

WEB SEALS OF APPROVAL

Discussion Paper

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1. INTRODUCTION

E-commerce, in particular, online Business to Consumer (B2C) retailing is set for exponential growth. 50% of Australian adults accessed the Internet in the 12 months to November 2000 and 37 percent of Australian households were connected to the Internet at November 2000, reaching to 40 percent at end of 2000. The Australian Bureau of Statistics (ABS) projects that the half way mark for Australian households will be reached by November 2001.¹

Online banking and shopping, while still minor as compared to traditional forms of transacting business, has grown significantly and will rise further. It is estimated that 13 percent of adults paid bills or transferred funds in the 3 months to November 2000 - an increase of 225 percent since November 1999 and 10 percent purchased or ordered goods or services via the Internet - up 67 percent in the same period.²

The major impediments to the broader use of the Internet for the online purchase of goods and services are concerns about:

- the security of transactions and whether they are conducted by authenticated parties;
- the disclosure of personal information; and
- levels of service. These are expected to be at least as good as in the off-line world and preferably with better prices. The main service issues discouraging Australians from buying online now seem to be high shipping costs and personal sizing or fit.³

In an attempt to foster consumer confidence, a number of measures have been adopted. Internationally some measures include the OECD *Guidelines for Consumer Protection in the context of Electronic Commerce* and the European Union E-commerce and Distance Selling directives. In Australia, the Federal Government has adopted the E-commerce Best Practice Model *Building Consumer Sovereignty in Electronic Commerce: A Best Practice Model for Business*.

A growing number of online retailers have adopted website seals of approval. These seals which are offered by both local and overseas organisations, indicate that the business has agreed to follow a set of rules or guidelines that address particular business practices. The most common "consumer" seals address privacy, security and service issues.

2. MAJOR WEB SEALS

Some of the better known seals of approval include WebTrust, eTick, BBOnLine seal, TrustUK, Which? Web Trader, TRUSTe and VeriSign. Attachment 1 describes these seals.

¹ The National Office for the Information Economy, The Current State of Play June 2001, 6

² NOIE The Current State of Play, page 8

³ Ernst & Young Online retailing in Australia, State of play and outlook for the industry, January 2001

There are, however, numerous other web seals, certification bodies and ratings organisations. The National Office for the Information Economy (NOIE) in 1999 identified and compared 23 web seals either operating or under construction. A comparative examination of these sites is available at www.onlineaustralia.net.au/projects/consumer/roundtable/webseals-comparative-table.htm

Attachment 1 also describes a more recent ratings company, Global Reviews. Global Reviews, a private market research company was established in 2000 with the aim of benchmarking the performance of major companies operating online within the Australian economy.

There are also other seals, for example, a website which states it is "Bobby Approved", means that the site has identified and repaired significant barriers to access by individuals with disabilities. The seal, which is self-certifying, is awarded by CAST USA, an educational not-for-profit organisation that uses technology to expand opportunities for all people, including those with disabilities.

While these seals differ in scope and standards, all are self-regulatory measures designed to increase consumer confidence in online transactions and thereby promote the uptake of e-commerce.

The Best Practice Model translates the OECD Guidelines for the Australian context. It does not purport to be a web seal scheme but aims to set best practice standards for online consumer protection. A description of the key features of the Best Practice Model can be found in Attachment 2.

Other "seals" are in effect brand names, for example bank logos, the symbols for the main credit cards, Visa, Mastercard. These seals are not based on a set of written standards but nevertheless can inspire trust in consumers, for example that a payment system is secure.

3. ISSUES

The consumer issues raised by seals are not new. They are the same issues that have affected self-regulatory schemes over the past two decades. First, there is little data about consumer awareness of seals nor even whether consumers see seals as worthwhile and contributing to the development of a safe online environment. Second, given the proliferation of seals, it is very difficult to know what a particular seal stands for or to compare the value of different seals and third, even if the criteria upon which a particular seal are clearly disclosed, there is often no way of ensuring that there is compliance with the standards.

