MYSTERY SHOPPING SURVEY ON TERRITORIAL RESTRICTIONS AND GEO-BLOCKING IN THE EUROPEAN DIGITAL SINGLE MARKET

Preview of key findings
March 2016

1) Study objectives

The Commission's Communication on the Digital Single Market (DSM) strategy for Europe, announced on May 6, 2015[1], identified geo-blocking as a significant cause of consumer dissatisfaction and of fragmentation of the Internal Market, as it limits consumer opportunities and choice. The Commission announced therefore that it would put forward legislative proposals in the first half of 2016 to end unjustified geo-blocking. For this, it undertook to collect a comprehensive pool of evidence on the features and patterns of geo-blocking, from multiple sources and perspectives. Alongside the public consultation on geo-blocking and other geographically based restrictions when shopping and accessing information in the EU[2] and the sector inquiry into e-commerce across the EU, carried out in order to better understand what drives companies to impose geographical restrictions[3], the Commission contracted a large scale mystery shopping which took place in December 2015 to document the prevalence and patterns of territorial restrictions and geo-blocking in the EU DSM[4].

Territorial restrictions may take three forms. There may be a straightforward refusal to sell to another Member State (MS) at any stage in the process of placing an online order; automatic re-routing to a different country website, often in the country of residence of the consumer and without the consumer's consent or knowledge or ability to override this re-routing; or changing the terms and conditions and pricing according to the country of residence of the consumer. All these practices apply some form of geo-identification of the consumer by means of the IP address, geo-information obtained from browsers and operating systems,

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[1] COM (2015) 192 final http://ec.europa.eu/priorities/digital-single-market/docs/dsm-communication_en.pdf

[2] Concluded at the end of December 2015, https://ec.europa.eu/digital-single-market/en/news/full-report-results-public-consultation-geoblocking

[3] http://ec.europa.eu/competition/antitrust/sector_inquiries_e_commerce.html

[4] Study commissioned by DG JUST and co-funded with DG CNECT

delivery addresses, phone numbers or credit cards. They result in an effective geographical segmentation of the EU DSM. Some of these geographical restrictions may be justified and backed by law. For instance, geo-blocking may be necessary to comply with legislation (copyright, prohibited products such as tobacco, alcohol or online gambling). However, many geo-restrictions may be considered as forms of consumer discrimination.

The main objective of the mystery shopping was to collect a representative dataset on the incidence and characteristics of geo-blocking in online shopping for goods and services in the EU DSM. The design of the survey from the outset was based on the following research topics:

1. How prevalent is the practice of geo-blocking in cross-border online shopping?
2. The stages in the shopping process where it occurs and what form it takes;
3. The types of goods and services where it is most prevalent;
4. On what type of web-shops this is more prevalent;
5. Differences in the incidence of geo-blocking by country pairs and direction of trade.

In order to quantify the incidence and magnitude of geo-blocking in the EU DSM, a representative sample of the consumer basket of online products was established, based on those goods and services sectors that were most commonly purchased online in the EU according to the 2015 DSM Consumer Survey[5]. The final set of sectors looked at in the mystery shopping included 6 tangible goods sectors and 2 services sectors[6]. The country pairs (of seller and of shopper respectively) were also selected based on the 2015 DSM consumer survey, in function of the reported prevalence of online shopping between specific countries,[7] - hence, they are broadly representative of the current state of play in cross-border e-commerce.

The following flow chart provides an overview of the sample of websites that the mystery shopping survey aimed to achieve:

| **143 country pairs** | ✗ | **8 sectors** | ✗ | **9 websites per sector** | ✗ | **TOTAL: 10,296** |

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[5] GfK for the European Commission, Consumer survey identifying the main cross-border obstacles to the DSM and where they matter most, 2015, available at: http://ec.europa.eu/consumers/consumer_evidence/market_studies/obstacles_dsm/index_en.htm. The only sector in the top 8 that was not covered was that for *Non-electrical household products & interior design*; this was replaced by *Computer games and software* in order to investigate a more diversified sample of markets.

[6] The 6 tangible sectors include: clothing, shoes and accessories, electronics & computer hardware, books, electrical household appliances, cosmetics & healthcare products, computer games & software. The 2 services sectors include: travel services (e.g. air tickets, car rental, hotels etc.) & online reservations of offline leisure (e.g. tickets for live concerts, amusement parks, sports events etc.).

[7] Those country pairs were covered where at least 4% of respondents from a given MS (shopper country) reported purchasing tangible goods and offline services online cross-border from another MS (seller's country), with the exception of Bulgaria and Malta which were added to the sample, despite the percentages of respondents purchasing online from these countries cross-border being no more than 3% for Bulgaria (from Greece) and 1% for Malta (from Finland).

On each website products were first assessed from a domestic perspective where shoppers looked for two different products and their characteristics, following which the very same websites and products were assessed cross-border from the country of the shopper (via the use of suitable VPN technology). The total sample of websites eventually surveyed was 10,537.

2) Overall results

Overall, the survey found that:

- 2% of all websites engaged in automatic re-routing or directly blocked mystery shoppers;
- During website registration, 27% of online retailers blocked cross-border mystery shoppers by preventing them from successfully registering on their website;
- Even after allowing mystery shoppers to successfully register on their website, 32% of online retailers refused to deliver a product/provide a service to the shoppers' country;
- At the payment stage, in 26% of websites shoppers couldn't pay because their means of payment was not accepted/offered or because they were unable to enter their card details;
- In 37% of all websites, no information on delivery restrictions was clearly displayed on the starting page or during the ordering process (44% among those websites where geo-blocking practices were identified).

