



BUSINESSatOECD

Protecting Consumers on Online Marketplaces
Business at OECD Position

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Introduction

- Protecting consumers engaging with *Business to Consumer* (B2C) or *Consumer to Consumer* (C2C) online marketplaces is one of the key issues that will be addressed under the Programme of Work and Budget (PWB) for 2021-22 of the OECD Committee on Consumer Policy (CCP) and Working Party on Consumer Product Safety (WPCPS), and will be a focus topic for the OECD International Conference on Consumer Policy scheduled to be held in June 2021.
- During the past year, as consumers adhered to COVID-19 lockdown orders and were unable to go to brick-and-mortar stores, many discovered the ease and value of purchasing goods through online marketplaces.
- With their expected continued growth, the OECD is uniquely positioned to consider both the economic opportunities, as well as challenges and potential hazards of online marketplaces; and through its unique cross-sector and cross-disciplinary perspective, develop a framework to support the best that such marketplaces can offer given their continued importance in the digital economy, while ensuring they are transparent and safe for consumers.
- Given the importance and complexity of emerging business models and relevant policy issues, the following paper outlines key business messages for OECD as it takes forward work addressing online marketplaces. The paper is developed jointly by the *Business at OECD* (BIAC) Consumer Policy Committee together with the BIAC Committee on Digital Economy Policy (CDEP) to provide a cross sector, cross discipline business perspective to inform and shape related OECD work on this important issue.

Background

- The Digital Transformation driven by emerging technologies has had a significant impact on how consumers purchase goods and services in their daily life.
- Online marketplaces have continued to multiply and grow in size enabling convenience and enhancing customer choices, with the ability to match cross-border buyers and sellers of products and services online using emerging technologies, including big data analytics and Artificial Intelligence.
- The OECD found that global B2C e-commerce sales of goods alone are now estimated to be worth in the region of USD 2 trillion annually, with projections indicating they may reach USD 4.5 trillion by 2021, USD 1 trillion of which is estimated to be cross-border e-commerce.¹

¹ OECD (2019), The Role of Digital Platforms in the Collection of VAT/GST on Online Sales, OECD, Paris.

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- Lockdown and business closure measures in response to the COVID-19 pandemic have also highlighted that online marketplaces are not only a convenient option for consumers anymore - they have also become an essential infrastructure for the economy and society to ensure continuity of businesses and social activities.
 - Consumer behavior in isolated, fragmented, and localized markets may potentially magnify the risk of overshooting demand as we have seen in the pandemic situation with respect to surgical facemasks or daily goods. Globally optimized supply chains and online marketplaces can help stabilize the supply-demand ripple confronted by local markets as well as larger inter-regional or cross-border markets.
 - At the same time, online marketplaces are supporting economic and business recovery from the impacts of the COVID-19 pandemic. In particular, online marketplaces provide platforms for *Small and Medium Enterprises (SMEs)* to engage in cross border e-commerce in both developed and developing countries.
 - This transformation has been raising a number of consumer protection policy issues and challenges, which are cross cutting, and which call for various sectors and multi-stakeholder involvement and support to find an appropriate solution.
 - New OECD discussions addressing online marketplaces should be consistent and aligned with relevant OECD analytical reports and guidance on consumer protection and digital policy including *OECD Guidelines for Consumer Protection in the Context of Electronic Commerce*²; *OECD Principles for Internet Policy Making*³; *An Introduction to Online Platforms and their Role in the Digital Transformation*⁴; and *Unpacking E-commerce*⁵.

Key Messages

In addressing related Consumer Protection Policy Issues for online marketplaces:

1. **The OECD project should demonstrate the diversity of online marketplace business models.** Online marketplace business models are diverse and include large and small businesses alike. Related OECD work should reflect and address this diversity. It is important to have clear definitions and a common understanding of “Online marketplaces” taking into consideration the range of online marketplace business models including the use of online platforms, the offer of subscription services, or incorporation of online payment services.

² OECD (2016), Consumer Protection in E-commerce: OECD Recommendation, OECD, Paris.

³ OECD (2014), OECD Principles for internet Policy Making, OECD, Paris.

⁴ OECD (2019), An Introduction to Online Platforms and Their Role in the Digital Transformation, OECD, Paris.

⁵ OECD (2019), Unpacking E-Commerce: Business Models, Trends and Policies, OECD, Paris.

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2. **A multi-disciplinary, multi-stakeholder approach is important to address both the benefits and challenges related to online marketplaces.** OECD analysis should aim to show how online marketplaces benefit and support the continuity of economy/society and improved consumer experience, as well as to address risks and challenges potentially faced by consumers, with the support of multi-stakeholder engagement.
 3. **Consumer understanding and education can serve to reinforce the credibility of online marketplaces.** Governments and businesses both have a key role and shared responsibility to ensure consumer protection for online marketplaces. Identifying the barriers to effective consumer education is important in this context.
 4. **A sound evidence base should be established before proposing rules or regulations for online marketplaces.** Risk based, balanced, and flexible approaches should be considered in policy discussions around online marketplaces along with best practices on accountability and transparency measures by business stakeholders, to better understand and address challenges of online marketplaces faced by consumers.
 5. **Regulatory fragmentation in domestic policies, which may impact consumer protection for online marketplaces must be avoided.** Emphasis should be on co-operation and co-ordination of policies that impact online marketplaces, which are increasingly global. For example, the *Trans Pacific Partnership* (TPP) has a specific chapter on e-commerce, which addresses the free flow of data; prevention of forced localization of technologies and servers; intellectual property and source code access; and security and privacy of internet users.

Role of the OECD

- We believe that the OECD is best placed to convene relevant stakeholders to share best practices and experience, and develop an evidence base on online marketplaces. The OECD CCP and WPCPS should lead this analysis in cooperation with other relevant OECD Committees and we look forward to contributing to this important work.
- We believe that organizing a dedicated workshop between BIAC and OECD would provide an opportunity to share and understand the best practices and efforts of businesses, governments, and relevant stakeholders, with the aim to help guide future OECD work related to online marketplaces.



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