3.1 Consumer Awareness and Attitudes

No data has been discovered which examines whether consumers are aware of web seals of approval. However, the situation is unlikely to vary substantially from the levels of awareness that have been reported on with regard to various self-regulatory codes. The Taskforce on Industry self-regulation,⁴ noted, for example, that codes of

⁴ Industry Self-Regulation in Consumer Markets, Report prepared by the Taskforce on Industry Self-regulation, August 2000

practice were invisible to urban elderly men and women, rural and remote families, working parents who have no time, people isolated in their own homes because of poverty or ill health, people with low literacy and verbal skills, people of working age dependent on government support, young people who have never had a full-time job and non-English speaking people.

With regard to consumer attitudes to seals, some data comes from a survey conducted by Ernst and Young. The report, "*Online retailing in Australia State of Play and outlook for the industry*", was based on the results of an online survey of 7,000 Internet users in Australia and 650 webtraders. The survey found that 26 percent of the Internet users surveyed indicated that a seal of approval would make them more likely to purchase from a site. It is not known whether the other 74 percent of respondents were sceptical about seals or were unaware of them.

It is not known whether consumers who currently do not use the Internet for online transactions would see seals as an effective means to build trust. An interesting and pertinent finding however comes from research conducted by the UK Office of Fair Trading⁵ on the effectiveness of codes of practice. Both consumer bodies and trading standards officers thought codes were little known and little appreciated and had little influence on peoples' buying decisions. This was after almost 20 years of Government policy encouraging the development of codes and being involved in codes promotion across 20 different sectors of the economy.

It is interesting to consider what consumers in the Ernst and Young study said was important to them in online shopping, or, in contrast, what aspects were major "turn-offs".

- 40 percent rated high shipping costs and personal sizing or fit (48 percent) as the key "turn-offs".
- Security and privacy was not top of mind for these consumers but remain significant issues. 80 percent of respondents stated that they would be at least "somewhat more willing" to use a website if it had encryption capacity or offered digital certificates.
- More than 8 out of 10 expected a site to have the same number of products as an off-line store and 47 percent expect the inclusion of online bargains.
- Two thirds of expected online items, especially electronics, toys, health and beauty products to be cheaper than in stores.

For a seal to address the issues listed above, it would need to include privacy and security standards. But, in addition to this, the seal would require a sound customer service framework.

3.2 Inconsistent Standards

Web seals, even those examined in this report vary considerably in the technical and performance standards upon which they are based. Without a considerable research effort, most consumers would not be able to determine what a particular seal stands

⁵ Raising Standards of Consumer Care Progressing beyond codes of practice A report by the Office of Fair Trading February 1998

for and whether the site is in fact complying with the standards set. The point was well made in the International Society of Consumer and Competition Officials Network (ISCCON) Newsletter of June 1999:

It is not difficult to imagine a future with a huge number of schemes worldwide, all with different requirements, assessment and control methods and seals. For the Internet consumer, this would mean a total lack of transparency and the whole idea of confidence building would soon be lost. This would also mean that the efforts and costs invested by industry under such schemes would become useless.⁶

It is arguable whether the future as envisaged by the ISCCON has arrived.

3.3 Seal Compliance

There is little data publicly available on action taken to ensure compliance with seal standards. While audit procedures are listed, consumers cannot be certain that a webtrader displaying a seal is actually complying with that seal. For example, the Internet Law Journal reported a case in which Toysmart.com, a failed Internet toy seller, was prosecuted by the US Federal Trade Commission (FTC) for attempting to sell confidential, personal customer information collected by the company contrary to its own privacy policy. Toysmart.com carried a TRUSTe seal of approval.

The issue of enforcement of standards has been perceived as a particular weakness of self-regulatory schemes. Various reasons are advanced for lack of enforcement, for example the ACCC in its submission to the Taskforce on Self-regulation stated that many codes fail to operate effectively because employees and industry members are unaware of the codes standards or fail to follow these in day-to-day dealings. The UK OFT reported a "disciplinary conflict" whereby trade associations are sometimes unwilling to impose sanctions against members either because they might then lose revenue if the member withdraws from the scheme or they believe that would lose all possible influence over the firm's future conduct if it were to be expelled.⁷

The issue of the incentive to sanction for breach of a seal standard especially where the firm has paid a substantial sum of money to obtain the seal is a real one. A further issue which is not clear from the public information available about seals is under what circumstances a seal might be removed. If a seal "owner" is aware of a number of substantiated complaints which indicate systemic breaches of the seal's standards, is there an obligation to post a public warning that a particular firm is no longer seal approved? At the very least, there is a lack of transparency about these issues.

