

PLEA FOR A MORE AMBITIOUS AND PRO-ACTIVE CONSUMER POLICY IN LIGHT OF SIGNIFICANT CHALLENGES

Impulse statement in the context of the European Consumer Summit 2023



Brussels, 28th of March 2023

Prof. Dr. Christian Thorun

ConPolicy GmbH

Institute for Consumer Policy

Content

Setting the conceptual framework for today's Consumer Summit

- 1) State of play of consumers in the European Union
- 2) Trends, opportunities and challenges for consumers in the next 2 to 5 years
- 3) Implications for consumer policy

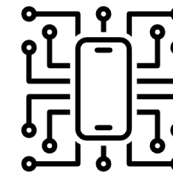


Focus areas for this presentation

1 Economic situation



2 Digitalisation



3 Green transition



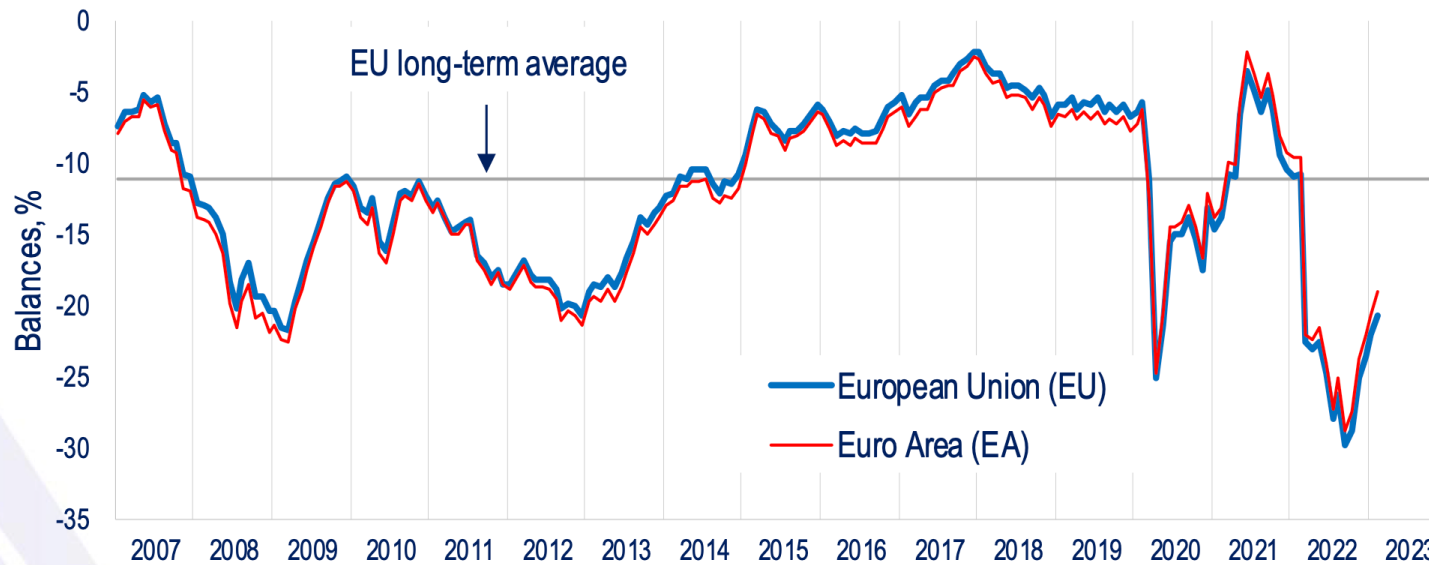
STATE OF PLAY OF CONSUMERS IN THE EUROPEAN UNION

1



Consumers are under stress

Consumer confidence is still well below its long-term average – despite five consecutive monthly improvements



