkauf im Ausland	Foreign purchase

**Figure 3** shows the domestic purchases broken down by product group. This breakdown by product group was performed only for Germany, since the number of transactions was higher in Germany.

Depicted:

1. Number of orders subject to delivery costs (in %).
2. Average delivery costs.

**Figure 3: Delivery costs by product group (D), domestic purchases**



Note: Average value in DM;  
yes – delivery costs; no – no delivery costs.

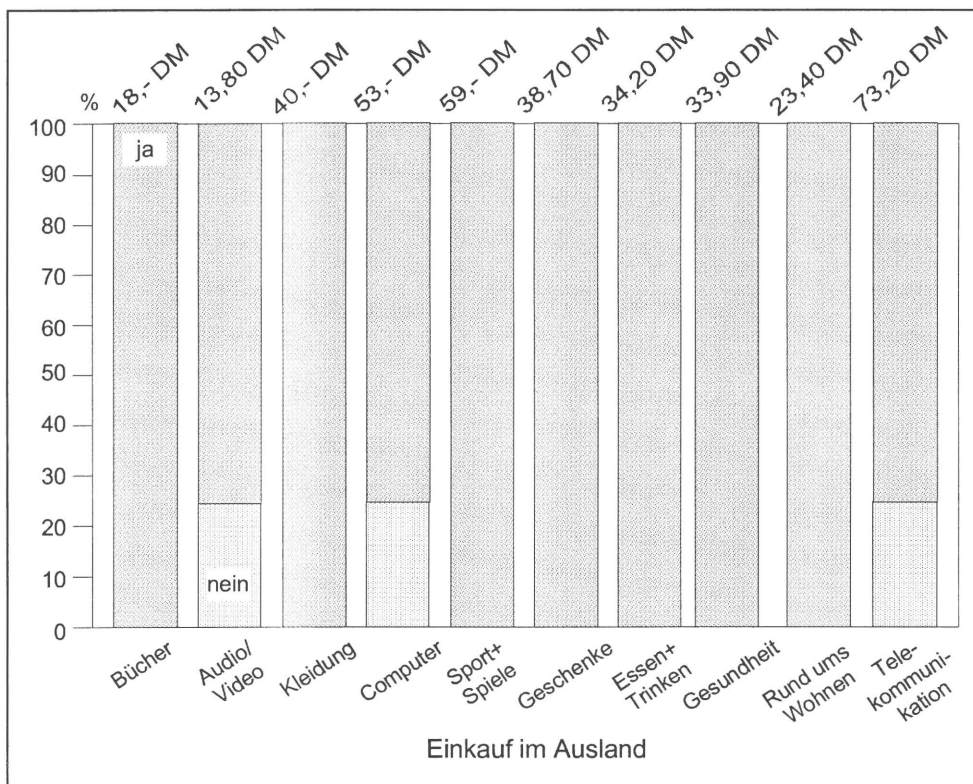
Key to graphic	
Original text	Translation
Bücher / Audio/video / Kleidung / Computer / Sport+Spiele / Geschenke / Essen+Trinken / Gesundheit / Rund ums Wohnen / Telekommunikation	Books / Audio/video / Clothing / Computer / Sport+Games / Gifts / Food+Drink / Health / Home +Garden / Telecommunications
Einkauf im Inland	Domestic purchase

**Figure 4** shows the foreign purchases broken down by product group. This breakdown by product group was performed only for Germany, since the number of transactions was higher in Germany.

Depicted:

1. Number of orders subject to delivery costs (in %).
2. Average delivery costs.

**Figure 4: Delivery costs by product group (D), foreign purchases**



Note: Average value in DM;  
yes – delivery costs; no – no delivery costs.

Key to graphic	
Original text	Translation
Bücher / Audio/video / Kleidung / Computer / Sport+Spiele / Geschenke / Essen+Trinken / Gesundheit / Rund ums Wohnen / Telekommunikation	Books / Audio/video / Clothing / Computer / Sport+Games / Gifts / Food+Drink / Health / Home +Garden / Telecommunications
Einkauf im Ausland	Foreign purchase

**Findability and precision of information on delivery costs**

The questions concerning the findability and precision of delivery cost details were only asked in the German questionnaires.

**Findability:** In 126 orders (domestic and foreign), the information was easy to find. However, in 11 cases (8.7%) the information was hard to find.

**Precision:** In 83.8 % of cases the domestic suppliers gave precise information, in 6.1 % of cases the information was imprecise and in 10.1% no details were given at all. The corresponding breakdown for foreign purchases was: 78.1% / 12.1% / 9.1%

### Costs of returning goods

Table 6 relates to the cost of returning goods to the supplier. Purchasers in each of the countries always paid the goods-return costs in their own national currencies, which enables average goods-return costs to be shown for each country. Unfortunately, the number of transactions was so low in some countries that the averages shown have very little significance.

In all, 18.2% of all orders attracted no goods-return costs.