Figure 1 below shows the percentage of websites that allowed shoppers to successfully pass each of the different stages of the shopping process. At the end, **only in 37% of all websites were shoppers successful in reaching the final stage of successfully entering their payment card details in order to verify the purchase.**

Figure 1: Mystery shopping success rates (% of all websites, N=10537, weighed data)
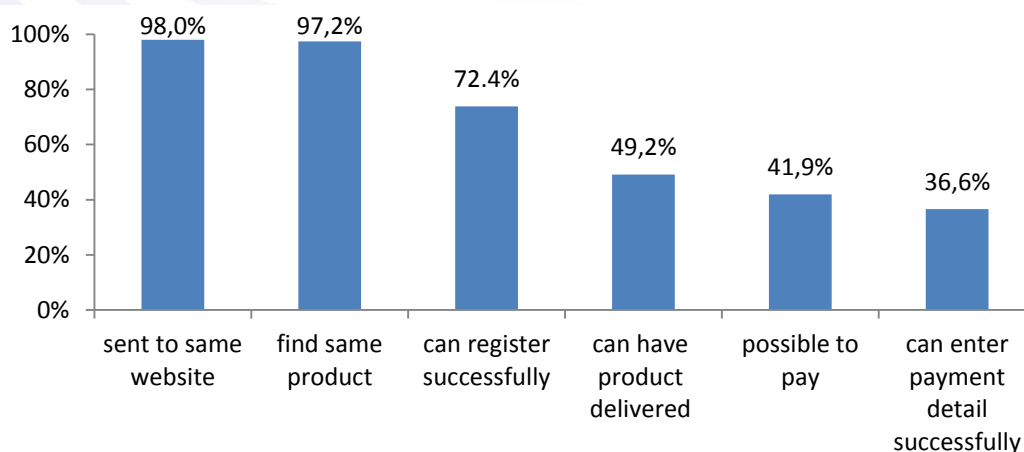
3) **Geo-blocking by country / region**[8]

Retailers based in the EU13 (84%) are more likely to block online shoppers based on their geographic location compared to retailers based in the EU15 (66%)[9]. This difference appears to stem primarily from delivery restrictions (52% of EU13 online retailers do not allow delivery to the country of the consumer vs 35% of those assessed in the EU15) and issues linked to payment (52% EU13 vs 24% EU15), which are both more common with EU13-based online retailers. Geo-blocking practices at the access[10] stage are most common with South-European retailers (6%) and least common with Northern European ones (3%)[11].

Figure 2: Geo-blocking prevalence at different stages of the online shopping process by retailers' region (expressed as a proportion within each stage of the process) – unweighed data
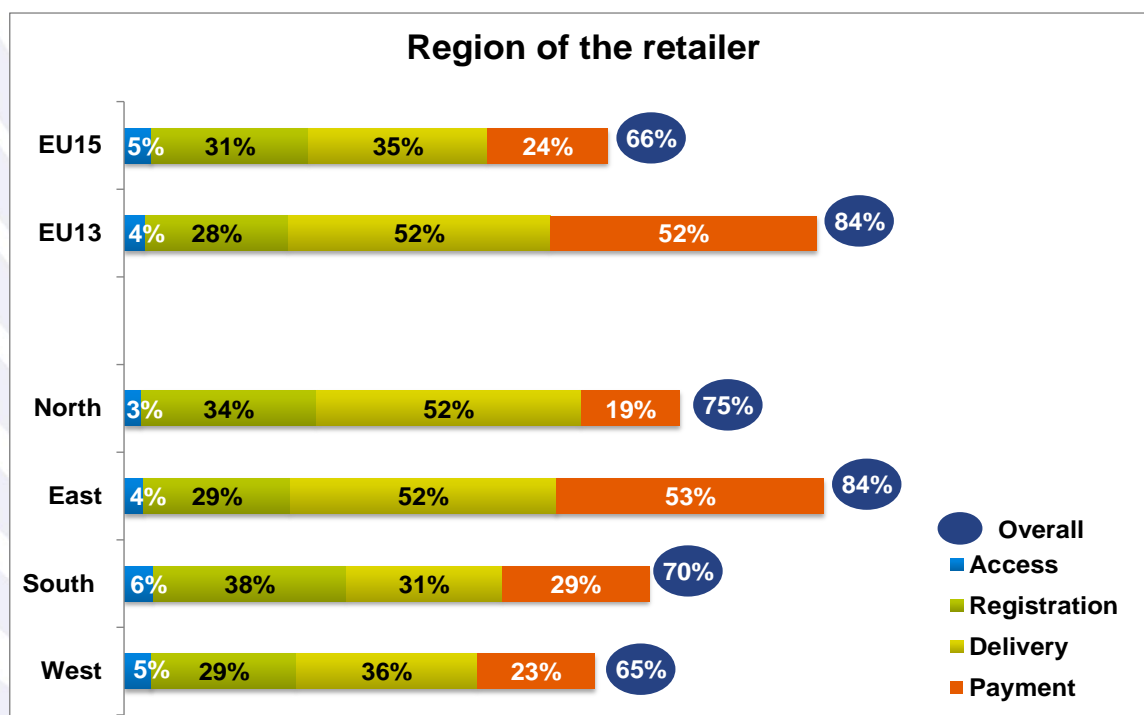
An overview of the overall incidence of geo-blocking practices by the Member State of the online retailer is shown in the Figure below, with the red colours indicating that over 80% of online retailers from that country were found to geo-block online shoppers from other countries.

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[8] Differences between the percentages reported in some of the Figures relate to the weighting method used when analysing the data. When it comes to country and region comparisons, results are reported on unweighed data in order to keep the sample as balanced as possible. The original sampling reflected mostly consumers' cross-border shopping from the larger EU15 Member States, like Germany or the U.K, and further weighing the data would have skewed results towards the EU15.

[9] EU15 refers to the EU in its pre-2004 formation while EU13 refers to Member States that joined the EU after 2004.

