

Eight Important Online Retail (and Marketing) Policy Issues

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Online Marketing Update @ Darden
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US eCommerce sales, 2007 to 2012

	Actual	Forecast →				
	2007	2008	2009	2010	2011	2012
Total US online sales (US\$ billions)	\$174.5	\$204.0	\$235.4	\$267.8	\$301.0	\$334.7

- Online retail will be resilient in the face of tough economy
 - 17% growth in 2008
 - Tale of two shoppers
 - High-income shoppers still drawn to online shopping for convenience and selection
 - Those affected by the economy drawn to online shopping to save money

1. Security

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- The Payment Card Industry Security Standard (PCI) was first designed to secure Internet credit card transactions.
- TJX recently entered into a 20 year consent decree with the FTC citing security deficiencies as a result of non-compliance with PCI. DSW and BJ's entered into similar agreements following their breaches.
- Congress is considering several data security bills, including proposals that would allow the FTC to set security standards like those required for banks for the retail industry.
- 40 states have passed breach notification laws.

2. Privacy

Consumers are concerned that their private information may be easily shared or exploited online

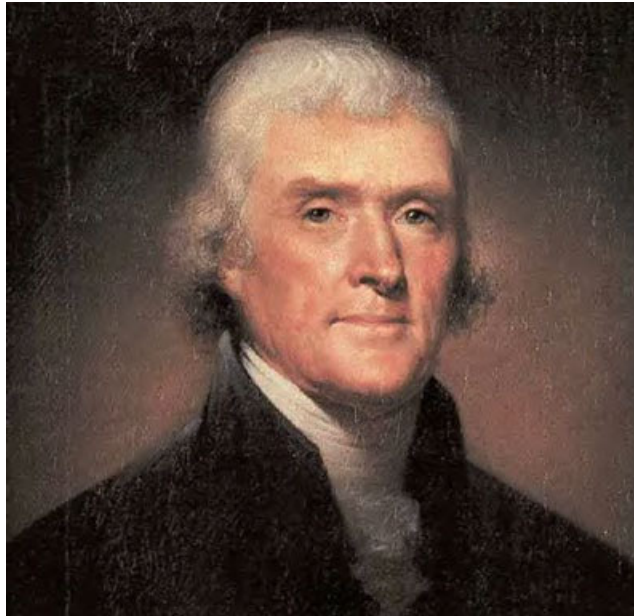


2. Privacy

- FTC recently issued proposed “self-regulatory” principles for “behavioral advertising,” which Shop.org has submitted comments. Our top concerns where:
 - No distinction between first- and third-party advertising
 - Focus on the collection of data rather than the use
 - No demonstration of the consumer harm that the principles are attempting to protect against

State for Federal Issue?

- Dormant Commerce Clause



3. Interchange

- Mastercard and Visa control 80% of payments card market
 - \$40 billion in credit card “interchange” fees collected each year and rising.
- Online retailers pay the highest “card not present” credit card fees – as much as 4 percent – due to fraud risk
 - But, online retailers bear the financial burden of fraud. If a product purchased with a stolen or fraudulent credit card leaves a warehouse the real cardholder is not responsible for the charge and the retailer bears the loss.
- Credit Card Fair Fee Act introduced March 6, 2008 by House Judiciary Committee Chairman John Conyers, D-Mich. A hearing and mark-up is expected by mid-May.

4. Sustainability

- Consumers would like to receive fewer catalogs due to the impact on the environment
 - Most online retailers also use catalogs and direct mail
 - Some states have proposed “do-not-mail” legislation



Eliminate unwanted catalogs you receive.
Simplify your life and save natural resources.

5. Net Neutrality

- Should those who control the “pipes” of the Internet have the ability to control the content flowing through them?
 - Cable and phone companies and the FCC don't believe that any new laws or regulations are required
 - Publishers and First Amendment advocates say no, and have supported legislation to keep the pipes “neutral”

6. Sales Tax

- Online-only retailers and catalogers prefer not to collect sales tax from interstate purchases
 - Maintain the 1992 Quill vs. North Dakota decision
- Store-based retailers prefer a level playing field and promote uniformity among state sales tax regimes
- Congress is considering HR 3396, the “Sales Tax Fairness and Simplification Act” which would give states the power to directly collect sales tax on Internet transactions as part of the Streamline Sales Tax Project
- Earlier this month, New York passed a state budget that requires online retailers to start collecting NY state sales tax if their “partners” operate in the state of NY
 - Partners = affiliate marketers



7. Patent Trolls

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- Companies (usually law firms) acquire broad and vaguely defined business process patents they do not intend to use themselves and sue online retailers for patent infringement
 - Example: Computer-Based System for Ordering Goods and Services Via the Internet
- Most defendants settle to avoid legal fees involved with going to trial
- House has passed a patent-reform bill in September 2007, but a counterpart bill is stalled in the Senate after being approved by the Judiciary committee in July 2007

8. Internet Tax

- In Nov 2007, President Bush signed the "Internet Tax Freedom Act Amendment Acts of 2007"
 - Moratorium on Internet usage tax extended through 2014.



Questions?


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Whitepaper: Read Before You Re-Platform
Retailers are looking to **re-platform** their **ecommerce system** and are **frustrated** by **existing options**. None of the options **solve** the main problem of helping **business adapt** to changing needs. **A new option exists.** [Download Free Industry Whitepaper.](#)

▲ ADVERTISEMENT

Online Retail Trends

- **Convince consumers to register by offering perks**
E-commerce companies walk a fine line when they ask customers to register, because many customers will abandon a sale if registration is required. The trick is to explain the value related