<b>Table 6: Costs of returning goods</b>			
	Goods-return costs		
	yes	no	Average cost of returning goods (in the relevant national currency)
<i>Domestic orders</i>			
Germany (n = 60)	80.0	20.0	7.30 DM
Belgium (n = 11)	90.9	9.1	127.90 BEF
France (n = 33)	97.0	3.0	25.20 FRF
UK (n = 3)	33.3	66.7	0.86 GBP
Spain (n = 26)	69.2	30.8	609.- ESP
Netherlands (n = 4)	0.0	100.0	none
Sweden (n = 2)	100.0	0.0	20.- SEK
Italy (n = 23)	91.3	8.7	19.395.- ITL
Portugal (n = 8)	87.5	12.5	685.- PTE
<i>Foreign orders</i>			
Germany (n = 14)	100.0	0.0	28.70 DM
Belgium (n = 11)	100.0	0.0	220.90 BEF
France (n = 11)	100.0	0.0	44.60 FRF
UK (n = 1)	100.0	0.0	3.99 GBP
Spain (n = 9)	100.0	0.0	1.495.- ESP
Netherlands (n = 1)	100.0	0.0	13.50 NLG
Sweden (n = 1)	100.0	0.0	128.- SEK
Italy (n = 11)	100.0	0.0	13.422.- ITL
Portugal (n = 11)	100.0	0.0	4.007.- PTE

Note: Figures in % for "goods-return" costs (for the columns "yes"/"no").

#### **6.4.4 Ordering procedure**

The ordering procedure variables evaluated are shown in Table 7.

##### **Is it necessary to register?**

In 26.5% of all orders the purchaser was required to register. At least one of the following conditions had to be fulfilled: access code, self-chosen or assigned password or member number.

##### **Was an order confirmation issued?**

80% of customers received an order confirmation.

##### **Duration of the ordering procedure**

The time taken to order is shown as an average.

Table 7: Ordering procedure									
	Registration	Confirmation of order	Duration of ordering procedure					Average time taken to order	
	yes	yes	Up to 10 minutes	11-20 minutes	21-45 minutes	45-60 minutes	over 1 hour	in minutes	
<i>Domestic orders</i>									
Germany (n = 109)	17.4	84.4	77.1	15.6	7.3	0.0	0.0	9.8	
Belgium (n = 18)	55.6	72.2	72.2	27.8	0.0	0.0	0.0	9.2	
France (n = 35/34/35)	25.7	70.6	88.6	11.4	0.0	0.0	0.0	8.6	
UK (n = 10)	30.0	70.0	80.0	20.0	0.0	0.0	0.0	8.4	
Spain (n = 33/35/34)	33.3	82.9	91.2	8.8	0.0	0.0	0.0	8.0	
Netherlands (n = 16/17/17)	37.5	58.8	41.2	41.2	11.8	5.9	0.0	17.1	
Sweden (n = 5)	60.0	80.0	0.0	60.0	40.0	0.0	0.0	23.0	
Italy (n = 32)	12.5	90.6	37.5	62.5	0.0	0.0	0.0	13.2	
Portugal (n = 21/23/23)	28.6	60.9	60.9	34.8	4.3	0.0	0.0	11.2	
<i>Foreign orders (n=136/138/139)</i>									
<b>All countries</b>	29.4	84.8	64.7	20.9	11.5	1.4	1.4	13.8	

Note: Figures in %



#### **6.4.5 Payment methods**

##### **Methods of payment offered**

The methods of payment that were offered to purchasers are shown in Table 8. Comparing countries, it is striking how great the differences are. Leaving aside Sweden (with the limitation  $n = 5$ ), it is striking, for example, that Germany offers much less scope than the others for payment by credit card. In France and Italy, for example, payment by credit card is clearly already the norm.

The option of payment by transfer after receipt of the bill was not offered at all by some countries, while it is a fairly common option in Germany and the Netherlands.

E-Cash payment, as expected, is a relatively rare option but is already gaining ground in countries such as Belgium and the Netherlands.

##### **Method of payment chosen**

**Table 9** shows the payment methods chosen by purchasers. Looking at the domestic orders, it is clear that the German and Dutch purchasers were reluctant to pay by credit card and preferred paying cash on delivery.

Payment by credit card predominates in the foreign purchases.

<b>Table 8: Methods of payment offered</b>											
	Cash on delivery	E-Cash	Cheque	Credit card*** (CC)	CC online	CC offline	Transfer (after receiving bill)	Transfer (before receiving bill)	Direct debit (online)	Installments	Other*
<i>Domestic orders</i>											
Germany (n = 109)**	63.3	4.6	8.3	40.4	31.2	12.8	39.4	16.5	39.4	9.2	10.1
Belgium (n = 18)	38.9	11.1	33.3	88.9	88.9	33.3	16.7	33.3			27.8
France (n = 35)	25.7	8.6	65.7	100.0	100.0	31.4		5.7		5.7	11.4
UK (n = 5)	10.0		40.0	100.0	100.0	10.0					20.0
Spain (n = 35)	57.1		17.1	97.1	94.3	22.9		40.0		2.9	17.1
Netherlands (n = 15)	33.3	13.3	26.7	60.0	33.3	20.0	53.3	13.3	6.7		20.0
Sweden (n = 5)	80.0			20.0	20.0		20.0	20.0			
Italy (n = 32)	62.5		6.3	100.0	96.9	50.0		15.6			
Portugal (n = 23)	78.3		39.1	69.6	47.8	26.1		13.0			
<i>Foreign orders (n = 139)</i>											
<b>All countries</b>	<b>10.1</b>	<b>2.9</b>	<b>36.0</b>	<b>97.8</b>	<b>93.5</b>	<b>37.4</b>	<b>6.5</b>	<b>4.3</b>	<b>2.9</b>	<b>1.4</b>	<b>21.6</b>

Note: Figures in %, More than one response possible.

