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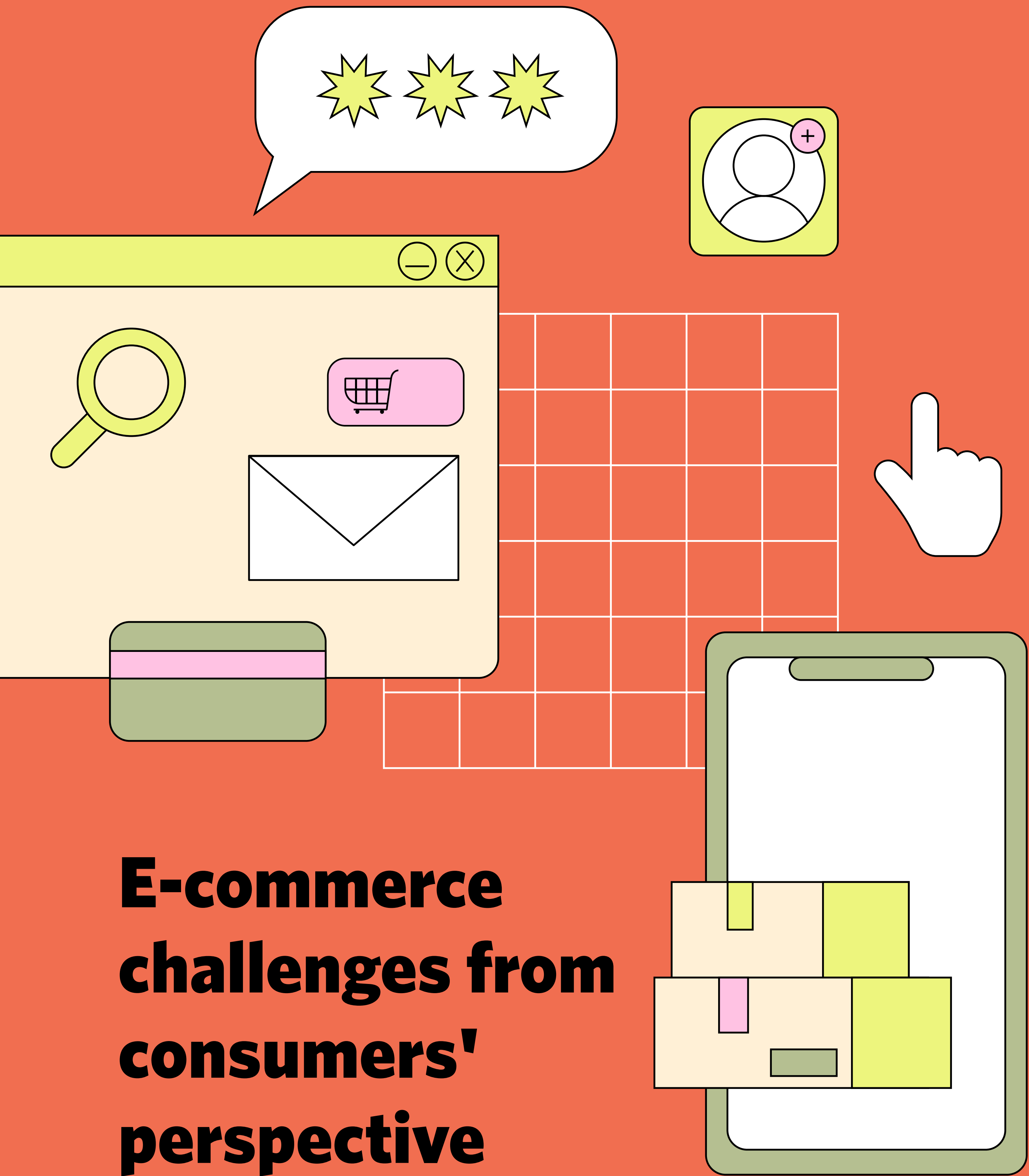

E-commerce challenges from consumers' perspective

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Content

Executive summary

What are the biggest challenges faced by the e-commerce sector in Poland from a consumer perspective?