[10] This stage includes websites which blocked or redirected shoppers and those where shoppers could not find the exact same product for at least one of the two products that they assessed per website.
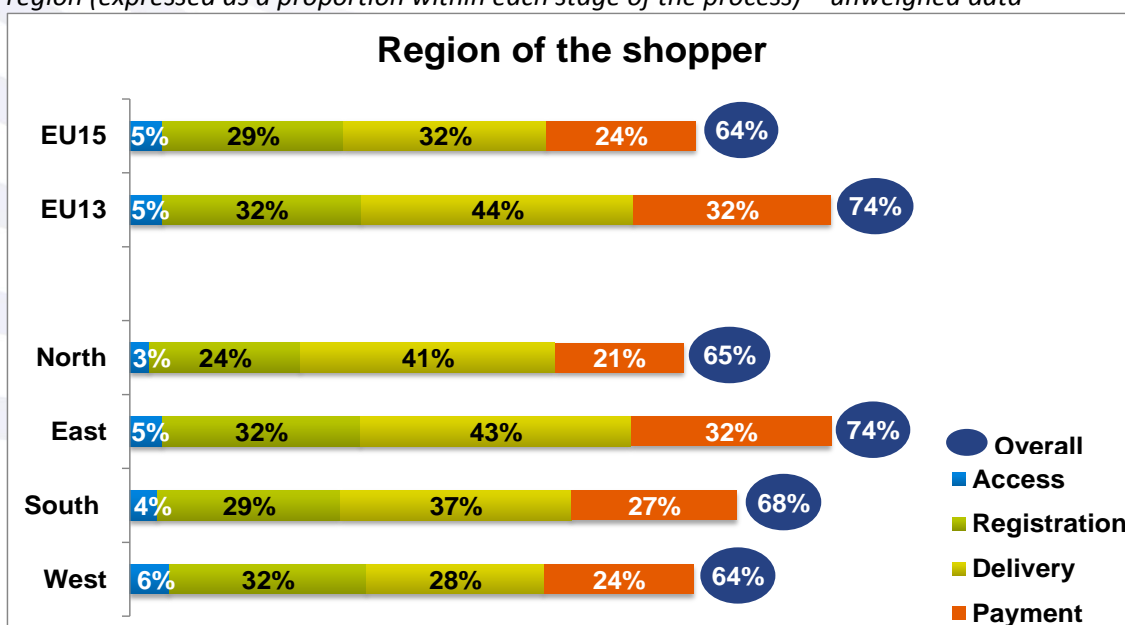
[11] When referring to geographic regions of the EU in this report, these reflect the following groups of Member states: North (DK, FI, SE), East (BG, HR, CZ, EE, HU, LV, LT, PL, RO, SK, SI), South (CY, EL, ES, IT, MT, PT) and West (AT, BE, FR, DE, IE, LU, NL and UK)

Figure 3: Overall geo-blocking prevalence by country of the online retailer – unweighed data

Legend:
- 90% - 100%
- 80% - 89%
- 71% - 79%
- 61% - 70%
- <= 60%
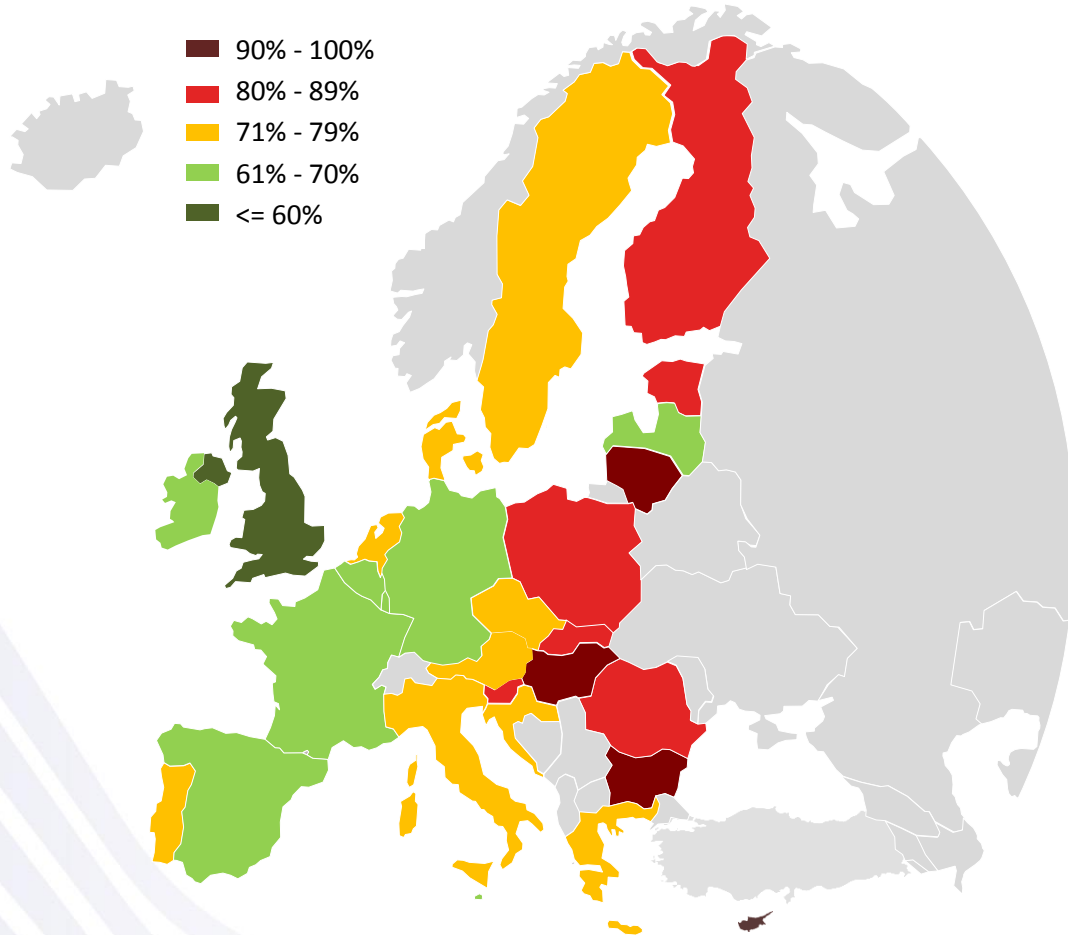
When the data is analysed from the perspective of the shoppers' origin, **EU13 shoppers appear to be more geo-blocked (74%) by online retailers when compared to EU15 shoppers (64%).** Like before, the difference comes from them experiencing more restrictions during the delivery and payments stages. Further analysis on the direction of trade shows that EU13 shoppers appear to be geo-blocked more by EU13 retailers (84%) than by EU15 ones (71%).

Figure 4: Geo-blocking prevalence at different stages of the online shopping process by shoppers' EU region (expressed as a proportion within each stage of the process) – unweighed data

Region of the shopper

Region	Access	Registration	Delivery	Payment	Overall
EU15	5%	29%	32%	24%	64%
EU13	5%	32%	44%	32%	74%
North	3%	24%	41%	21%	65%
East	5%	32%	43%	32%	74%
South	4%	29%	37%	27%	68%
West	6%	32%	28%	24%	64%

Legend:
- Overall
- Access
- Registration
- Delivery
- Payment

An overview of the overall incidence of geo-blocking practices by the country of the shopper is shown in the Figure below.