\* "Other" includes various customer cards/club cards.

\*\*There was no indication of how to pay in 3.7% of the orders.

\*\*\*The credit card payment option was subdivided into online and offline payment, but not all respondents bothered to provide/were able to provide this breakdown in their answers.

Table 9: Method of payment chosen											
	Cash on delivery	E-Cash	Cheque	Credit card*** (CC)	CC online	CC offline	Transfer- (after receiving bill)	Transfer- (before receiving bill)	Direct debit (online)	Installments	Other
<i>Domestic orders</i>											
Germany (n = 107)	42.1				18.7	3.7	19.6	1.9	12.1		1.8
Belgium (n = 18)	16.7				77.8			5.6			
France (n = 35)		5.7	20.0		74.3						
UK (n = 5)					100.0						
Spain (n = 35)	11.4				82.9	2.9					2.9
Netherlands (n = 12)	33.3				8.3		41.7	8.3			8.3
Sweden (n = 5)	40.0				20.0		20.0	20.0			
Italy (n = 32)					93.8	6.3					
Portugal (n = 20)	40.0			5.0	40.0	15.0					
<i>Foreign orders (n= 139)</i>											
<i>All countries</i>			2.2		89.1	3.6	3.6		0.7		0.7

Note: Figures in %.

**Was the invoice amount correct / Were data security details given / Refund on returned goods?**

**Table 10** evaluates these three variables.

The sum that would be invoiced was indicated in 335 orders. In 85.4% of these orders the sum subsequently invoiced was correct, and in 13.4% of cases it was not. In 1.2% of cases, respondents failed to reply on this point.

It was unfortunately not possible to check, within the context of this investigation, whether the suppliers actually used encryption systems. The only question investigated was whether they provided information on data security during the online payment process.

Payment was effected by credit card or direct debit in 273 cases. Suppliers provided information concerning data security/encryption technology in 79.5% of the payment transactions.

Information concerning data security was provided in 87% of the orders placed with foreign suppliers (n = 123), and in 71.3% of the orders placed with domestic suppliers (n = 150).

Of the refund cases (n = 151), only 43.7% received a full refund (in 3 of these cases this even included the shipping costs), while 52.3% received a reduced refund. In 6 cases (4.0%) the amount of the refund could not be clearly established.

35 customers received no refund. In 5.8% of these cases a reason for the non-refund was given, in 2.9% no reason was given, and in 88.6% the suppliers failed to reply. In one case a refund was promised but had not yet reached the customer's account.

<b>Table 10: Payment procedure / Refund</b>					
	Invoice correct	Information on data security*	Refund on returned goods		
	yes	yes	Full amount	Reduced amount	No refund
<i>Domestic orders</i>					
Germany (n = 92/32/39)**	87.0	43.8	30.8	43.6	17.9
Belgium (n = 14/14/8)	78.6	78.6	75.0	25.0	0.0
France (n = 30/26/33)	96.7	100.0	42.4	30.3	27.3
UK (n = 7/10/3)	100.0	100.0	33.3	66.7	0.0
Spain (n = 26/29/27)	76.9	86.2	59.3	37.0	3.7
Netherlands (n = 9/1/0)	88.9	0.0	–	–	–
Sweden (n = 4/1/2)	100.0	100.0	0.0	100.0	0.0
Italy (n = 24/30/10)	70.8	50.0	20.0	70.0	10.0
Portugal (n = 13/7/7)	76.9	71.4	57.1	14.3	28.6
<i>Foreign orders (n= 110//54)</i>					
<i>All countries (n=123)</i>	87.3	87%	16.7	50.0	27.8

Note: Figures in %

\* Relates only to those orders paid for by credit card (online) or by direct debit.

\*\* Testers unable to establish the sum transferred: domestic orders 7.7%, foreign orders 18.2%.

**Payment by credit card: debiting of credit card account before delivery of goods**

A relevant point, in the case of payment by credit card or direct debit, is whether the sum is debited before or after delivery of the goods. In total, there were 181 examples.

Analysis of these transactions shows that in 11 cases the customer's account was debited but the goods were not delivered. In 5.4 % of the cases, the goods were delivered and the account debited on the same day. In 72.3% of the cases, the account was debited prior to delivery of the goods. Only in 22.3% of cases were the goods delivered before the customer's account was debited.

In 65.2% of the 92 orders placed with domestic suppliers, the invoiced amount was debited prior to delivery. The corresponding figure for the 89 foreign orders was 78.7%.

<b>Table 11: Credit card debiting</b>		
	<i>Domestic</i>	<i>Foreign</i>
	Credit card debited before delivery	Credit card debited before delivery
Germany (n = 16/26)*	25.0	76.9
Belgium (n = 8/12)	75.0	100.0
France (n = 21/9)	90.5	100.0
UK (n = 7/5)	57.1	60.0
Spain (n = 19/9)	94.7	100.0
Netherlands (n = 0/0)	—	—
Sweden (n = 1/4)	0.0	75.0
Italy (n = 17/12)	35.3	33.3
Portugal (n = 3/12)	100.0	83.3
<b>All countries (n = 92/89)</b>	<b>65.2</b>	<b>78.7</b>

#### **6.4.6 Delivery**

##### **Were the goods delivered / Correctness of delivery / Delivery time in days**

The above are the three main variables regarding deliveries. **Table 12** shows the results.