4. GOVERNMENT ACTION IN AUSTRALIA

There has been little formal Government action with regard to web seals. NOIE and the Commonwealth Department of the Treasury convened a round table discussion

⁶ International Society of Consumer and Competition Officials Network Newsletter, Issue no 3 June 1999 page 18

⁷ OFT Rising Standards of Consumer Care, page 15

on the issue in 1999⁸. There was an identification of some of the issues that needed to be addressed, for example it was noted that to be effective, a seal should have international recognition, be comprehensive and affordable, be backed by an audit process and an effective redress mechanism. However, further work in this area appears to have lapsed.

The Office of the Federal Privacy Commissioner of Australia in conjunction with the Office of the Information and Privacy Commissioner of Ontario has conducted a joint project reviewing the privacy components of particular web seals.⁹ The Commissioners determined to review three well-known web seals - BBBOOnline, TRUSTe and Web Trust.

Three components were identified as necessary for an effective seal:

- sufficient privacy principles;
- a sound method for resolving consumer disputes; and
- a robust mechanism for ensuring that "sealed" sites complies with the seal's standards.

The OECD *Guidelines on the Protection of Privacy and Transborder Flows of Personal Data* was the standard against which the seals' privacy principles were evaluated. The Australian *Benchmark for Industry-based Customer Dispute Resolution Schemes* was selected to evaluate the dispute resolution methods of each scheme. Compliance and enforcement mechanisms were also evaluated though not against an external benchmark.

The methodology involved dividing the benchmarks into component elements and allocating points to each component principle, for example, the Collection Limitation Principle which states that there should be limits to the collection of personal data and that any such data should be obtained by lawful and fair means and, where appropriate, with the knowledge or consent of the data subject was weighted as follows:

- Limits to collection by lawful and fair means .5
- Knowledge or consent of data subject .5

Following the initial evaluation,¹⁰ each seal "owner" was invited to comment on the rating allocated. In this way, the Privacy Commissioners hoped to establish an on-going dialogue through which seals could be enhanced over time.

As noted earlier, the Best Practice Model is not a web seal scheme. Nevertheless, it does incorporate standards which might form the basis of a seal of approval.

⁸ 30 participants from the private and public sectors attended this round table. There was no representation from State/Territory consumer affairs agencies.

⁹ The Office of the Information and Privacy Commissioner, Ontario and the Office of the Federal Privacy Commissioner Australia, *Web Seals: Online Privacy Programs*, 22nd International Conference on Privacy and Personal Data Protection, Venice, September 2000

¹⁰ Evaluation results - Privacy - out of a possible score of 8 - BBBOOnline 6.25; TRUSTe 6.375; Web Trust 6
Dispute Resolution - out of a possible score of 6 - BBBOOnline 5.05; TRUSTe 4.65; Web Trust 4.58
Scores were not given for compliance and evaluation though it was stated that Web Trust had the most rigorous approach to compliance

However, several things would be needed for the Best Practice Model to serve as a useful seal of approval basis including greater specification of standards and a third party certification process. Currently, businesses can adopt the Best Practice Model logo based on self-certification. This provides no guarantee that in fact a business has adopted standards which go beyond minimum legislative requirements and are best practice. Further, while the Best Practice Model does not claim to be a prescriptive document, the ability to enforce a web seal approval program may well rest on the clarity and objectiveness of the standards. It may be desirable that the standard set some prescriptive measures, for example with regard to delivery timelines rather than simply require disclosure of the business' current practices.

5. SOME INTERNATIONAL MODELS

Attachment 2 describes the TrustUK model. TrustUK is a joint venture between the Alliance for Electronic Business and the UK Consumers' Association endorsed by the Department of Trade and Industry. Its aim is to enable consumers to buy online with confidence.¹¹

TrustUK is an approval scheme for trade associations whose members are bound by an online code of practice. It does not approve webtraders directly.

The TrustUK seal signifies that the members of an association:

- protect a consumer's privacy;
- ensure payments are secure;
- assist consumers make informed decisions;
- ensure consumers know what they have agreed to buy and how to cancel orders;
- deliver goods ordered within the agreed time period;
- protect children, and
- sort out complaints, wherever the consumer lives.

To date, three code owners have received TrustUK approval, the Association of British Travel Agents Ltd, the Direct Marketing Association and Which? Webtrader, a division of the UK Consumers' Association.

