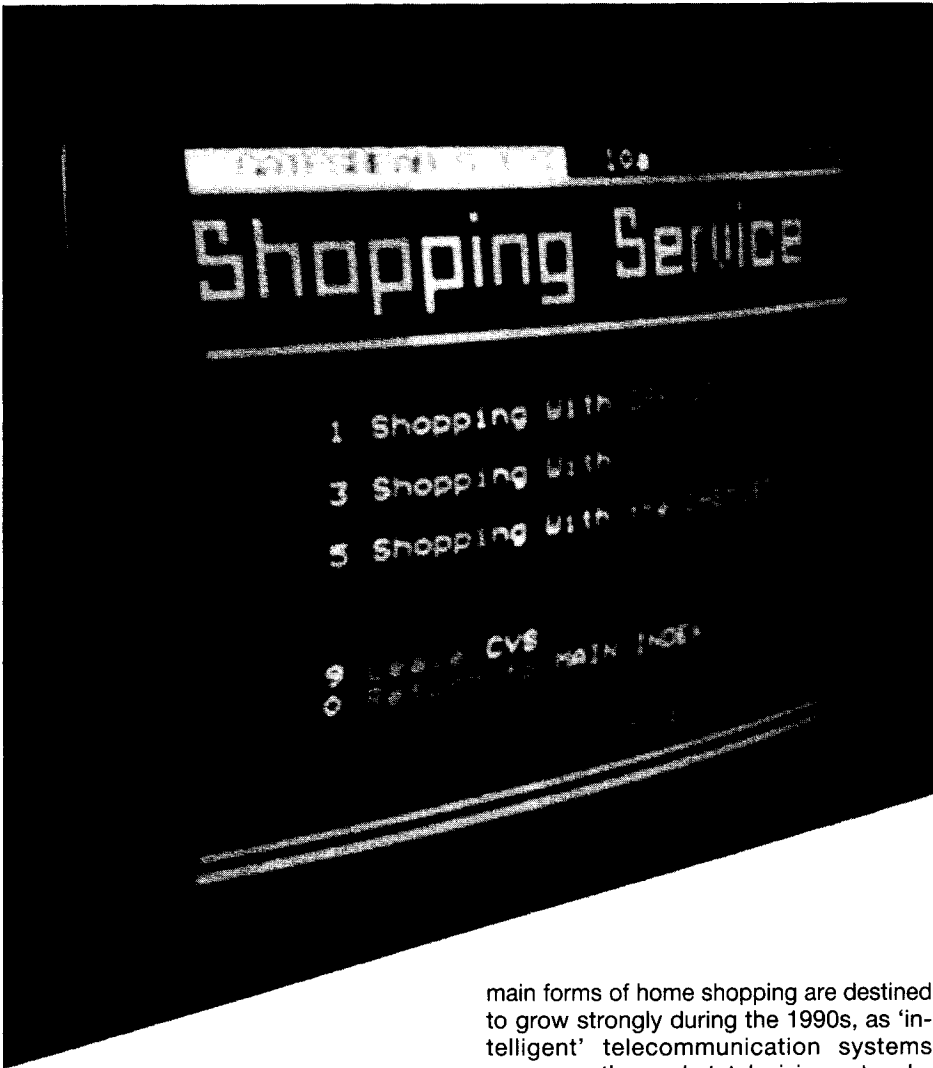


# New Home-Shopping Technologies



Erich Linke

*Retailing has undergone enormous changes during the past decades. Rationalisation and the development of large-scale self-service outlets marked the first stage of the revolution. Computerisation and the introduction of new information technologies are the major source of innovation today. Although new home-shopping technologies still occupy only a modest share of the overall retail market, all OECD countries agree that they will develop considerably in the near future.<sup>1</sup>*

lower than those of local retailers. But they do not offer the stable prices of mail-order catalogues or allow the consumer time to consider and compare competing offers before buying.

## Technologies Old and New

Selling by telephone is the oldest of the 'new' technologies: in the United States, where it is known by the broader term 'tele-marketing', it dates back to the turn of the century. The telephone was traditionally used to sell financial products, such as credit-card services, investment services and insurance policies. Telephone canvassing is also widely used to sell subscriptions to newspapers, magazines and book

1. **New Home-Shopping Technologies for Consumers**, OECD Publications, Paris, 1992.

Erich Linke works in the Competition and Consumer Policy Division of the OECD Directorate for Financial, Fiscal and Enterprise Affairs.

In recent years, the telephone and television have been increasingly used to market goods and services throughout OECD countries, with computerised information systems now putting individual consumers in direct contact with providers of goods and services. Interactive videotex systems are the latest addition to a range of forms of 'distant selling', otherwise known as 'home shopping'. In the majority of OECD countries, distant selling occupies a small – but not insignificant – market share in retailing, and its development has varied considerably from one country to another. That said, all three

main forms of home shopping are destined to grow strongly during the 1990s, as 'intelligent' telecommunication systems appear on the market, television networks are privatised or deregulated, and videotex networks become increasingly available to private users. Forecasts in Germany, for example, predict that by 1995 home shopping will account for 3.5% of total retail sales, while in France it is estimated to represent 25% of retail sales from 1995 onwards. Norway reports that marketing organisations expect a dramatic increase in teleshopping in the near future from the currently low volume. Home-shopping facilities share many – but not all – of the advantages of mail order trading. They are convenient, they provide access to goods in remote locations, and they can offer prices that are

clubs – a practice which has partly replaced unsolicited mailing, which is now prohibited or regulated in most countries. 'Home improvements' have always been widely sold by telephone. A survey in the United Kingdom in 1988 showed that 77% of the calls concerned double glazing or window replacement.