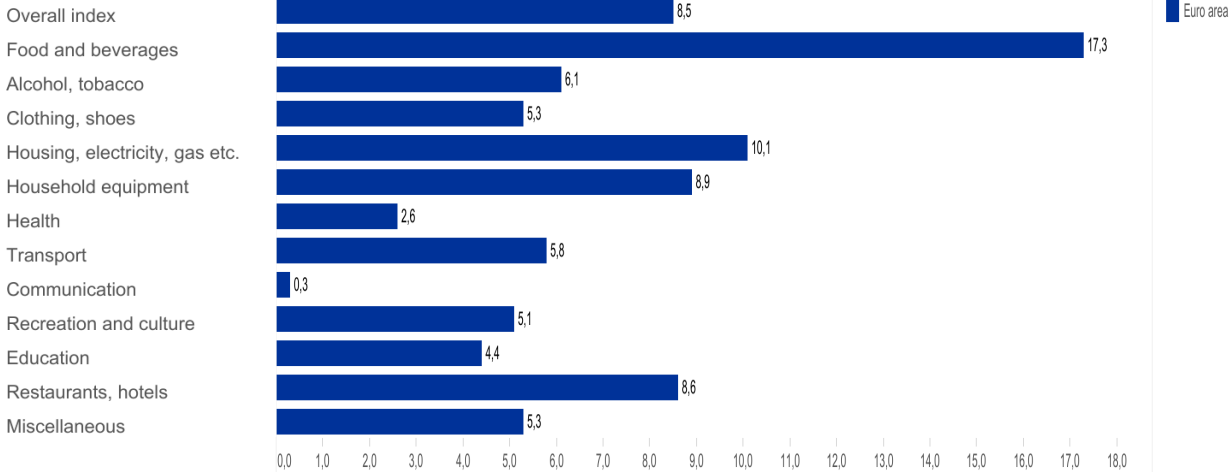
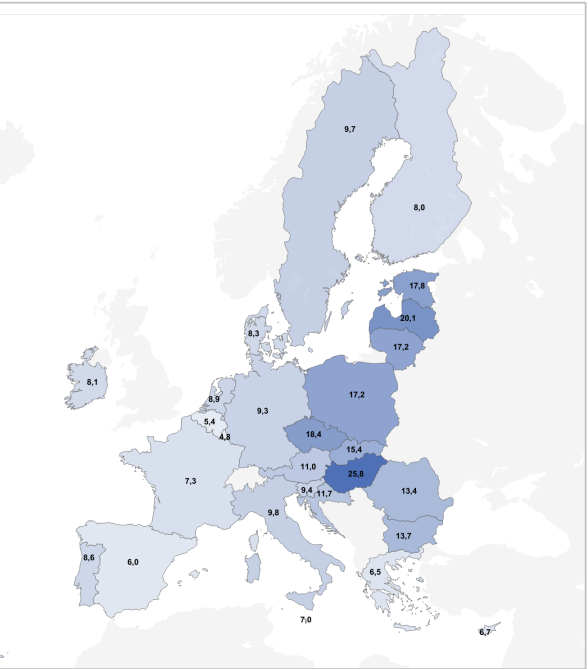
source: European Commission services

Source: European Commission (2023)

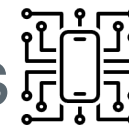


Historical cost of living crisis

Inflation is making life hard for consumers with inflation at 8.5% in Feb 2023 – vulnerable consumers are particularly hard hit



Source: European Central Bank (2023)



Digitalisation is transforming consumer daily lives

Consumers are keen to use digital services ...

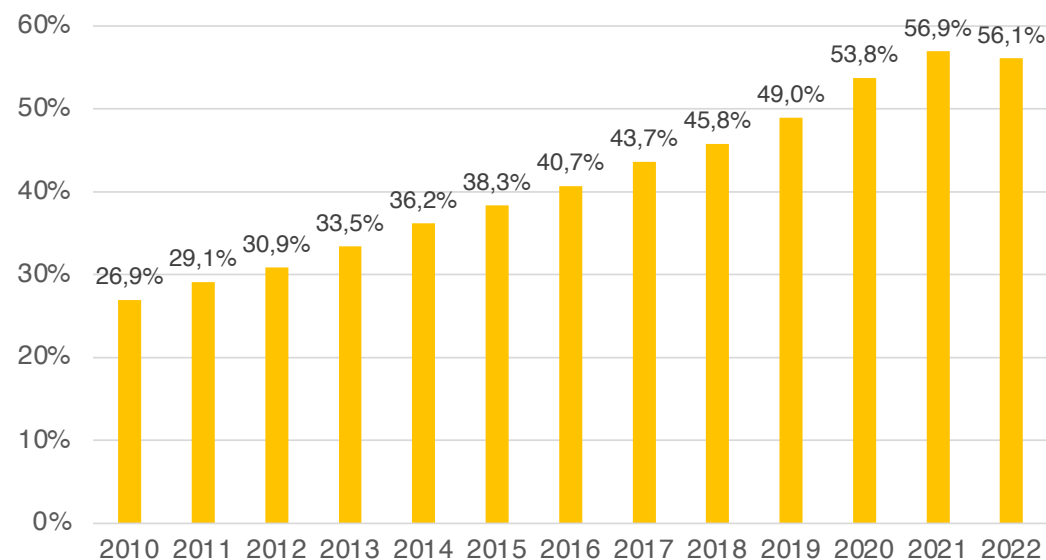
87% of Western Europeans are expected to use the Internet in 2023.