Of the 435 online orders placed, only 80.9 % reached the customer. 18.6 % never arrived. In 0.5 percent of the cases, the relevant questionnaires had not been returned by the stipulated deadline, so no evaluation could take place.

Notes concerning Table 12:

The delivery time (period between ordering and delivery) was asked about on the questionnaire but was incorrectly answered in many cases (e.g. February calculated with 30/31 days instead of 28), so we have adjusted the data.

For comparison purposes, Table 12 shows the average delivery time in days for each country.

"Delivery correct" means: goods correct, complete and undamaged.

##### **Punctuality of delivery**

###### **Orders placed with domestic suppliers:**

Where suppliers quoted a delivery time, the proportions of deliveries arriving on time were as follows:

- up to 3 days, 35 % of the orders,
- up to a week, 50 % of the orders
- up to two weeks, 57.5% of the orders.

###### **Orders placed with foreign suppliers:**

Where suppliers quoted a delivery time, the proportions of deliveries arriving on time were as follows:

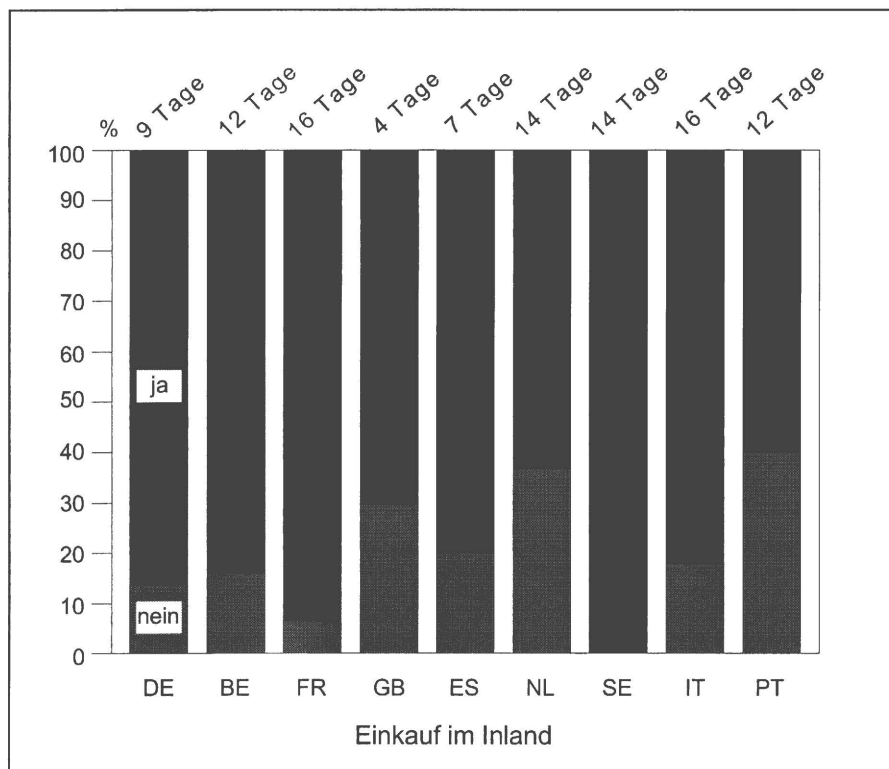
- up to 3 days, 15 % of the orders,
- up to a week, 20 % of the orders
- up to two weeks, 70.6% of the orders.

<b>Table 12: Delivery</b>			
	No goods received*	Delivery correct*	Average delivery time in days
<i>Domestic orders</i>			
Germany (n = 108/93/93)	13.9	94.6	9.2
Belgium (n = 18/15/15)	16.7	100.0	12.3
France (n = 34/32/32)	5.8	93.8	15.5
UK (n = 10/7/7)	30.0	100.0	4.1
Spain (n = 35/28/28)	20.0	100.0	7.2
Netherlands (n = 17/11/11)	35.4	90.9	14.1
Sweden (n = 5/5/5)	0.0	40.0	13.6
Italy (n = 32/26/24)	18.8	92.3	15.7
Portugal (n = 23/14/14)	39.1	92.9	11.5
All countries (n = 282/231/229)	18.1	93.9	11.0
<i>Foreign orders</i>			
Germany (n = 38/28/28)	26.3	96.4	15.7
Belgium (n = 15/15/15)	0.0	100.0	11.5
France (n = 13/11/11)	15.4	100.0	9.2
UK (n = 5/5/5)	0.0	100.0	11.8
Spain (n = 13/10/10)	23.1	100.0	15.3
Netherlands (n = 8/5/5)	37.5	100.0	27.6
Sweden (n = 9/8/8)	11.1	87.5	16.3
Italy (n = 18/18/18)	0.0	88.9	10.4
Portugal (n = 20/15/15)	25.0	100.0	13.8
All countries (n = 139/115/115)	17.2	96.5	13.8

Note:\* Figures in %.