There do not appear to be other government endorsed seal accreditation mechanisms. Consumers International in their report *Should I buy? Shopping online 2001: An international comparative study of electronic commerce* said on this matter:

There is a need for a symbol which stands for safe and reliable shopping which is recognisable internationally so that consumers can shop with confidence both in their own countries and internationally.

This will encourage consumers to shop at less- familiar shops, thus promoting competition. Consumers International recommends co-operation between consumer organisations, industry and governments on an international basis to raise consumer awareness and confidence, and to improve the standards

¹¹ See <http://www.trustuk.org.uk/>

*and consistency of certification schemes. Any certification or accreditation body needs to be independent of industry.*¹²

The call for co-operative tripartite work at an international level on web seals of approval does not appear to have been picked up. And yet, given the diversity of seals now on the market, there is a need for some public policy response if only to address probable consumer confusion. The next section considers some possible policy measures.

6. OPTIONS FOR ACTION

Four options for action are considered. They vary in cost and the degree of intervention that would be required by government.

6.1 Guide to Seals

There is currently a considerable amount of consumer information and advice available about online shopping. This advice is available on government websites, nationally and internationally and in consumer education publications. The main consumer issues are covered in this material, however there is little or no reference to web seals.

A descriptive guide to the major global web seals would be a useful adjunct to currently available consumer advice. The aim of such a guide would be to develop consumer awareness of web seals. The guide would not seek to evaluate the seals. Accordingly, clear advice that the guide did not amount to an endorsement by government would be required. The guide would not need to be a stand-alone product - it could be added to existing education materials.

A guide to seals could be prepared by Victoria, however there would be some efficiency benefits in developing the guide in cooperation with other agencies both interstate and national.

6.2 Criteria for Effective Seals

In 1996, following a decision by the Ministerial Council on Consumer Affairs, the guide *Fair Trading Codes of Conduct, Why have them, How to prepare them* was developed by Commonwealth, State and Territory Consumer Affairs Agencies¹³. The objective of the guide was to help individual industry and professional associations develop effective codes of conduct. The guide contained advice on how codes should be prepared, what rules codes should contain, complaints and dispute procedures and effective administrative arrangements.

The UK Office of Fair Trading has taken a similar though arguably more interventionist approach to setting benchmarks for codes.

¹² Consumers International Should I buy? Shopping online 2001: An international comparative study of electronic commerce page 11

¹³ A similar publication was produced in Victoria *Guidelines for Establishing Self-regulation Schemes* 1994

The UK Director General of Fair Trading has a specific duty under the *Fair Trading Act 1973* to encourage trade and professional associations to develop codes of practice. Despite a history of giving formal support to codes that the Office believed would deliver real consumer benefits, the benefits failed to materialise. OFT research revealed little consumer awareness of codes and little adherence to the rules by association members. Accordingly, the OFT has now determined to adopt a different approach by establishing a "strong consumer brand for OFT codes".¹⁴ Not only had the previous approach not delivered the expected consumer benefits, but as the OFT noted "the growth of E-Commerce and other international trade also dictates a new approach to self-regulation"¹⁵.

The new approach involves two stages. In the first stage, the OFT has undertaken to set out clear criteria which codes of practice should meet including compliance and dispute resolution procedures. Associations would be encouraged to adopt these criteria in developing codes. At this stage there would be no formal endorsement of the code though the OFT might confirm that the codes appeared to meet the necessary criteria.

At the second stage, the OFT would publicly endorse the code by a well marketed logo. However the Office would not do so until the code owner could provide objective and demonstrable evidence of code compliance. The sorts of evidence required would include the results of mystery shopping, compliance audits and complaints data.

In July 2001, the OFT released its core criteria for this new approach to codes.¹⁶ The criteria are not dissimilar to those contained in the MCCA guide and relate to factors such as organisational requirements, code development procedures, code content, complaints handling, monitoring and enforcement.

A similar approach could be taken to web seals. A guide setting out the desirable elements of a seal program would be useful for seal developers and also for consumers looking for a means to assess a particular seal.

Much of what might be contained within such a document is already in existence, for example in the Best Practice Model and the Guide to Fair Trading Codes of Conduct.

This option would be better developed on an inter-jurisdictional basis, preferably under the auspices of the Ministerial Council on Consumer Affairs. This would give the criteria acceptance nationally and could then be used as a basis for international consultation.