Figure 5: Overall geo-blocking prevalence by country of the online shopper – unweighed data
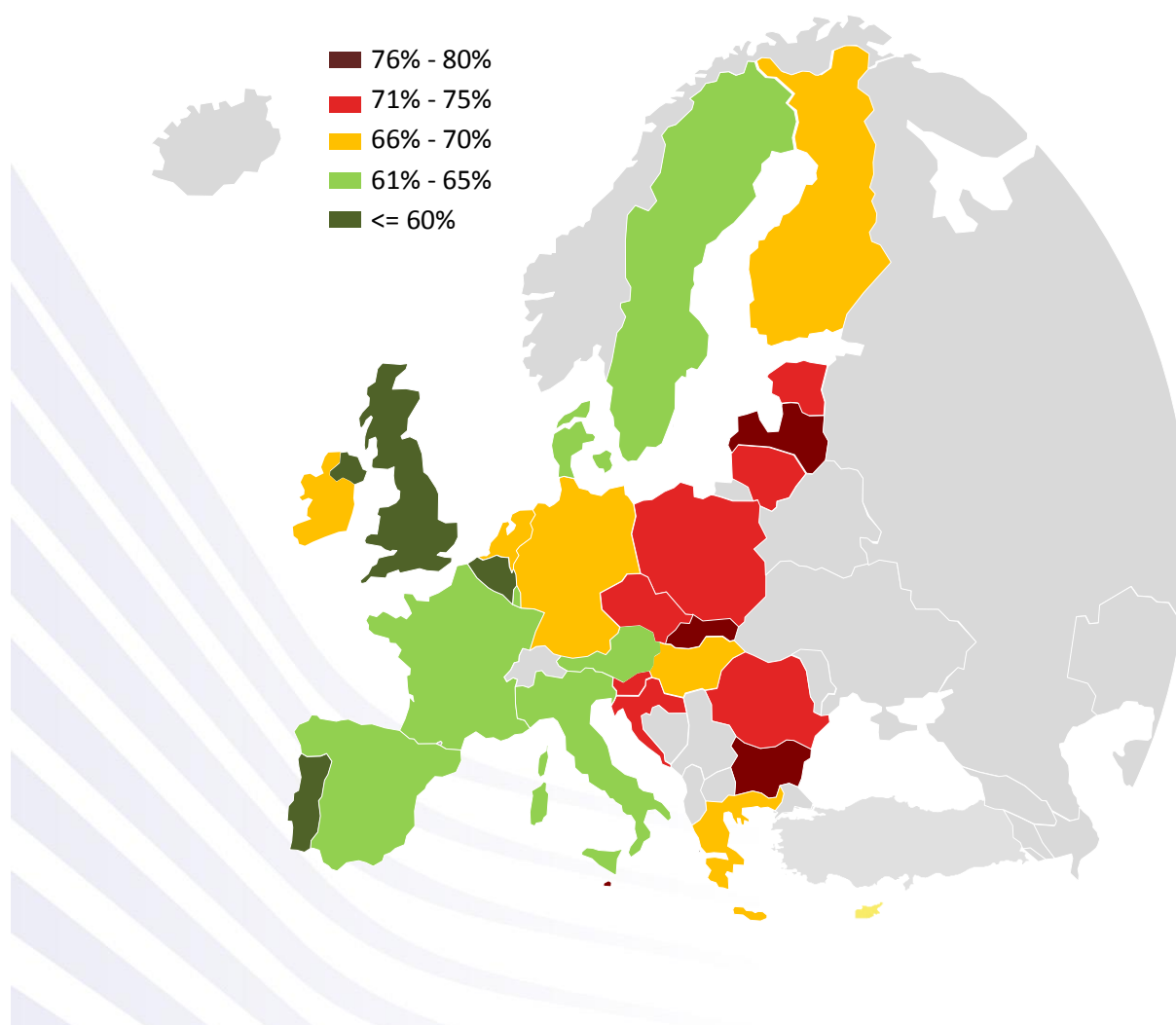
4) Geo-blocking by sector / product

The overall prevalence of geo-blocking varies substantially depending on **the sector or product assessed.** In general, **geo-blocking appears to be much more prevalent with tangible goods than with services**. Within the tangible goods sectors, it is highest for electrical household appliances (86%) and lowest for books (60%). Travel services (33%) and online reservations of offline leisure (40%) are by far the sectors where online retailers geo-block the least. Nonetheless, the latter are the two sectors where geo-blocking at the access stage is by far the highest (7%-9%, as opposed to 3%-6% for tangible goods).

Figure 6: Geo-blocking prevalence at different stages of the online shopping process by sector – weighed data
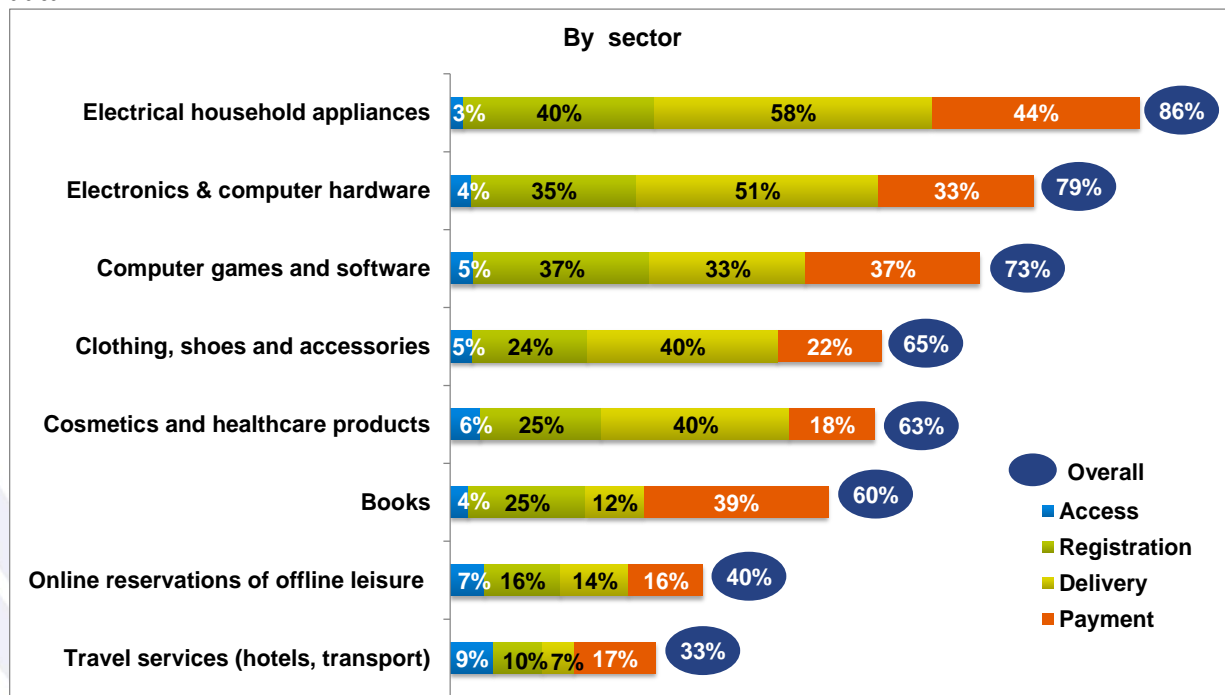
It is interesting to note that **the incidence of geo-blocking practices does not differ only between different sectors, but also between different types of products within the same sector**. For example, in the 'travel services' sector, restrictions range from 25% for 'accommodation bookings' to 59% for 'car rental'. Within the 'electronics & computer hardware' sector, the variability ranges from 58% for 'satellite navigation systems' to 82% for 'computers & tablets'.