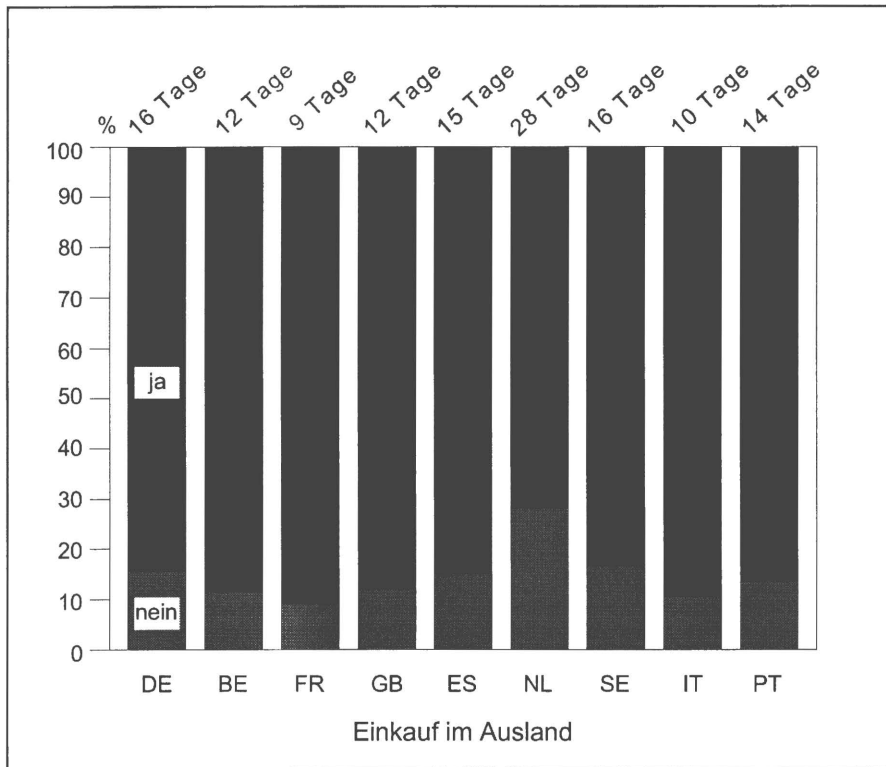
**Figure 5: Goods delivery and average delivery time**



Note: Average in days  
yes – goods delivered; no – goods not received

Key to graphic	
Original text	Translation
Tage / ja / nein	Days / yes / no
Einkauf im Inland	Domestic purchase

**Figure 6: Goods delivery and average delivery time**



Note: Average in days  
yes – goods delivered; no – goods not received

Key to graphic	
Original text	Translation
Tage / ja / nein	Days / yes / no
Einkauf im Ausland	Foreign purchase

#### **6.4.7 Testers' subjective assessments**

Our testers were asked to give their own assessments of each of the variables selected, on a scale of 1 - 6. For greater clarity, we have converted their ratings into three headings: good, average, poor.

Table 13 shows the results for each country.

The assessments cover the following criteria: the product choice offered by the supplier, the logical structure of the ordering system, the graphic display, provision of information by the supplier, and the pleasure of buying online.

Table 14 also presents our testers' own subjective assessments. They were asked to answer yes or no to the following questions:

- price advantages to buying on the Internet?
- other advantages, e.g. convenience, 24 hour shopping, comparing prices on screen?
- time needed reasonable?
- ordering procedure complicated?

<b>Table 13: Testers' subjective assessments</b>															
	Product choice (general)			Logical structure			Graphic display			Information provision by supplier			Pleasure in shopping		
	good	average	poor	good	average	poor	good	average	poor	good	average	poor	good	average	poor
<i>Domestic orders</i>															
Germany (n = 109)	32.4	59.8	7.8	58.7	34.9	6.4	42.2	53.2	4.6	34.9	39.6	25.5	27.5	53.2	19.3
Belgium (n = 18)	27.8	61.1	11.1	94.4	5.6		83.3	16.7		55.6	33.3	11.1	44.4	55.6	
France (n = 35)	46.9	28.1	25.0	51.4	37.1	11.4	71.4	22.9	5.7	54.3	20.0	25.7	48.6	40.0	11.4
UK (n = 10)	22.2	77.8		60.0	40.0		30.0	70.0		40.0	60.0		20.0	80.0	
Spain (n = 35)	28.6	40.0	31.4	57.1	42.9		60.0	37.1	2.9	34.3	20.0	45.7	31.4	65.7	2.9
Netherlands (n = 16)	20.0	60.0	20	68.8	31.2		37.5	56.3	6.3	25.0	37.5	37.5	31.3	62.5	6.3
Sweden (n = 5)	60.0	40.0		100.0			80.0	20.0		60.0	40.0		60.0	40.0	
Italy (n = 32)	9.4	50.0	40.6	12.5	75.0	12.5	15.6	59.4	25.0	6.3	43.8	50.0	9.4	59.4	31.3
Portugal (n = 23)	17.4	56.5	26.1	39.1	56.5	4.3	8.7	78.3	13.0	4.3	52.2	43.5	8.7	47.8	43.5
<i>Foreign orders (n= 139)</i>															
<b>All countries</b>	51.9	36.1	12.0	62.6	36.0	1.4	54.0	42.4	3.6	45.6	33.1	21.3	48.2	43.2	8.6

Note: Figures in %.