In most OECD countries today these telephone calls are still dialled manually, but automatic dialling devices are also used, sometimes in combination with 'intelligent' answering and recording services.

Television shopping is a relatively recent development (except in the United States), with specific spots, programmes and entire TV channels now devoted to this new form of selling. The structure of the industry in each country is largely determined by the institutional structure of national and private broadcasting, but also depends on the reception of 'foreign' satellite channels. Although it has a number of features in common with TV advertising, the concept differs in that it combines the offer of goods or services on television with a clear indication of where to order the goods and how to pay for them. Some countries, like France, distinguish clearly between advertising, which centres on brand names, and teleshopping programmes, which are not allowed to indicate the brand names of the goods offered. Orders are usually placed and paid for over the telephone, but can in some countries be transmitted through advanced interactive videotex networks.

Interactive videotex systems are one of the most advanced forms of home shopping.<sup>2</sup> Information providers – companies or public service institutions – feed information into a central computer. Subscribers access the data by means of a dialling device, and the information appears either on their television screen or on a special video terminal. But experience with video-shopping is still limited. Interactive videotex systems are not as yet available in Denmark, Finland, Greece or Portugal. In other OECD countries, with the exception of France, whose Minitel network is the most developed videotex system, the systems are either at the stage of pilot projects or dominated by business users. Only 20% of a total of 147,000 videotex terminals



*There is now an astonishingly wide range of goods available from tele-shopping services.*

linked to the German *Bildschirmtext* are used by private subscribers.

### Consumer Reactions

Although consumer reactions to each type of home-shopping technology vary, some shortcomings are common to all three. Neither the telephone, the television nor

the videotex allows any pre-purchase inspection of the goods, and in each case the goods are shipped rather than taken home by the consumer. By definition, there is no personal contact between the supplier and the purchaser, which can lead to a lack of knowledge about the seller, misleading or inadequate description of the goods

2. See Lydia Arossa 'Software and Computer Services', *The OECD Observer*, No. 151, April/May 1988.



Prestel, UK

on offer or the terms of contract (prices, credit and delivery).

France and Japan both emphasise that most of the problems reported concern not so much the specific features of the new technology as such, but excessive delays in delivery, the quality of the goods or services, guarantees and refunds.

There are also specific problems linked to each type of technology. Telephone

marketing, for example, poses the problem of the invasion of privacy. A number of countries have examined this issue from two angles: the nuisance caused by the intrusion of the calls themselves, and the use of personal – and even confidential – data obtained by these calls for other purposes, such as mailing lists. In Germany, telephone marketing has virtually been outlawed in an attempt to protect privacy unless it is based on pre-existing business relations, and although Austria is the only other country to have had a similar court decision, other OECD countries have also expressed reservations about the protection of privacy.

The other main problem encountered with telephone marketing is fraud. It can take several forms. In some cases, the buyer never receives the product or service ordered; in others, he or she receives a different product, or it turns out to be more expensive than expected. In the United States, the Federal Trade Commission estimates that over \$1 billion of tele-marketing fraud occurs each year, out of a total turnover of some \$100 billion.

The dangers with television shopping – which is too recent to have inspired an abundance of literature on the subject – are of a different nature. The US Office of Consumer Affairs warns viewers not to be deceived by enticing discounts or price comparisons: the 'sale' price may only be valid while the item is shown on the screen, or for a very short time. Another problem can be the lack of information on guarantees and shipping costs. Consumers should also be wary of 'advertorials' or 'infomercials' which look uncannily like normal information programmes.

The German Federation of Consumer Unions also suggests that inducements to buy are deliberately slotted to run in the relaxed atmosphere of leisure hours, with the expectation that consumers will show a less critical attitude than they would in normal sales outlets.

In many OECD countries, television shopping is currently available only on satellite programmes and channels originating from abroad, which can pose legal problems. In the Netherlands, for example, where tele-shopping programmes are not usually broadcast by national television, cable operators

can transmit them even if they do not comply with Dutch legislation, if neither the broadcast nor the advertising messages are specifically addressed to the Dutch public only.

The difficulties that may arise with shopping through interactive videotex systems are difficult to evaluate. The systems available are not used widely enough to allow a general overview of consumer problems, although the importance of making a clear distinction between information and advertising messages may gain in importance as the number and variety of services increases.

□ □

Set against these problems, there is an important factor: choice. Consumers are free to hang up on an unsolicited telephone-marketing call and they can choose another channel if they do not like a television shopping programme. There is no obligation to subscribe to a videotex network, and if they do, they can choose whether – and with whom – to do business.

The problems also pale in comparison to the potential benefits of home-shopping technologies to consumers: they stimulate retail competition and expand choice. If OECD countries can ensure that a number of basic requirements of consumer protection and fair trading are respected, and that consumers are well informed of their rights, then these new home-shopping technologies do, indeed, have a bright future. ■



## OECD Bibliography

- **New Home-Shopping Technologies for Consumers**, 1992
- **Electronic Funds Transfer: Plastic Cards and the Consumer**, 1989
- Daryl I. Maddern, 'The Consumer and the Plastic Card', **The OECD Observer**, No. 155, December 1988/January 1989
- **Internationalisation of Software and Computer Services**, 1989
- Lydia Arossa, 'Software and Computer Services', **The OECD Observer**, No. 151, April/May 1988.