The Internet is now the **most important** source of news, ahead of television.

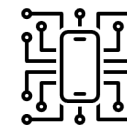
More than **56%** of consumers in the EU order goods and services via the Internet.

The turnover of B2C online trade in the EU has increased **two and a half** times from around 280 billion euros in 2013 to 757 billion euros in 2020.

Percentage of individuals in EU-27 countries who made at least one online purchase in the last three months



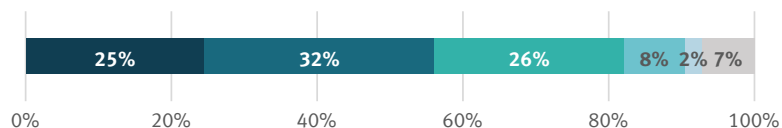
Sources: Cisco (2022), Eurostat (2022) and Ecommerce Europe (2021)



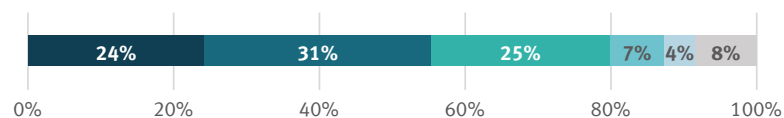
Digital asymmetry is growing

... but imbalance of power between consumers and digital businesses is growing and citizens expect governments to act

a) Large digital companies are too powerful and exploit their market power at the expense of consumers.



b) The state should regulate large digital companies more strongly to prevent abuse of their market power.



■ Agree wholeheartedly ■ Agree more or less ■ Agree partly
■ Rather not agree ■ Do not agree at all ■ Don't know / no indication

57% of respondents say that large digital companies are **too powerful** and **exploit their market** power at the expense of consumers. Further 26% agreed partly and only 10% disagreed.

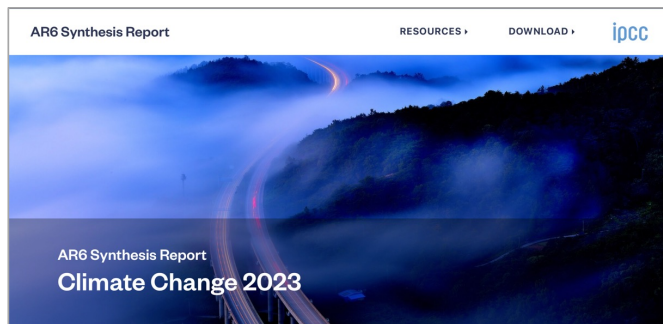
55% of respondents say that **the state** should **regulate** large digital companies **more strongly** to prevent abuse of their market power. Further 25% agreed partly and only 11% disagreed.

Source: Kettner & Thorun (2023).

We are far away from consuming responsibly



Unsustainable consumption – particularly by the wealthy – contributes to global warming



” **Human activities** [...] have unequivocally **caused global warming**. [...] Global greenhouse gas emissions have continued to increase with unequal historical and ongoing contributions arising from **unsustainable energy use, land use** and land-use change, **lifestyles** and **patterns of consumption** and production.

” **Many options are available** for reducing **emission-intensive consumption**, including through **behavioural and lifestyle changes**, with **co-benefits for societal well-being**.

” **The 10% of households** with the **highest** per capita emissions **contribute 34-45% of global consumption-based household GHG emissions**, while the **bottom 50% contribute 13-15%**.