- **Barriers to Internet access.** According to the European Commission's report on the Europe's Digital Decade targets, 71 per cent of Polish households have access to high-speed broadband Internet (the EU average is 73 per cent). Just 63 per cent of households are covered by 5G, the fifth-generation mobile network (EU average: 81 per cent).

- **Barriers to online literacy.** 43 per cent of Poles (in the 16-74 age group) have basic digital skills, below the EU average (54 per cent). 21 per cent have more than basic skills (EU average: 26 per cent).

- **Barriers linked to trust.** Some customers are wary of online shopping. Their fears stem from their low digital skills or impaired access to the Internet or electronic devices. Trust is also limited by the approach of some entrepreneurs, who focus on sales and quick profits at the expense of building long-term relationships with customers.

- **Barriers to fraud.** Some customers are concerned about being scammed by people pretending to sell goods or services online. It takes too long to assert their rights and perpetrators of online fraud often go unpunished. Some entities sell low-quality products and lure customers with positive reviews and testimonials, which they pay for.

- **Barriers linked to logistics.** Consumers in less urban areas still have limited access to parcel pick-up points or parcel lockers. There are about 30,000 parcel lockers in Poland, but most of them are in cities, where their operators bring higher return rates. It is also difficult for customers to check a parcel they have just received in the courier's presence, making it hard to file a complaint or cancel an order.

- **Preparing sellers to provide consumers with adequate after-sales service.** Some sellers make it difficult for customers to return items and file complaints. Meanwhile, the procedures for consumers are complicated. Focusing on increasing sales can have a negative impact on relationships with customers who have already made a purchase.

Factors supporting online consumption

- **High competitiveness and ease of comparing offers.** This is influenced by the wide range of e-commerce platforms and online comparison sites for goods and services. As a result, prices tend to be lower than in traditional retail (for the same products). The range of products available online is also wider than at brick-and-mortar shops.

- **Accessibility.** Consumers can shop online 24/7. They also have an unlimited amount of time to make a purchasing decision. Accessibility also refers to the form of shopping, which can be done via a computer or mobile device (thanks to websites' mobile versions or apps), such as a smartphone or tablet. Finally, accessibility also means the ability to order a product and have it delivered rapidly.

- **Cashless payment systems.** This includes both Poland's fast transfer system and the Blik system, which is becoming increasingly popular. They simplify transactions and improve customers' shopping experience.

- **More sustainable consumption.** This is visible in the growing re-commerce — or resale — trend. Goods change owners, extending their lifecycle and thereby reducing their carbon footprint. This environmental dimension is also supported by logistics infrastructure (parcel lockers, courier delivery), which consolidates deliveries and reduces their carbon footprint.

- **Loyalty programmes and promotions.** They foster a relationship and, in the long run, trust between the seller and customers. They also offer a better understanding of consumer behaviour online (on the shop's website or app). These factors result in more frequent purchases, increasing the seller's revenue.