A document establishing criteria for effective web seals would be a necessary first step for the next two options.

¹⁴ Office of Fair Trading *The OFT's new approach to consumer codes of practice, A consultation paper*, February 2001

¹⁵ As above page 3

¹⁶ Office of Fair Trading *Consumer codes of practice: the OFT's response to the consultation*, July 2001

6.3 Evaluation

The Australian and Ontario Privacy Commissioners used existing benchmarks to rate and evaluate the privacy performance of three web seals. Building upon the proposal to develop criteria for effective web seals, these criteria could then be used to evaluate existing seals in a similar exercise to that undertaken by the Privacy Commissioners.

A methodology would need to be developed that would enable the evaluation of a web seal to be based on objective standards rather than subjective judgements. It would also be desirable to provide an opportunity for input and comment by the web seals being evaluated.

6.4 National Seal Accreditation Body

The TrustUK scheme offers one model for the development of a national certification body. This is an alliance between business, the consumer movement and government which accredits members of an existing standards scheme, in this case, members of trade associations.

There would be significant start-up and on-going costs associated with this option and a cost-benefit analysis would be a necessary first step if there was any support among members of the Ministerial Council.

7. CONCLUSIONS

Online trading is the way of the future. Unlike bricks and mortar retailing where consumers can inspect goods, purchase and take them away, online transactions require a greater degree of trust by both consumers and e-tailer. Governments in Australia and internationally have introduced laws and developed mechanisms to enhance consumer confidence. To date, web site seals of approval whose aim is to build consumer trust have been primarily developed by business and the consumer movement.

There are concerns however. Too many seal schemes without adequate transparency about either the standards upon which they are based has arguably devalued these schemes. In addition, consumer awareness of these schemes is generally likely to be quite low.

There is a role for a government policy response. The aim of the response is to foster consumer awareness and encourage appropriate standards with the seal schemes. The options outlined in this paper vary in the degree of intervention envisaged by governments. In addition, the greater the intervention the more costly the response.

There has nevertheless been recognition that web site seals are an issue. It would be preferable for the issue to be addressed sooner rather than before an even greater proliferation of schemes.

ATTACHMENT 1

A Description of Some Common Web Seals

BBBOnLine

The Council of Better Business Bureaus Inc (US) established the *BBBOnLine* to enhance consumer confidence while engaging in online transactions. *BBBOnLine* awards three different seals, a Reliability Program seal, a Privacy Seal and a Kid's Privacy Seal.

To use the Reliability Program seal, companies are required to:

- become a member of the Better Business Bureau where the company is head quartered;
- provide BBB with information regarding company ownership and management and street address and telephone number at which they do business, which may be verified by the BBB in a visit to the company's physical premises;
- be in business a minimum of one year;
- have a positive complaint handling record with the BBB;
- agree to participate in the BBB's advertising self-regulation program and correct or withdraw online advertising when challenged by the BBB and found not to be substantiated or not in compliance with BBB's children's advertising guidelines;
- respond promptly to all consumer complaints; and
- agree to dispute resolution, at the consumer's request.

To obtain a *BBBOnLine* seal, firms must also pass a background check that looks at issues such as evidence for fraud or action by government regulators.

BBBOnLine has recently developed a Code of Online Business Practices which it states is the underpinning of the Reliability Program and which all participants must follow. The Code covers advertising, disclosure (about the business, goods and services available and terms and conditions of the transactions), information practices and security, customer satisfaction (complaints procedures) and special provisions to protect children.

The *BBBOnLine* Privacy Program awards a seal to business that post online privacy policies which meet core principles such as disclosure, choice and security, provides for the settlement of consumer complaints, monitors compliance by requiring participating companies to undertake at least annually, an assessment of their online privacy practices and imposes specific consequences for non-compliance, such as seal withdrawal, negative publicity and referral to government enforcement agencies.

BBBOnLine costs US \$400 to US \$500 for a small business and up to US \$5,000 for a large corporation

WebTrust

WebTrust was developed by the American Institute of Certified Public Accountants and the Canadian Institute of Chartered Accountants. The WebTrust program includes standards covering on-line privacy, security, availability, business practices

and transaction integrity, confidentiality and non-repudiation. The program is being offered in many countries around the world including Argentina, Australia, New Zealand, Spain, Germany, the United Kingdom, Italy, France and the Netherlands.