<b>Table 14: Testers' subjective assessments</b>				
	Price advantages? Yes	Other advantages? Yes	Time needed reasonable? Yes	Ordering uncomplicated? Yes
<i>Domestic orders</i>				
Germany (n = 109)	15.6*	46.8	83.5	82.6
Belgium (n = 18)	5.6	94.4	88.9	100.0
France	16.7 (n = 6)	57.1 (n = 14)	88.6 (n = 35)	80.0 (n = 35)
UK (n = 10)	0.0	0.0	40.0	100.0
Spain (n = 35)	5.7**	97.1	94.3	100.0
Netherlands (n = 16)	12.5	41.2	68.8	93.8
Sweden (n = 5)	60.0	60.0	100.0	100.0
Italy (n = 32)	6.3	6.3	96.9	96.9
Portugal	36.4 (n = 11)	77.3 (n = 22)	91.3 (n = 23)	95.7 (n = 23)
<i>Foreign orders</i>				
<i>All countries</i>	19.0*** (n = 121)	55.6 (n = 126)	87.7 (n = 138)	86.2 (n = 138)

Note: Figures in %.

\* "Don't know" = 4.6%.

\*\* "Don't know" = 57.1%.

\*\*\* "Don't know" = 8.3%.

## 6.5 Price comparisons

### 6.5.1 Goods sector

The question as to whether it is cheaper to buy goods on the Internet than in regular shops is of particular interest to online customers. The testers in Germany only had the impression that there was a price saving in about 15 % of the purchases they made.

In addition to this subjective assessment made by the testers, the prices quoted on the Internet for selected goods in most of the categories were compared with those for the same goods from traditional sources. There is indeed a tendency for Internet prices to be low, but they are by no means always the lowest. Moreover, on top of the basic product costs on the Internet there are usually delivery charges, and possibly customs duties and import turnover taxes. These additional charges can quickly erode the price advantage. They should, however, be weighed up against the extra time, effort and expense involved when buying products in the traditional way (e.g. time expenditure, driving to the supplier, parking fees, transporting the product home, etc.).

The delivery charges on Internet orders are often dropped when the value of goods ordered exceeds a certain limit.

#### ***Product category "Food and drink"***

<i>Product description:</i>	Internet shopping address	Alternative source from a regular shop
<i>Soya sauce "xyz", 1 Litre Plastic bottle</i>		
Product price in DM	10.50	10.50
Extra charges in DM	3.95*	-

\* For orders of DM 35.00 or above, no extra charges

**Product category "Gifts"**

<i>Product description:</i> <i>Lamp "xyz"</i>	Internet shopping address	Alternative source from a regular shop	
		Shop 1	Shop 2
Product price in DM	139.00	139.00	139.95
Extra charges in DM	9.80	-	-

**Product category "Clothing"**

<i>Product description:</i> <i>Jeans, "xyz"</i>	Internet shopping address	Alternative source from a regular shop			
		Shop 1	Shop 2	Shop 3	Shop 4
Product price in DM	69.74	159.90	130.00	159.00	159.00
Delivery costs in DM	38.21	-	-	-	-
Total	107.95	-	-	-	-
13.6 % customs duty	14.68	-	-	-	-
Total	122.63	-	-	-	-
16 % import turnover tax	19.62	-	-	-	-
Total	142.25	159.90	130.00	159.00	159.00

**Product category "Telecommunications"**

<i>Product description:</i> <i>Portable handsfree car kit for mobile phone "xyz"</i>	Internet shopping address	Alternative source from a regular shop		
		Shop 1	Shop 2	Shop 3
Product price in DM	56.89	69.00	69.00	79.99
Extra charges in DM	-	-	-	-

**Product category "Cosmetics/medicines"**

<i>Product description: Blood pressure gauge "xyz" (upper arm)</i>	Internet shopping address	Alternative source from a regular shop		
		Shop 1	Shop 2	Shop 3
Product price in DM	99.00	99.00	99.00	108.40
Extra charges in DM	8.00 (COD)	-	-	-

**Product category "Computers"**

<i>Product description: Graphics card "xyz"</i>	Internet shopping address	Alternative source from a regular shop		
		Shop 1	Shop 2	Shop 3
Product price in DM	207.00	299.00	279.00	249.00
Extra charges in DM	50.26	-	-	-
Total	257.26	-	-	-
Customs duty	*	-	-	-
Total	*	-	-	-
16 % Import turnover tax	*	-	-	-
Total	*	-	-	-

\* Normally customs duty and import turnover tax would be payable. In this case the product reached the purchaser without these being levied.

**Product category "Sports and games"**

<i>Product description: Board game "xyz"</i>	Internet shopping address	Alternative source from a regular shop		
		Shop 1	Shop 2	Shop 3
Product price in DM	44.95	44.99	59.95	53.00
Delivery costs in DM	6.95	-	-	-
COD charge in DM*	5.95	-	-	-

\*First order must be paid COD



**Product category "Books"**

Due to the fact that books are governed by a retail price maintenance arrangement in Germany, the prices for German publications are the same in the shops and on the Internet, assuming that delivery is free of charge. In contrast, foreign titles from foreign suppliers are often cheaper on the Internet. The following example shows that, in spite of high delivery charges, it is still possible to save DM 20.00 on a large illustrated book ordered from the USA. But you have to reckon on a delivery time of eight weeks. Faster delivery incurs higher delivery charges.

<i>Product description: Illustrated book "xyz"</i>	Internet shopping address in the USA	Internet shopping address in Germany	Alternative source from a regular shop		
	Internet 1	Internet 2	Shop 1	Shop 2	Shop 3
Product price in DM	72.46	98.71	118.00*	120.00*	120.00*
Delivery costs in DM	10.27				
Total	82.73				
7 % Import turnover tax	5.63				
Total	88.36				

\* The prices shown for the German bookshops are approximate prices. Since the book is an American publication, the German bookshops are not bound by the retail price maintenance arrangement.