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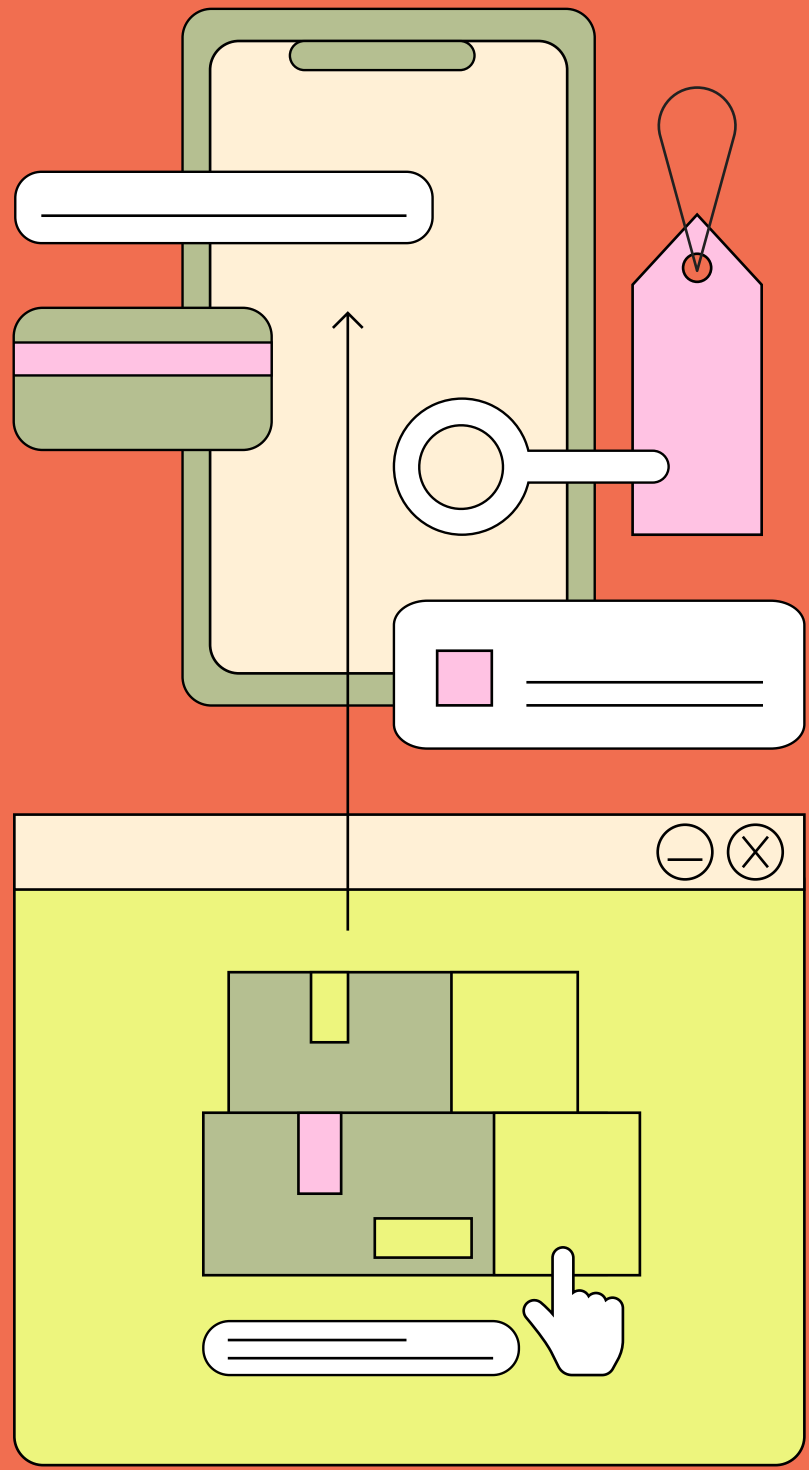
1. On September 11, 2023, an expert roundtable debate titled "Challenges of the E-commerce Market from the Consumer's Perspective" took place at the headquarters of Polityka Insight. The event was attended by several dozen representatives of industry organizations representing the e-commerce segment, consumer organizations, analytical centers, the public sector responsible for trade supervision, and companies operating in the e-commerce industry. This report is the result of discussions among the aforementioned group. (Further on, as: according to the participants of the expert debate "Challenges of the E-commerce Market from the Consumer's Perspective" or Ibid.)
2. 2023 E-commerce in Poland. Gemius, Polish Internet Research, IAB.
3. According to the participants of the expert debate "Challenges of the E-commerce Market from the Consumer's Perspective"
4. 2023 E-commerce in Poland. Gemius, Polish Internet Research, IAB.