The WebTrust program comprises six sets of standards. Websites can choose among these "modules" for the combination that best suit their business needs or those of their customers. The six broad areas under which there are specific criteria are:

- On-line privacy standards. WebTrust states that it complies with all significant international on-line privacy guidelines including the European Commission's Directive on Data Privacy (see <http://www.cpawebtrust.org>) must disclose private information being collected. Must state how that information will be used and distributed. Consumers must be advised how to opt out of transactions.
- Business practices and transaction integrity standards. These ensure that the site can deliver what was ordered at the price agreed and within the time promised.
- Security standards. Criteria ensure that the site has addressed issues such as the need to encrypt private and confidential information, can protect information once it reaches the site, has adequate virus protection, a disaster recovery plan.
- Non-repudiation standards. Standards ensure accessible records. Authentication procedures, safeguards against unauthorised users.
- Confidentiality standards ensure that there is adequate security for the collection, transmission and distribution of confidential information obtained as a result of e-commerce.
- Availability standards. Terms and conditions of transactions disclosed

The program requires the use of third party arbitration to resolve complaints. The actual arbitration system is not mandated.

Sites displaying the WebTrust seal are required to undergo a review process every six months. Reviews are conducted by an accountant. The Seal often contains a link to the accountant's name and a report on the review. These reviews can take many hours and can accordingly cost even small business thousands of dollars.

Of the 28 sites listed as having obtained a WebTrust seal, the only Australian firm is Zurich Financial Services Australia Ltd.

TRUSTe

TRUSTe is a privacy seal, it does not contain standards designed to protect consumers from problems related to the quality of products and services offered online.

TRUSTe was started by the Electronic Frontier Foundation in the United States. It is currently operated by a non-profit organisation whose board of directors comprises consumer and privacy advocates and industry representatives.

The core elements of TRUSTe are:

- Notice - Websites displaying the TRUSTe seal must display a notice indicating what personal information is being gathered and with whom it is shared. This notice must be easy to read and be accessible by one mouse click from the home page.

- Choice - Users must have the ability to choose whether to allow the secondary use of that personal information.
- Access - Users must have reasonable access to information that may be held about them to correct inaccuracies
- Security - The site must provide reasonable security to protect data that is collected

The TRUSTe program provided users with an alternative dispute resolution mechanism, TRUSTeWatchdog.

In 2000, approximately 2000 sites displayed the TRUSTe seal. This consisted of nearly all Internet portal sites and 15 of the top 20 most frequented websites. TRUSTe also has licensees in 25 countries. (<http://www.truste.org> TRUSTe Online Privacy Resource Book).

Research quoted on the TRUSTe site suggests that the TRUSTe seal is rated as the most prominent symbol on the Internet and is considered the most trust-invoking symbol on the Web by US Internet users.

The TRUSTe seal costs US \$249 for firms that have annual sales below \$1 million and up to US \$4999 for larger firms

eTick

eTick states that its mission is "to be the global new economy certification authority establishing benchmarks for eCommerce standards internationally"

(<http://www.etick.com>)

eTick aims to achieve this by forming strategic alliances with industry bodies and other audit and certification bodies around the world.

eTick was founded in Australia and its board and management includes Ms Rhonda O'Donnell (Chairperson), Sir Laurence Street (Deputy Chairperson) and Mr Mark Sumich, (Executive Director and Acting CEO).

The basis of the eTick seal is found in the International E-Commerce Standard for Security, Privacy and Service (Business to Consumer) IES 2000 (B2C). This standard was developed by the Customer Institute of Australia (CSIA). The CSIA was established in 1997 and its members include CEO's, business owners, government employees and customer service professionals.

The IES: 2000 (B2C) is divided into 4 key perspectives:

- Service
- Financial
- Operational
- Learning and Growth

Standards for security, privacy and service occur within each of these perspectives. Some requirements contained within the standard are mandatory and some are desirable.

In applying for the standard, firms are required to conduct an internal self-assessment. When firms are able to meet all mandatory criteria, the results are submitted to the certifying body at eTick. A report is generated within 48 hours indicating whether the firm is ready for a full audit and then full certification to the Standard.