When results are analysed according to the size[12] of the online retailer, **the lowest prevalence of geo-blocking is noted with medium-sized retailers (55%),** while it is **highest with large retailers (69%)**. The difference is mostly due to the fact that large online retailers appear to geo-block more by restricting delivery to the country of the shoppers (45% vs 24% for medium and 27% for small retailers). When it comes to geo-blocking in the form of payment restrictions, smaller online retailers appear to do so the most (35% vs 21% by medium sized retailers and 18% by large retailers). Marketplaces[13] (69% overall geo-blocking) appear to geo-block mostly by not allowing delivery to the country of the shopper (55%) and much less so when it comes to restricting payment (only 9%).

5) Geo-blocking practices related to access

Overall**, 2% of all websites denied access to mystery shoppers[14]** by means of either an automatic redirection to a website with a different country extension (1,1%) or a different domain name (0,1%), completely

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[12] Size of retailer was approximated through the overall amount of total yearly internet traffic on their websites

[13] Much smaller sample for online marketplaces as opposed to an equally balanced sample of other sized online retailers

[14] Doesn't include (non-)availability of the same product

blocking access to a website (0,5%) or due to another related issue (0,3%). As before, this percentage varied by sector, with websites trading cosmetics & healthcare products (3.6%) or clothing, shoes & accessories (2.6%) more likely to deny access, and those selling books the least likely to do so (only 0.7%)[15].

When it comes to the language in which the websites were displayed, approximately **93% of websites assessed cross-border were displayed in the language of the seller**, with the percentage being lower for websites selling 'travel services' (87%).

In 2.3% of those products whose characteristics were assessed when cross-border, shoppers either did not find the product at all (1.8%) or they found the product but in a different version (0.5%). This was higher with websites from the 'travel services' sector (5.8%). When it comes to differences in product pricing, there was **no price difference in approximately 91% of products when assessed cross-border**, with the price being higher in 5% of the cases and lower in 4%.

The Figure below presents an overview of the incidence of geo-blocking practices by the Member State of the online retailer in terms of 'access', i.e. rerouting shoppers, blocking access completely or not allowing them to find the exact same product they did when assessing the website from a domestic perspective.

Figure 7: Geo-blocking prevalence by country of the online retailer at the 'access stage' – unweighed data