TRENDS, OPPORTUNITIES AND CHALLENGES FOR CONSUMERS IN THE NEXT 2 TO 5 YEARS

2



Economic outlook

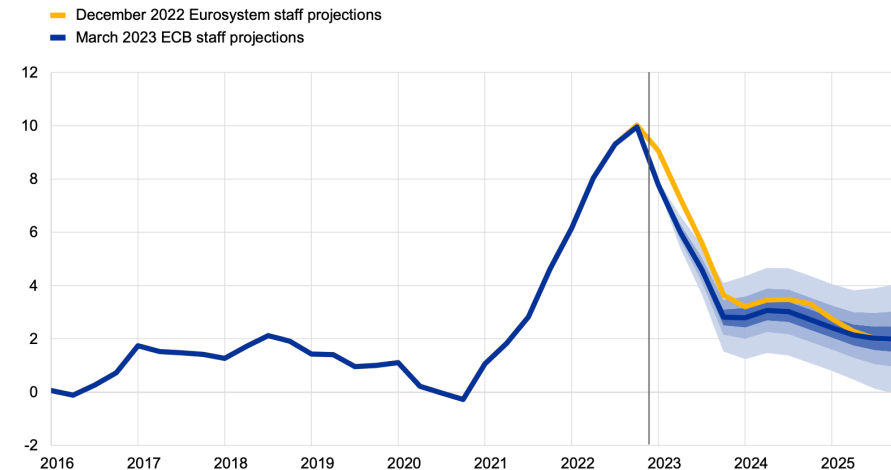
Cost of living crisis will ease, but pressure particularly on vulnerable consumers will most likely remain high

According to the **European Central Bank**:

- Inflation is projected to average **5.3%** in 2023, before decreasing to **2.9%** in 2024 and **2.1%** in 2025.
- While energy and food prices are likely to go down, historically high wage growth will contribute to keeping core inflation elevated.

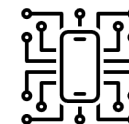
Euro area HICP inflation

(annual percentage changes)



Notes: The vertical line indicates the start of the current projection horizon. The ranges shown around the central projections are based on past projection errors, after adjustment for outliers (see Box 6). The bands, from darkest to lightest, depict the 30%, 60% and 90% probabilities that the outcome of HICP inflation will fall within the respective intervals.

Source: ECB (2023)



Digital asymmetry in the digital world is likely to grow

Surveillance capitalism in the “digital mall”

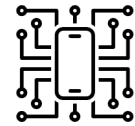
Growing number of **IoT-devices** and the development of **virtual and augmented realities** will lead to a merging of analogue and digital spaces.

This opens ways for an ever **deeper commercialisation** of the digital space and intensified **immersive surveillance** of consumers. The aim is to exploit their **biases** and **weaknesses** with deceptive designs and dark patterns for the sake of maximizing conversion and profits.

Anonymous searching and **shopping** will be less possible.



Threats to competition in the digital economy



Less choice and competition is a real threat

Already today: Big digital players dominate the market.

They use data to **individualize and personalize the customer experience** to maximize conversion.
– An “**unfiltered**” and “**not commercialised**” view of the world **becomes less possible**.

Danger for the foreseeable future: With generative AI – such as used in ChatGPT – choice and competition are likely to be reduced with a monopolisation of knowledge.

Traffic share of Top 500 sites and apps in Germany

Share of total domains

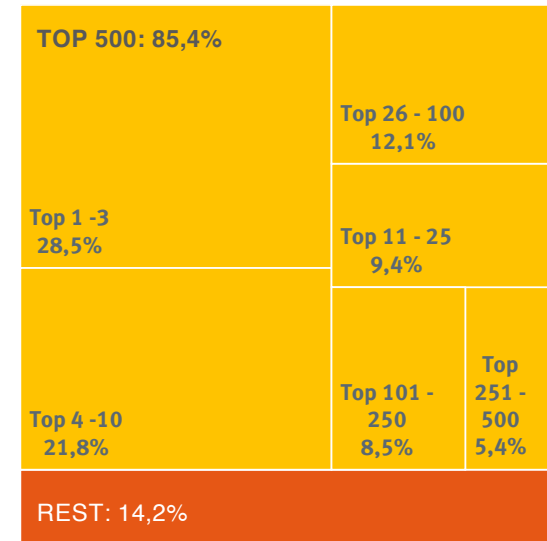


- Top 500: < 1%
- Rest: > 99%

Share of total traffic



- Top 500: 85,8%
- Rest: 14,2%



Time-period: Q3/2019; Top 500 rating according to Total Duration; sample: total population (14+); all devices combined (desktop, smartphone, tablet)

Source: Andree & Thomsen (2020)



Sustainability transformation

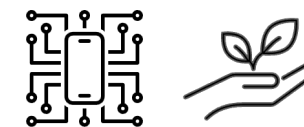
We have to **speed up** significantly



” **Climate action is needed on all fronts: “everything, everywhere, all at once”.**

Consumption-related annual CO₂ emissions have to be reduced to below 2t per capita. The current 11t emissions in e.g. Germany are almost double the world-wide average emissions of 6,6t and **far away from the below 2t target.**

The **challenge is tremendous** and we have to **speed up significantly.**



Digitalisation as a further threat?!