Certification is conducted by an audit body to be accredited by the International Standards Accreditation Board for eCommerce. The ISABe appears a newly incorporated company (Delaware USA) with a secretariat in Notting Hill Victoria.

Firms that successfully complete the audit are able to use the eTick Seal of Internet Assurance. Firms are then required to undergo an annual verification assessment.

Some of the standards in the IES: 2000 include:

- The firm involves its customers in the design of its products or services
- Clear and accurate information is provided about:
 - Products and services
 - Total costs, including taxes and charges
 - Delivery and location
 - Terms and conditions, currency details, security
 - Capability to supply various market locations
- A customer order tracking system is provided with access to the customer's order history
- The complaints process is available
- The firm has a service charter which is displayed
- The firm has a unique domain name and:
 - Provides digital certificates
 - Discourages "passing off"
- The firm is committed to privacy and has a privacy policy. The special needs of children and minors are considered.
- The firm has a customer friendly navigation system and provided a means for consumers to opt out of the receipt of unsolicited mail. The firm also provides an after-sales service.

TrustUK

TrustUK is a non-profit organisation endorsed by the UK government which accredits trade associations adhering to a strict code of practice.

The TrustUK seal signifies that the members of an association:

- Protect a consumer's privacy
- Ensure payments are secure
- Assist consumers make informed decisions'
- Ensure consumers know what they have agreed to buy and how to cancel orders
- Deliver goods ordered within the agreed time period
- Protect children, and
- Sort out complaints, wherever the consumer lives

Privacy - TrustUK approved traders must agree that personal information will not be collected without the consumer's consent. Traders must disclose what information is collected, how the information is collected, to whom the information is made available and how it will be used. The collection of sensitive information must have the consumer's consent and no information can be collected about a child under 12 without the verifiable consent of a parent or guardian. Consumers must also have access to information held.

Secure payments - Payments must be collected and held securely. Data must only be held for the purpose for which it was collected.

Informed buying - Traders must provide clear, helpful and adequate pre-contractual information. They must display all charges.

Orders and cancellation - Traders must have a clear returns policy which must be displayed prior to purchase.

Goods delivered on time - Unless otherwise agreed, traders must deliver an order within 30 days. If they cannot, the consumer must have the opportunity to cancel

Protect children - Traders must recognise the special needs and vulnerability of children and not market in a way that exploits them.

There is a 3-step process for the handling of complaints. First the consumer must approach the webtrader, second, the complaint should be referred to the association that owns the code of practice to which the trader belongs. Finally, if the complaint is not resolved, TrustUK can be approached.

Three "code owners" or associations have received TrustUK approval, the Association of British Travel Agents Ltd, the Direct Marketing Association and Which? Webtrader (a division of the UK Consumers' Association).

Which? Web Trader

The UK consumers' Association established Which? Web Trader in 1999 and now has 1947 "members". The aim of the scheme is the development of a safe and secure online shopping environment for consumers.

Web traders displaying the Which? Web Trader must adhere to a Code of Practice. Initially, when a trader applies to join the scheme, checks are conducted to assess whether the trader is "genuine". Random checks for code compliance are continued once a trader has been accepted into the scheme.

The Code of Practice covers the following areas:

- The Website must contain clear and adequate information about the trader and the products and services offered, for example, full contact details, full price information, clear ordering instructions, payment options, a customer service telephone number and a clear right to cancel the order.
- Advertisements must meet relevant standards
- Returns and refunds - this must be disclosed

- Guarantees - any guarantees must be noted
- Confirmation - both price and the order must be confirmed
- Cancellation - UK law provides consumers with a 7 day cancellation right (Directive on Distance Selling)
- Delivery - Goods must be delivered within 30 days
- Receipts - consumers must be provided with a receipt

Webtraders must comply with consumer law and the Data Protection Act. They must have a security policy which must be reviewed regularly. They must not send unsolicited commercial email to consumers with whom they have had no previous contact. Webtraders must correct any billing mistakes within 30 days and must have an effective system for the resolution of complaints.

If the UK Consumers' Association finds that a trader has not complied with the Code, enforcement action is taken which can result in expulsion from the scheme.

VeriSign

The VeriSign Secure Site Seal indicated that a particular site is secure either through the use of digital certificates or Server Ids.

VeriSign indicated it has secured over 300,000 websites including the top 40 e-commerce sites.