**Product category "Audio/video"**

We found cheaper prices more often on the Internet in the Audio/video category than in the other categories. Here are some examples in the following tables.

<i>Product description: VHS-Video film "xyz" (Original language version)</i>	Internet shopping address	Alternative source from a regular shop		
		Shop 1	Shop 2	Shop 3
Product price in DM	37.50	44.90	39.99	49.99
Delivery costs in DM	-	-	-	-

<i>Product description:</i> CD "xyz 1"	Internet shopping address	Alternative source from a regular shop		
		Shop 1	Shop 2	Shop 3
Product price in DM	21.99	49.90	42.99	44.99
Delivery costs in DM	6.90	-	-	-

<i>Product description:</i> CD "xyz 2"	Internet shopping address	Alternative source from a regular shop		
		Shop 1	Shop 2	Shop 3
Product price in DM	16.95	38.90	32.99	29.99
Delivery costs in DM	5.90	-	-	-

## 6.5.2 Services sector

### ***Booking a hotel room in Brussels***

Three single rooms with breakfast were booked for one night at the Hotel XYZ in Brussels, via the online XYZ (www.xyz.de). The price per room (converted into DM) was DM 170.00. The hotel reservations were then used by staff members of Stiftung Warentest. At the hotel it was ascertained that a direct booking would have been more expensive. Booking directly with the hotel would have cost DM 205.00 for a single room with breakfast. So there was a **saving of DM 35.00**.

### ***Booking a package holiday***

A package holiday to Majorca was booked via the Internet supplier XYZ (www.xyz.de). The holiday cost DM 756.00. It was only possible to make the online booking through one of the selected travel agents. The travel agent chosen was then asked by phone to quote a price for exactly the same package holiday with the same parameters. It transpired that the Internet booking was not any cheaper. Exactly the same package holiday could have been booked direct from the travel agent **for the same price**.

### ***Reserving a hire car***

A VW Golf was reserved for a day via the car hire company XYZ ([www.xyz.de](http://www.xyz.de)). The offer was available under the section Internet-Specials. The price was DM 97.00. In comparison, the price quoted in answer to a telephone query was DM 159.00. The Internet booking represented a **saving of DM 62.00**.

## **6.6 Supplementary results**

### **6.6.1 Comments concerning data security**

So far, there are not that many consumers in Germany who buy via the Internet. A major reason is concern about the security of sensitive data, a concern which indeed cannot be brushed aside. Via the net, suppliers can for example collect data to an extent hitherto impossible: when and how often a customer visits a certain online shop, which offers he looks at, what he buys, which credit cards he uses, where he lives, how old he is. The end result of all this is the "transparent customer", who can be targeted, wooed and influenced. Admittedly, the national data protection laws only allow personal data to be collected and stored if the customer has actively given his permission. Unfortunately, not every supplier keeps to this.

According to a survey carried out by the consumer associations, over 70 % of German suppliers provide no information whatsoever about data protection. In many non-European countries, for example the U.S.A., laws of this kind do not even exist.

Another problem is the security of transferring confidential data, especially credit card numbers and bank details. In the world wide web it is relatively easy to intercept and redirect data and then misuse it. This is why various encryption techniques have been developed. The so-called SSL protocol, which exists in different versions, is considered to be the standard today. The most important element for secure transmission of data is the length of the key used. The Federal Office for Security in

Information Technology recommends a key length of at least 768 Bits. However, state-of-the-art encryption uses a key length of 1.024 Bits. Within the framework of this investigation, no check was made as to whether the suppliers had encryption technology and, if so, what system they used. All that we checked was whether the suppliers mentioned security arrangements for transmission of credit card numbers and bank details. In 21.5% of all cases (n = 273) the suppliers made no mention of this.

It was alarming to see how some suppliers treat sensitive data such as credit card numbers and bank details. Unfortunately, we found some cases where suppliers claimed to encrypt the data transmitted online by the customer, but then e-mailed order confirmations to the customer unencrypted, thus putting unprotected credit card numbers openly onto the net.

According to information given by the credit card company Eurocard, if misuse does occur in cases where orders are placed via the phone, in writing or electronically, then the burden of proof is with the supplier. If a customer has any objections about the transactions on his/her credit card statement, it is essential to inform the bank immediately, since there are certain deadlines which have to be met for filing complaints against the credit card companies or claiming reimbursement for incorrect debits. The credit card organisation has to contact the supplier or service provider in order to clarify the situation. Equally, if the goods are not delivered but the credit card account is debited, the sum is reimbursed to the cardholder after a complaint has been filed.

#### **6.6.2 Customs duties and import turnover taxes**

It is essential to take the additional costs into consideration when shopping online. In the case of goods deliveries from countries outside the European Union (EU), i.e. so-called third countries, delivery costs plus customs duties and import turnover taxes can increase the cost of an order considerably.

Within the EU, customs duty does not apply. However, parcels sent from all other countries automatically go to the customs authorities. If the tax-free limit of DM 50 is exceeded, then customs duties and import turnover taxes have to be paid. For this reason, both the contents and the value of parcels sent from third countries have to be declared. An invoice stating the value of the goods should be included in the parcel, so that the consignee does not have to make a trip to the customs office but the consignment can be dealt with by the postman/deliverer. A second invoice should be attached to the outside of the parcel, also stating "invoice inside".