Digitalisation could become an accelerant for unsustainable consumption

Personalised advertisements and shopping experiences, instant payments, buy-now-pay-later-offers, social shopping, augmented and virtual realities – all these developments are **likely to increase consumption levels**.

Hence: Consumer policy should not only focus on the distinct impacts of digitalisation and sustainable consumption on consumers, but also on the **interrelationship between digitalisation and (un)sustainable consumption**.



Picture: RapidEye

IMPLICATIONS FOR CONSUMER POLICY

3

New mindset and strategic SDG guided approach

Our way of conducting consumer policy requires a significant update

Changing our consumer policy “mindset”:
Away from “repair mode” to a “proactive shaping mode”.

Formulating a “positive vision”: A vision for a society that lives within planetary boundaries and where digitalisation serves humanity.

In doing so, we need to **think sustainability and digitalisation** together.

Based on this “positive vision” we need to select **policy objectives, strategies and instruments carefully.**

In all this, we need to SPEED UP!

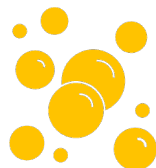


Foster consumer acceptance and support

Fundamental requirement: Leave no one behind



Scale of the transformation ahead will be significant



Consumers – in particular vulnerable ones – should not be lost in this transformation – their acceptance needs to be ensured



For this we need to:

- Ensure that we "leave no one behind"
- Communicate consumer policy objectives understandably
- Deliver on promises
- Avoid "water can-approaches" – select targeted approaches

User-centric approach in policy making

Key ingredients for an impactful consumer policy



Use

Use user-centric approach in policy making



Smart regulation

Stop placebo policy – use hard regulation, if necessary



Cater

Cater for user-friendly and sustainable design and choice architectures



Enforce

Ensure that laws are properly enforced



Empower

Empower civil society organisations

Use digital technology and business innovation 4 good

Create support structures to make use of digitalisation and CR



Use digital technology to improve consumer policy, enforcement and consumer organisations



Encourage companies to encompass consumer-friendliness and digital responsibility in their Corporate Responsibility activities

Consumption and life-styles will have to change

For the better or worse? It's in our hands!

1. New mindset and strategic SDG guided approach
2. Foster consumer acceptance and support
3. User-centric approach in policy making
4. Use digital technologies and business innovation 4 good



Picture: greenerliving

Let's have an insightful summit!



Prof. Dr. Christian Thorun
Executive Director of the
ConPolicy-Institute

c.thorun@conpolicy.de
+49 (0)30 2359116-11

Sources

- Andree & Thomsen (2020). Atlas der digitalen Welt.
- Cisco (2020), Cisco Annual Internet Report (2018–2023) White Paper, Retrieved from: <https://www.cisco.com/c/en/us/solutions/collateral/executive-perspectives/annual-internet-report/white-paper-c11-741490.html>
- European Commission (2023). Flash Consumer Confidence Indicator for the EU and Euro area, 20th of Feb 2023. Retrieved from: https://economy-finance.ec.europa.eu/system/files/2023-02/Flash_consumer_2023_02_en_0.pdf
- Ecommerce Europe (2021) Umsatz im B2C-E-Commerce-Markt in Europa in den Jahren 2013 bis 2020. Retrieved from: <https://de.statista.com/statistik/daten/studie/881008/umfrage/umsatz-im-b2c-e-commerce-markt-in-europa/>
- European Central Bank (2023), ECB staff macroeconomic projections for the euro area. Retrieved from: https://www.ecb.europa.eu/pub/pdf/other/ecb.projections202303_ecbstaff~77c0227058.en.pdf
- European Central Bank (2023). Measuring inflation – the Harmonised Index of Consumer Prices (HICP). Retrieved from: https://www.ecb.europa.eu/stats/macroeconomic_and_sectoral/hicp/html/index.en.html
- Eurostat (2023), Internet-Käufe durch Einzelpersonen (since 2020). Retrieved from: https://ec.europa.eu/eurostat/databrowser/view/isoc_ec_ib20/default/table?lang=de
- Kettner & Thorun (2023). Umfrage zu Machtstrukturen im digitalen Raum – Results of a survey of German consumers, Retrieved from: https://www.conpolicy.de/data/user_upload/Kurzanalysen/ConPolicy_Umfrage_Machtstrukturen.pdf