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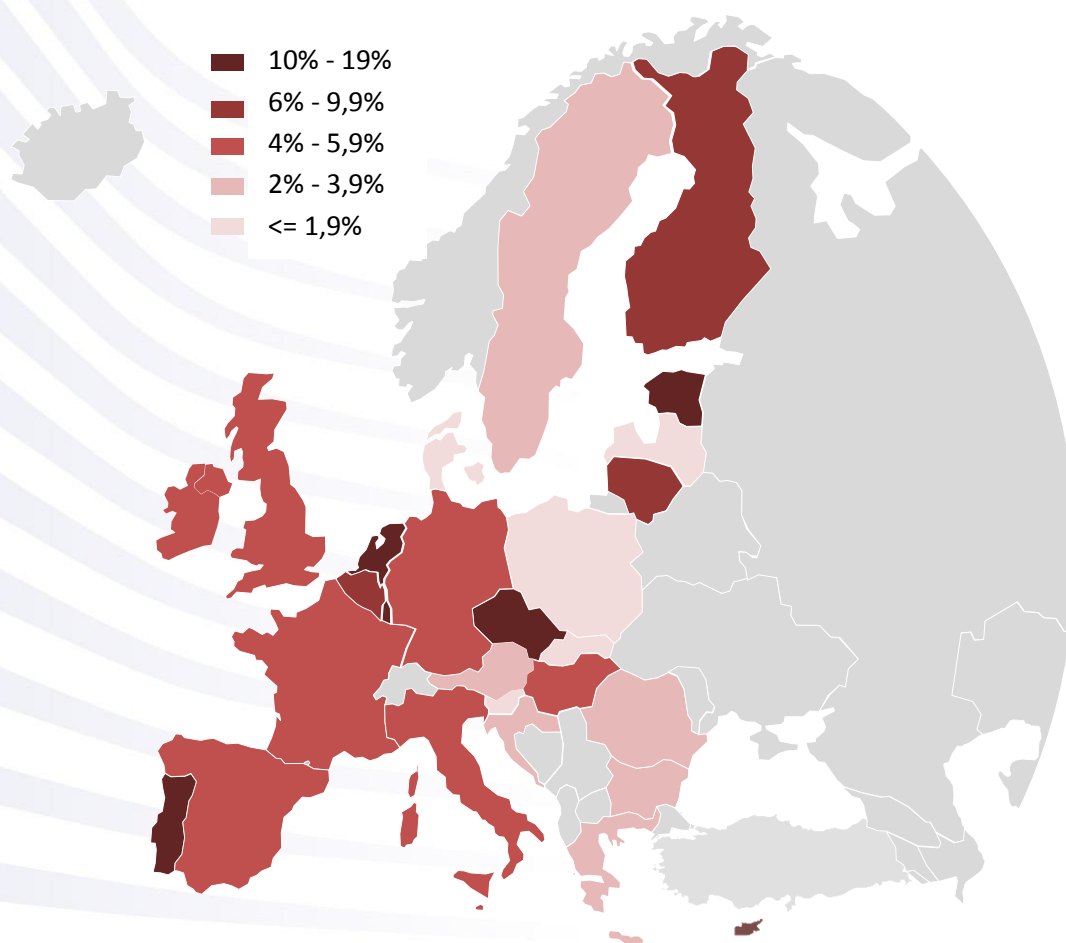
[15] When it comes to not only rerouting or blocking access to a website, but also providing the exact same products when assessed cross-border, websites providing online reservations of offline leisure (7%) and travel services (9%) displayed the highest prevalence of geo-blocking during the access stage overall.
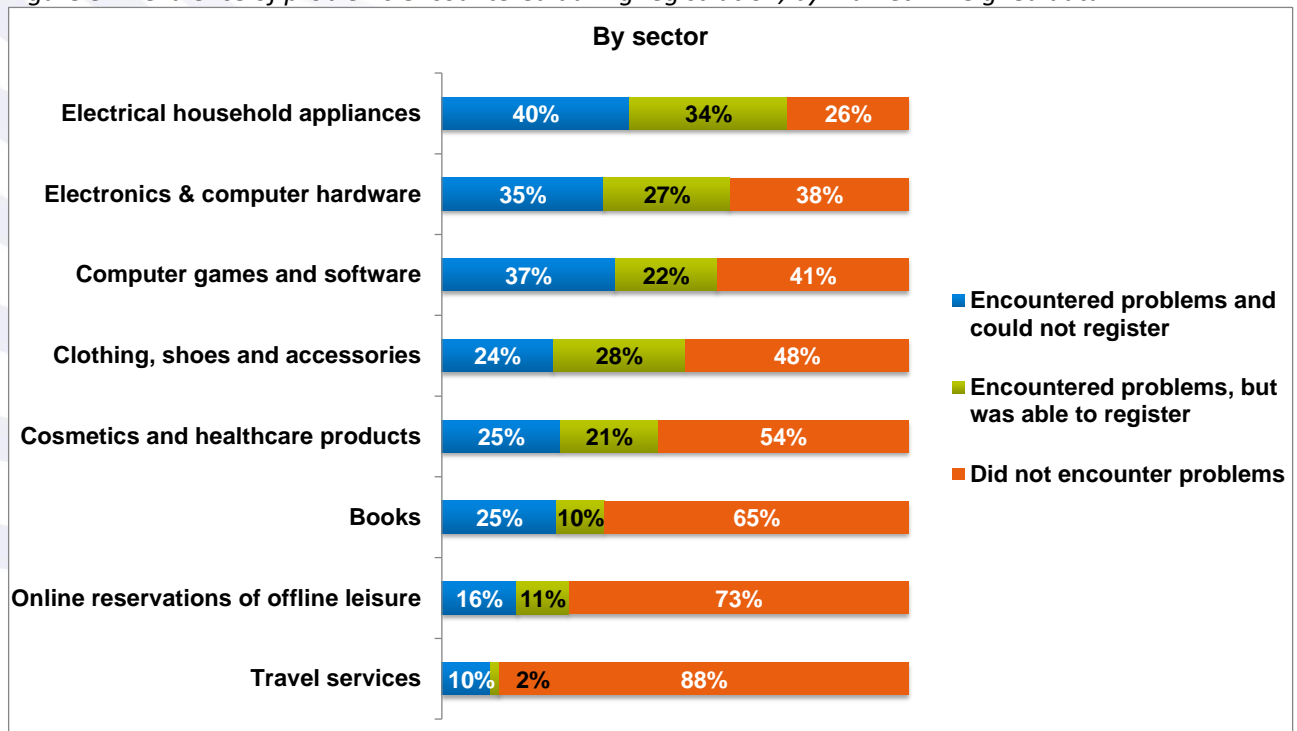
6) Geo-blocking practices related to registration on website

For most websites assessed, registration was a prerequisite in order to be able to continue with an online purchase. **Only for 8% of websites was it possible to continue with the purchase without having to register on the website**. In those cases where registration was required, the elements asked for most frequently were: an email address (93%), a physical delivery address (88%), a telephone number (76%), means of payment (20%) and lastly activation of an account via email (14%). The need to register with a website varied from 91% with retailers based in Western Europe to 96% and 97% amongst Eastern and Northern European ones. Variability was also observed among sectors, with the least need to register amongst the sector 'clothing, shoes & accessories' (89%), as opposed to the one for 'online reservation of offline leisure' (96%).

For more than one in four of websites assessed (27%), cross-border shoppers were unable to register with a website, whereas they reported encountering problems in an additional 20% of websites, but which did not prevent them from successfully registering eventually. Only in 53% of those websites assessed during registration was it possible to register online without encountering any problems. **The majority of problems with registration related to the online retailer not accepting the shopper's foreign delivery address.** As can be expected, this was least the case with 'travel services' or 'online reservation of leisure' (20% and 37% respectively of registration problems were due to the delivery address) and very much the case with 'cosmetics & healthcare products' (76%) or 'electrical household appliances' (73%).

The figure below highlights those sectors where geo-blocking due to registration was overall most prevalent, with 'household electrical appliances' showing the highest prevalence (40%) and the two services sectors the lowest (10% and 16% respectively).

Figure 8: Prevalence of problems encountered during registration, by market – weighed data

7) Geo-blocking practices related to delivery

During the 'delivery' stage, according to shoppers' assessments, almost a third (32%) of those online retailers assessed appeared to deliver their products to all EU28 countries. A further 31.5% of online retailers appeared to deliver to the country of the consumer in addition to that of the seller (but not to other countries according to the way information was provided). However, a notable **one in four online retailers were reported to deliver only to the country where the seller is based (26.4%)** and **a further 5.7% to other EU28 countries but not the country of the mystery shopper[16]**.