In order to check whether the contents have been correctly declared, German customs officers open approximately 20 to 30 per cent of all parcels sent. Parcels from certain countries are checked more frequently (South America because of the possibility of drugs being imported, North America because of pornographic products, Nazi paraphernalia and weapons, etc.). Prohibited goods such as weapons or drugs are confiscated by the customs authorities. Medicines may only be addressed to doctors or chemists, otherwise they are destroyed or simply returned. Even vitamin products cannot be cleared by customs officers in every case. Consumers must be careful with especially cheap brand name products. If the customs authorities recognise them as counterfeits, they will be confiscated.

In Germany, customs duty can be as much as 13.6 per cent, depending on the type of goods (e. g. ready to wear textiles are subject to 13.6 per cent customs duty). In some exceptional cases, e. g. cigarettes and cigars, customs duty can even be as much as 100 per cent. Customs duty is on the other hand not charged on books.

The total invoice sum, i.e. the value of the goods plus delivery charges, is used as the basis for calculating customs duty. Import turnover tax of 16 per cent (lower rate 7 per cent, e.g. for books) is levied on the resulting duty-paid sum. Customs duty and taxes can thus considerably erode the price saving on goods purchased from countries such as the USA, as the following example shows:

3 CDs ordered from an US-supplier

Value: \$ 40

Since the value exceeds DM 50 the goods are subject to customs duty and import turnover tax.

Calculation of duty:	Goods value	\$ 40.00
	+ Delivery costs	\$ 10.00
	Total:	\$ 50.00 x 1.6449 (rate 11/98) = 82.25 DM

3.8 % (customs duty on CDs) of 82.25 DM = 3.13 DM

Value of duty-paid consignment: 85.38 DM

Import turnover tax is then levied on this value:

16 % of 85.38 DM = 13.66 DM

Value of duty-paid and tax-paid consignment: 99.04 DM

The price which the customer actually pays in the end (DM 99.04), is therefore 20 per cent above the original order price (DM 82.25). This is an unpleasant surprise for consumers who are unfamiliar with the regulations governing customs duties and import turnover taxes and who are not informed about them by the supplier, especially if they are buying expensive goods.

### 6.6.3 Advice for consumers

- Consumers buying on the Internet should always check whether the supplier gives his name and address, so that they know where the company has its headquarters. This is obligatory for German suppliers. If these details are not given, then it is better not to place the order.
- Consumers should print out the general terms and conditions of business and read through them carefully.
- Consumers should make sure that they receive a detailed confirmation of the order and then print it out, so that if necessary they can prove at what price they ordered the product.
- As few personal details should be given as possible, in order to avoid potential data misuse.
- Confidential data (credit card number, bank details) should only be given if the supplier guarantees that the data transmission will be encrypted. It is better to pay on receipt of an invoice or on delivery of the order. In the case of a bank debit, it is possible to reverse the debit within the following six weeks.
- Where possible, advance payments should not be made. Withholding payment is the most effective means a consumer has for ensuring his/her rights as a buyer are respected.
- Attention should be paid to the additional charges. Does the supplier state them exactly and completely? Delivery charges, taxes and customs duty can substantially bump up the price.
- Consumers should check whether the goods can be returned without any problem if they do not like them, and if so, who pays the resultant costs.

- Be particularly careful when placing orders abroad! Returning goods which are not liked is particularly expensive on account of the high transport costs. It can also be very expensive and time and energy consuming to make sure that warranty claims are met.
- If payments are made on the Internet by credit card or direct debit, it is essential to check carefully credit card bills and bank statements. If these show any transactions which the cardholder did not carry out, he/she should contact the bank without delay and claim a refund. If the ordered goods were not received, the debited amount can also be reclaimed.

## **7. Evaluation of the questionnaires for the services sector**

As already described in the "Methodology" section, various services were also tested. These were as follows:

- Reserving plane tickets
- Booking package holidays and last minute holidays
- Reserving hotel rooms
- Sending flowers
- Sending greetings cards
- Reserving hire cars
- Booking train and boat tickets
- Ordering concert tickets
- Betting on the lottery
- Ordering pizza.

For the German investigation, the most important criteria were evaluated in each case and published in „test“ 8/99.

Below is a brief description of some of the results, summarised for all countries.



In all, 51 services were ordered. 21 services were actually taken up. The remainder were cancelled shortly after they had been booked, or in some cases a dry run was made but the service was not taken up in the end. Six services were not received, in spite of having been ordered.

Credit card was the dominant form of payment for the services booked via the Internet. In 91% of all cases this method of payment was offered. In addition the following options were offered: payment on delivery, cheque, transfer, E-Cash, payment in advance, direct debit or customer card. With the exception of the pizza delivery service, which had to be paid on delivery, all of the testers paid with a credit card.

Details about the possibility of cancelling an order (n = 40) were given by suppliers for 47.5% of the orders. 32.5% of the suppliers did not give any details about this possibility. One fifth of the testers were unable to provide an answer to this question – the details were either not clear or not apparent.

Conditions and/or deadlines for cancelling orders were provided by suppliers in only 11 cases (64.7%). The cancellation charges are very largely dependent on the chosen service. Reservations for hotel rooms or hire cars could often be cancelled at very short notice without any charge being made. In the case of plane tickets and holidays, charges varied and could be very high, depending on when the cancellation was made.

For all of the services booked, the sum on the final bill was the same as it had been on screen, so that there were no grounds for complaints in this respect.