



Protecting online consumers during the COVID-19 crisis

28 April 2020

Key messages

- The COVID-19 crisis has upended the global consumer landscape. Confinement measures have moved consumers further online, changed their demands and exacerbated behavioural biases.
- Many mainstream consumers are now financially and psychologically vulnerable and the existing vulnerability of, for instance, the elderly or low-income consumers, has intensified.
- There are increasing reports of unfair, misleading and fraudulent commercial practices online. These include financial scams, false claims of coronavirus treatment or prevention, price gouging of essential goods and the promotion of unsafe or counterfeit products.
- Many governments must strike a balance between protecting consumers' health and safety, strengthening consumer trust, and addressing challenges to business and workers. This has led some governments to fast-track procedures and grant exemptions from consumer laws.
- Increased international and cross-sector co-operation among government agencies, businesses, and civil society are key to protecting consumers. Information sharing has become more valuable than ever, particularly for agencies with limited resources.



Profound shifts in consumer behaviour and trust

The COVID-19 crisis has had sudden and wide-ranging effects on consumer behaviour. Public health orders have forced many to stay home and led to a surge in Internet usage. A greater number of consumers are experiencing higher levels of distress caused by direct experience or fear of the health, economic, and social impacts of the crisis, and are vulnerable to commercial exploitation. Confinement measures have restricted traditional forms of commerce, moving businesses online. While some have successfully done so while maintaining consumer trust and protecting employees, many others have not been able to do so, resulting in some cases in diminished consumer choice. In addition, border closures, travel restrictions and social distancing measures have curtailed consumer demand for services such as accommodation, travel and large-scale events, while demand for other products has skyrocketed. Perceived scarcity of essential goods and supply chain ruptures have led to panic buying in some countries, forcing many stores to impose item limits on hygiene products such as hand sanitizers, disinfectants, facemasks and toilet paper; while the surge in teleworking has led to shortages of printers and paper.

Growing consumer demand, together with social distancing and increased hygiene protocols, have also put pressure on critical e-commerce distribution networks, leading to delayed or non-deliveries. Changing requirements on the shipment of non-essential products in some countries have led to further disruptions.

As demand for online services and access to communication services has soared, reliable and affordable broadband services have become crucial. Some communication operators have experienced up to a 60% increase in Internet traffic since the crisis began. Although many such operators and content providers have managed to deal with increased traffic, some content providers such as Netflix and YouTube have reduced streaming quality.

Governments and businesses have taken actions to ensure affordable access to quality broadband services. Communication operators in Japan, for example, have exempted consumers under the age of 25 from some charges to reduce their financial burden. In the United Kingdom, the government and communication operators agreed to keep Internet services affordable for vulnerable consumers; and in the United States, major communication operators, in co-ordination with the US Federal Communications Commission, have pledged to ensure continued access to their services for a period of 60 days and have exempted late fees for consumers who cannot pay their bills during the crisis. Yet the crisis has deepened the digital divide between consumers who have access to the Internet and digital literacy, and those who do not. This division is particularly evident between developed and developing countries, urban and rural areas, the rich and poor, and among the elderly and people with disabilities, for whom purchasing products online may not be an option. If not addressed, these issues will result in increased inequality.

Unfair, misleading and fraudulent commercial practices are on the rise

As COVID-19 has proliferated worldwide, so too have online scams seeking to take advantage of the crisis. In the United States, more than 22 000 consumer [complaints about COVID-19 fraud have been reported](#) to the Federal Trade Commission (FTC) between January 2020 and mid-April 2020, amounting to over USD 22 million in consumer losses. Some phishing, malware and identity theft scams have enticed consumers to share their data under false pretences, purporting to be from health or disease control organisations like the World Health Organisation. Other scams seek to financially defraud consumers, including fake charity scams, as well as prominent company imposter scams, for example advertising “free” Netflix subscriptions. Other examples include promising hygiene products that never arrive, or offering fake COVID-19 tests. Reports also indicate that illegal moneylenders are increasing their efforts to exploit financially vulnerable consumers. In the United Kingdom, for example, the England Illegal Money Lending Team has issued a warning about COVID-19 payday loans, while Japan’s Financial Services Agency and National Police Agency



have initiated joint investigations into illegal lenders targeting vulnerable consumers on social media. On 20 March 2020, the consumer protection authorities of the EU member states (Consumer Protection Cooperation network) issued a common position on the most reported scams and unfair practices in this context of the crisis, which the European Commission subsequently discussed with key online platforms.

Taking advantage of consumer fear and anxiety, scammers have also propagated deceptive and scientifically unsupported claims that certain products can prevent or treat COVID-19. The US FTC has sent warning letters (some jointly with the US Food and Drug Administration) to more than 60 companies in relation to misleading claims about products including homeopathic drugs, essential oils, traditional Chinese medicine, salt therapy, and vitamin immune boosters. The Consumer Affairs Agency of Japan requested 64 businesses to rectify false or misleading claims related to products such as air cleaners and sanitizers. Canada's Competition Bureau has also issued compliance warnings to businesses to stop false or misleading claims that certain products (facemasks, ventilation, air purification products) can prevent or protect against the virus. Amid consumer anxiety, claims such as "sells out fast" may be false or misleading, and may reinforce consumer anxiety and panic buying.