When looking at delivery restrictions by the region of online retailers, approximately **48% of EU13-based retailers were reported to deliver only to the country of the seller as opposed to 28% amongst those based in the EU15**. Those online retailers that were found to deliver to all EU28 were most often based in Southern and Western MS (38% and 30% respectively), with those from the Northern Europe the least likely to do so (19%). The large differences by sector (as many as 49% of websites trading 'electrical household appliances' and 44% of those in the 'electronics & computer hardware' sector deliver only to the country where the seller is based vs only 4% for the 'travel services sector') are reflective of the differences outlined in Figure 6. The Figure below gives an overview of the incidence of geo-blocking practices by the Member State of the online retailer in terms of 'online retailers not delivering to the country of the shopper'.
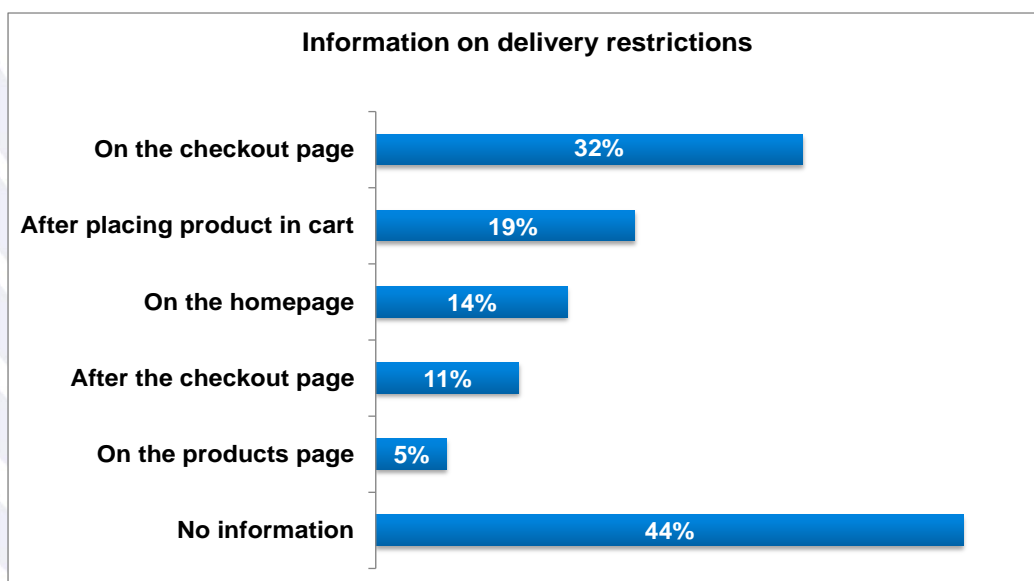
Figure 9: Geo-blocking prevalence by country of the online retailer at the 'delivery stage' – unweighed data

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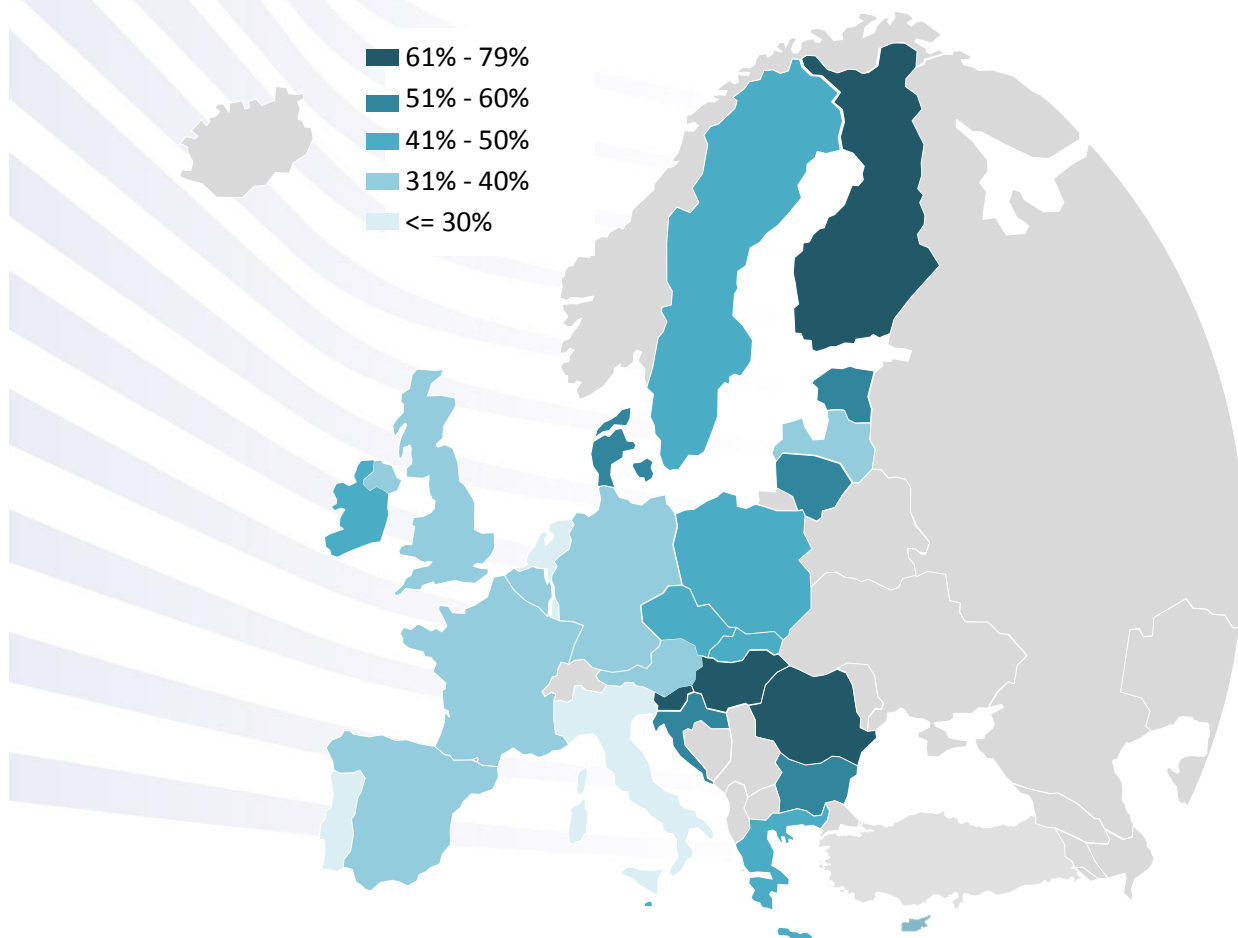
[16] A further 4.7% was reported to deliver to several EU28 countries, including the country of the consumer

Looking at availability of information in relation to delivery restrictions[17] as many as 44% of those retailers who engaged in some sort of geo-blocking did not provide any such information at any stage of the shopping process (corresponding to 37% of all websites assessed). Only in 14% and 5% of the cases respectively was such information provided in a prominent and easy to notice way on the homepage or products' page.

