Stakeholders’ Views on Self-Regulation to Protect Consumers in E-Retailing

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ABSTRACT

This article explores the views of e-consumers, e-retailers and other stakeholders (government agencies, industry and consumer associations), regarding self-regulation to protect e-consumers. Primary data were collected from three web-based surveys. A total of 166, 28 and 20 responses from e-consumers, e-retailers and other stakeholders, respectively, were collected. Descriptive statistics and content analysis were used to analyse the data. The findings suggest that e-consumers and other stakeholders did not favour self-regulation, whereas as e-retailers preferred to adopt self-regulation to protect e-consumers.

KEYWORDS

E-Consumer Protection, E-Consumers, E-Retailer, E-Retailing, Self-Regulation

INTRODUCTION

According to the consumer rights endorsed by the United Nations and the OECD (2016), consumers should receive the same level of protection when they shop online (e-consumers) or offline. E-consumers should have the right to purchase and receive products/services with acceptable quality. They should be allowed to seek redress for unsatisfied purchases (Donoghue & de Klerk, 2009). Nevertheless, e-consumers perceive that they have to take more risks but they are not sufficiently protected in e-retailing (Office of Communications, UK, 2006). They cannot inspect goods before purchasing. They may not know e-retailers, but they must (1) accept the terms and conditions in the contract, and (2) make advance payment.

Many countries adopt a top-down approach to govern e-retailing. However, strict regulation does not work well in these countries given the cross-border nature of e-retailing and other reasons. Other countries (e.g. Australia, the USA) promote a self-regulatory approach to govern e-retailing. Yet, there are several arguments for and against self-regulation. Castro (2011) argues for self-regulation since “self-regulation … may be a more acceptable and beneficial alternative than mandating” rules (Shanahan et al., 2010, p. 228). In contrast, Farrell (2003) argues against self-regulation since self-regulatory measures do not work for e-consumers and entail “risk of regulatory capture … market coverage, costs and others” (OECD, 2015, pp. 6-7). Although self-regulatory measures aim to enhance e-retailers’ reputation and global competition, the outcomes of self-regulation are not assessed and not all e-retailers demonstrate full commitment on self-regulation.

As e-consumer protection is a challenging task, government, business and civil society should be involved in the governance of e-consumer protection (Ha & Coghill, 2008; Ha & McGregor, 2013). Although each sector holds different types of power, authorities and resources, they must interact with each other to discharge their duty. Given the insufficient research on e-consumer protection, this study focuses on different stakeholders’ views regarding self-regulation to protect e-consumers.
Protecting e-consumers also means protecting e-retailers and the economy. Consumers who perceive that they are not well protected will react in a defensive manner, i.e. refusing to buy online (Wirt, Lwin & Williams, 2007). Bad business practices by e-retailers may cause market inefficiency and tarnish the reputation of the industry. Consequently, consumers are not confident in e-retailing, and not all e-users are willing to engage in e-retailing (OECD, 2015). Thus, it is justified to conduct research on this aspect.

**E-CONSUMER PROTECTION**

E-consumer protection refers to the protection of consumers’ interests in e-retailing where there is an imbalance of negotiation and bargaining power between buyers and sellers (Subirana & Bain, 2005). Similarly to traditional commerce, there are various forms of market failure in e-retailing. For example, asymmetric information may occur due to lack or inaccurate information posted on commercial websites. Also, e-retailers may adopt unsound business practices leading to market inefficiency (Nasir, 2004). Thus, consumer protection should be extended to e-retailing.

**E-Consumer Protection and Government**

E-customer protection is generally addressed by (1) government regulations and guidelines, (2) and self-regulatory measures. Public Interest Theory (PIT) and the “business–government–society nexus (framework, business partner, interfering, and advocate” (Dahan, Doh & Raelin, 2015, p. 665) explain that government intervention is necessary to ensure public interests are not jeopardised when there is market failure, e.g. asymmetric information, deception marketing practices, unfair competition, and insufficient redress mechanisms (Hantke-Domas, 2003). PIT helps to explain the important role of government in protecting the public interest. Public interest refers to both e-consumers’ and e-retailers’ interests, i.e. government cannot over-protect e-consumers and ignore e-retailers’ interest and vice versa.

Apart from legislation, e-consumers are also protected by government guidelines designed especially for e-retailing. The *Australian Guidelines for Electronic Commerce* 2006 encourages stakeholders to adopt an effective self-regulatory framework to enhance e-consumer protection via provision of sufficient, accurate and timely information, choice and redress (Hockey, 2000). However, these guidelines are not mandated to e-retailers.

**E-Consumer Protection and E-Consumers**

According to the fourth basic consumer right, consumers have the rights to articulate their opinions and to be heard. The Trans-Atlantic Consumer Dialogue (2007) suggested that e-consumers’ views must be taken into account in the policy making and implementation processes to address issues of e-consumer protection. Online incidents have weakened consumers’ confidence in e-retailing. Consequently, many consumers perceived that it was unsafe to conduct e-transactions. The respondents Smith’s (2008) study perceived that they were vulnerable to online risk. Some explained that:

- The fact that I cannot see the actual products makes me think twice about using a virtual store.
- Using a virtual store is not secured (insecurity of financial transactions) (pp. 71-72).

Consumers may engage in e-retailing only when they can receive sufficient protection or when the potential gain from e-shopping significantly exceeds the level of risk they have to take. These opinions were strengthened by the evidence that 81% of Australian respondents in Roy Morgan Research’s (2001) study believed that businesses often shared or sold customers’ details to others.
Gaining Knowledge from Post-Mortem Analysis to Eliminate Electronic Commerce Project Abandonment
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