Price gouging is another issue for consumers, as some businesses have sought to maximise profits from increased demand for essential goods such as facemasks and hand sanitizer, or basic grocery items or printers, by exponentially raising their prices. The Italian Antitrust Authority is currently investigating several online platforms in relation to excessively priced hand sanitizers and facemasks sold via the platforms by third-party sellers, while French authorities issued a decree to impose a ceiling on the retail price of hand sanitizers. In some countries, consumer and competition agencies are addressing these issues, ensuring that the remedies that are put in place to address pricing gouging do not have deleterious effects lingering beyond the crisis.

The COVID-19 crisis has also heightened product safety risks. Recall notices of facemasks that do not adequately filter airborne particles and may expose consumers to risk of infection if not combined with additional protective measures, have been for example recently submitted to the [OECD's GlobalRecalls portal](#), a database for governments to share recall information. Moreover, store closures, staff shortages and limited postal services, have made it difficult for businesses to fulfil their recall duties.

Businesses and governments play a key role in maintaining consumer trust

Consumer trust is essential to the proper functioning of markets. This is particularly true in e-commerce, where consumers are unable to inspect products at a distance.

The role of businesses

As confinement measures have moved consumers online and some traders seek to exploit their vulnerability, many businesses have recognised the importance of strengthening trust. In March, a survey of US consumers found that 52% of adults prefer buying from companies that are publicly protecting customers and staff against COVID-19 risks. Some businesses have changed consumer policies in response to COVID-19 (e.g. offering free shipping, extending time-periods for change-of-mind returns or waiving cancellation fees) and are highlighting options such as no-contact delivery or pick-up services.

Given the large share of e-commerce that they command, online marketplaces have a role to play in strengthening consumer trust during the crisis and promoting responsible conduct of third party sellers on their platforms. Some say they are actively monitoring their sites for scams, excessive pricing and misleading health claims, removing listings and/or suspending accounts, and are also calling for increased support from authorities to identify rogue traders. In the European Union, for example, some have established channels to flag illegal content to member states' authorities.



The role of policy makers

Consumer protection agencies across the world have moved quickly to alert consumers about key threats associated with the crisis, and several are considering special measures to address them. Faced with the challenge of balancing protection of consumer health and safety with support for businesses and protection of workers, some governments have granted exemptions from laws protecting consumers when in the public interest. For example, some agencies have fast-tracked approval processes for new products such as hand sanitizers to ensure that consumers have access to these products. In Canada, an interim policy easing the enforcement of certain labelling requirements has been issued to facilitate access and sale of consumer products in high demand, such as household cleaning products or hand and body soaps. Likewise, competition authorities in Australia and the United Kingdom have temporarily allowed retailers to collaborate to ensure the continuity of food supplies, and competition authorities in the US have issued guidance on business collaboration to protect citizens' health and safety during the COVID-19 pandemic.

Cross-sector and international co-operation

The crisis has amplified the need for inter-agency co-operation. For example, some product safety and health agencies now share responsibilities over products such as hand sanitizers and facemasks that are manufactured by non-traditional industries and individuals. Consumer and competition authorities have discussed strategies to minimise price gouging, and communication regulators have worked with consumer agencies in some countries to protect consumers from excessive communication services charges.

The crisis has also underscored the interconnected nature of the global community, and the need to support cross-border e-commerce through enhanced international information sharing and co-operation. The OECD and other fora can create efficiencies for consumer agencies (including those with limited resources), businesses and civil society, by enabling them to share best practice, market intelligence and consumer messaging. The International Consumer Protection Enforcement Network (ICPEN) has developed social media campaigns to promote consumer reporting of COVID-19 related consumer protection issues, particularly scams; the UN Conference on Trade and Development (UNCTAD) has released information on country initiatives to alert consumers about COVID-19 scams, along with recommendations for governments; and advocacy groups such as Consumers International have contributed guidance on ways to protect consumers from COVID-19 threats.

Key recommendations

Governments are encouraged to:

- Educate consumers about COVID-19 scams, including how to report them and avoid misinformation, building on learnings from behavioural insights.
- Establish a dialogue with online businesses about scams and misleading conduct and, to the extent possible, share information to help identify rogue traders.
- Foster co-operation between agencies with relevant consumer protection mandates, for example via inter-agency taskforces.
- Contribute best practices through OECD and other international fora (e.g. ICPEN and UNCTAD), and notify measures taken against unsafe products, including via the OECD's *GlobalRecalls* portal.
- Avoid rolling back consumer protection and product safety measures, and consider ways to reduce the administrative burdens on business and streamline compliance processes.

Businesses are encouraged to:

- Incorporate learnings from behavioural insights in the promotion, sale and delivery of products, and minimise techniques that take advantage of consumers' behavioural biases. Clear messaging to reassure consumers about supply chain robustness may help alleviate panic buying.



- Acknowledge that more consumers may be vulnerable during the crisis and consider needs due to health and safety concerns as well as job and other financial losses.
- Warn consumers about known scams and increase efforts to identify and remove false or misleading advertising.
- (For online marketplaces) Identify and remove listings with misleading claims or excessive pricing. Communicate regularly with authorities about efforts undertaken and challenges encountered.

Further reading

OECD (2020), “Tracking and tracing COVID: Protecting privacy and data while using apps and biometrics”, OECD, Paris, https://read.oecd-ilibrary.org/view/?ref=129_129655-7db0lu7dto&title=Tracking-and-Tracing-COVID-Protecting-privacy-and-data-while-using.

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