Figure 10: Availability of information on delivery restrictions for those websites found to geo-block– weighed data

Information on delivery restrictions

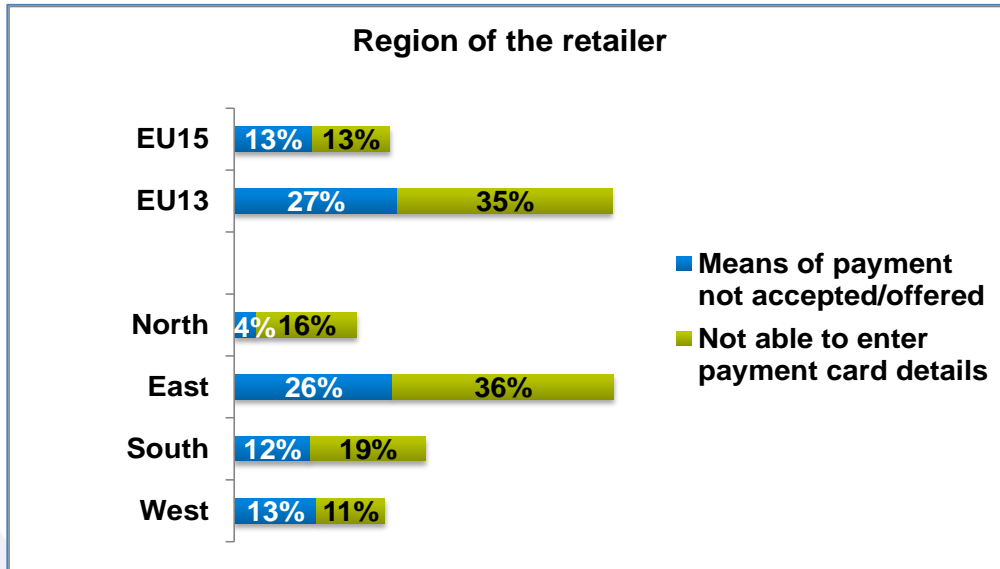|	
On the checkout page	32%
After placing product in cart	19%
On the homepage	14%
After the checkout page	11%
On the products page	5%
No information	44%

8) **Geo-blocking practices related to payment**

When it comes to the prevalence of geo-blocking practices linked to payment, the Figure below shows that **Eastern European retailers are by far the most likely to either not accept the shoppers' means of payment (26%) or making it impossible for them to enter successfully their payment card details (36%).** This was least the case for Northern European retailers (4% and 16% respectively).
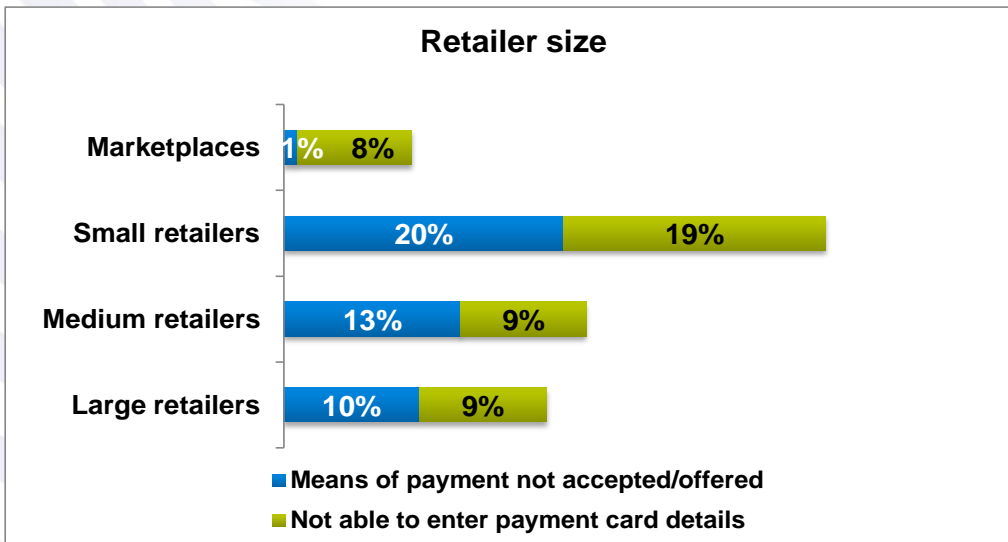
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[17] According to Article 8.3 of the Consumer Rights Directive, the traders' website should indicate clearly and legibly at the latest at the beginning of the ordering process whether any delivery restrictions apply and which means of payment are accepted.

Figure 11: Prevalence of geo-blocking due to payment, by online retailers' EU region - unweighed data

Region of the retailer

EU15: 13% | 13%
EU13: 27% | 35%

North: 4% | 16%
East: 26% | 36%
South: 12% | 19%
West: 13% | 11%

■ Means of payment not accepted/offered
■ Not able to enter payment card details

As shown earlier, **large variability was observed by sector** (see Figure 6) and also **by size of the online retailer**, with marketplaces the least likely to geo-block because of payment related issues (1% and 8% respectively); on the other hand, **small retailers were by far the most likely to do so** (20% and 19% respectively).

Figure 12: Prevalence of geo-blocking due to payment, by size of the online retailer – weighed data

Retailer size

Marketplaces: 1% | 8%
Small retailers: 20% | 19%
Medium retailers: 13% | 9%
Large retailers: 10% | 9%

■ Means of payment not accepted/offered
■ Not able to enter payment card details

Finally, when shoppers reached the 'payment stage' during the online cross-border shopping process, credit cards were identified as the most widely available payment method (84% of cases), followed by online payment systems like PayPal (53%), bank/credit transfer (28%) and debit card (24%).