Global Reviews

Global Reviews (<http://globalreviews.com.au>) was launched in the latter part of 2000. It is a private, Melbourne based market research company that benchmarks the performance of the major companies that operate online in various industry sectors - retail, airlines, banking telecommunications etc.

Global Reviews has developed an evaluation algorithm consisting of 300 - 400 criteria. The criteria fall within 5 key categories of operation:

- Site usability
- Product and content
- Fulfilment
- Customer service
- Security and trust

For example some of the Fulfilment sub-categories include:

Accuracy of fulfilment online retailers should deliver the product that is ordered and it should be billed correctly.

Condition of product on delivery Products should be delivered with the product and packaging in good order (see <http://www.glogalreviews.com.au/grstandard.asp>)

Global Reviews researchers simulate the online experience, analysing all online policies, contact customer service by e-mail and telephone and, where appropriate, purchase from the company.

Global reviews selects 70 of the top e-tailers. These e-tailers are reviewed irrespective of whether they are clients or not. Global Reviews further states that it does not receive either payment or permission from these 70 e-tailers nor is the company sponsored or affiliated with any of these e-tailers.

Global Reviews states it generates its revenue by providing valuable market research and strategic advice to its subscribers which include online retailers, major consultancies, advertising agencies, media organisations, financial institutions and airlines. An annual subscription begins at \$15,000 for the retail industry.

Global reviews displays GR Bars on its website showing the ratings achieved by the e-tailers evaluated. Companies are given an overall score as well as a score from 0 (very poor)- 5 (excellent) for the 5 key categories of operation.

Global Reviews also conducts a legal standards review. These reviews are based on an evaluation of the information content provided to the consumer on each web site prior to the provision of a credit card number. Legal issues reviewed concern privacy protection, the adoption of the Best Practice Model and whether terms and conditions comply with the *Trade Practices Act 1974*, state fair trading legislation, Sale of Goods legislation, the Consumer credit Code, the *Electronic Transactions Act 1999* and common law. This evaluation is carried out by Gadens Lawyers.

ATTACHMENT 2

Building Consumer Sovereignty in Electronic Commerce: A Best Practice Model for Business

The E-commerce Best Practice Model (BPM) was launched in May 2000. It represents Australia's implementation of the OECD *Guidelines for Consumer Protection in the Context of Electronic Commerce* (December 1999). It is also consistent with the Commonwealth Government's *Strategic Framework for the Information Economy* (January 1999) and *Policy Framework for Consumer Protection in Electronic Commerce* (October 1999).

The Model's guiding principles are functional equivalence and technological neutrality. The BPM does not exempt businesses from complying with existing consumer protection laws contained in the *Fair trading Act 1999* (Vic), the *Trade Practices Act 1974* (Cwth) and the *Australian Securities and Investments Commission Act 1989* (Cwth). Such legislation requires that businesses, inter alia:

- not engage in misleading or deceptive conduct or conduct likely to mislead or deceive;
- not make false or misleading representations about goods and services they supply;
- not engage in unconscionable conduct; and
- ensure that goods are of merchantable quality and fit for purpose.

BPM Key Features

- Advertising material should be able to be substantiated and be clearly distinguishable from other content.
 - Commercial e-mail should only be sent on an opt-in basis or to consumers where there is an existing relationship.
- Special care should be taken with minors including getting consent from parents and guardians prior to transacting business.
- Comprehensive, accurate and assessable business identification information should be provided.
- Clear and accurate pre-contractual information should be provided to enable consumers to make informed decisions. Information should cover:
 - Advice about all terms and conditions
 - Itemised costs including information about currency and exchange rates, delivery charges, taxes and duties and insurance
 - Delivery details
 - Payment options
 - Any mandatory warnings, for example health and safety warnings
 - Any cooling off rights
 - Warranty details
 - After sales service
- Prior to contract closure, consumers should have the opportunity to review any conditions, correct errors and accept or reject the offer.

- Businesses must comply with privacy law.
- Businesses should provide consumers with secure, easy to use payment options. Advice on security and authentication measures should be provided.
- Authentication and security mechanisms should be up-dated over time.
- Businesses should have accessible, fair and efficient internal complaints mechanisms and should provide advice about available external dispute resolution processes. These mechanisms should accord with best practice.
- Where a business specifies an applicable law or jurisdiction to govern contractual disputes, such advice should be specified early in the transaction.