Recommended changes[5]

- Develop **a consistent measurement methodology**. The variety of indicators send conflicting signals about the state of the e-commerce sector. A more consistent approach to measuring it, including in the context of overall retail sales (online and offline), will help reveal the challenges that the sector and its participants face.
- **A review of the regulations** (Polish and European) on safety and consumer protection in retail. The sector may be able to abandon some of its reporting or information obligations, but this must not reduce the quality of service or buyer protection.
- The authorities should adopt stronger measures against **fake online stores**, which can be used to deceive shoppers fairly easily. Artificial intelligence can be used to **verify sellers** and identify entities that are potentially dangerous for consumers.
- Sellers — operating both via marketplaces and their own online stores — should better understand their current and potential customers, their preferences and habits. This will help them tailor their products to customers' needs.
- Buyers should be able to **compare sales conditions** (the seller's ratings, delivery, or the quality of customer service). The criteria for evaluating sellers should be more multidimensional.
- **Education will increase e-consumer awareness.** All the stakeholders in the e-commerce sector should coordinate their efforts aimed at different social and age groups.
- **Training courses** will increase confidence in e-commerce and consumer law. They should include learning about the shopping process (including the use of electronic devices and product selection) and online shoppers' rights.
- **The law should better protect customers** who buy products from outside the European Union. Work on customs union reform is already underway at the European Commission and stakeholders involved in importing goods to Poland should ensure that consumers are properly protected by existing horizontal regulations.
- **Broadcast sales** can offer better contact with customers. At the same time, with generative artificial intelligence increasingly popular and retail increasingly international, this form of sales should be regulated.

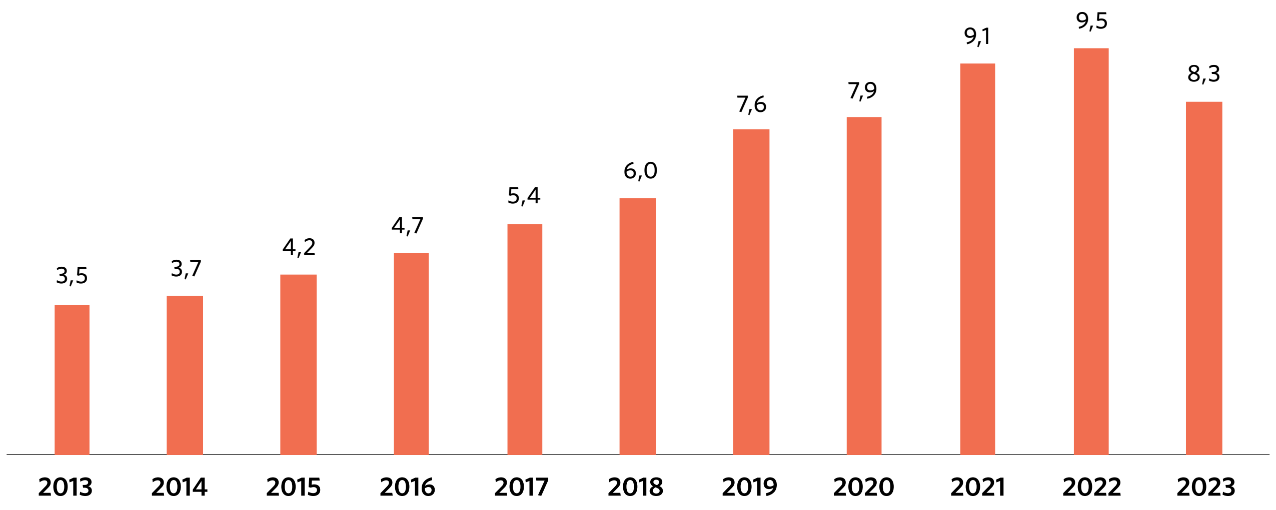


5. According to the participants of the expert debate "Challenges of the E-commerce Market from the Consumer's Perspective"

Introduction

E-commerce (electronic commerce) is one of the sectors that benefited from the Covid-19 pandemic. At their peak, in April 2020, online sales accounted for 11.9 per cent of retail. The percentage was particularly in segments such as textiles, clothing and footwear (61.3 per cent), as well as furniture and white goods (28.6 per cent). According to Statistics Poland, in August 2023, online sales accounted for 8.2 per cent of all sales. On the one hand, there has been a rebound after the pandemic and consumers have returned to brick-and-mortar shops. On the other hand, online shopping has undeniably become more popular and it is difficult to imagine a return to pre-pandemic levels; in January and February 2020, the share of e-commerce in total sales barely exceeded 5 per cent.

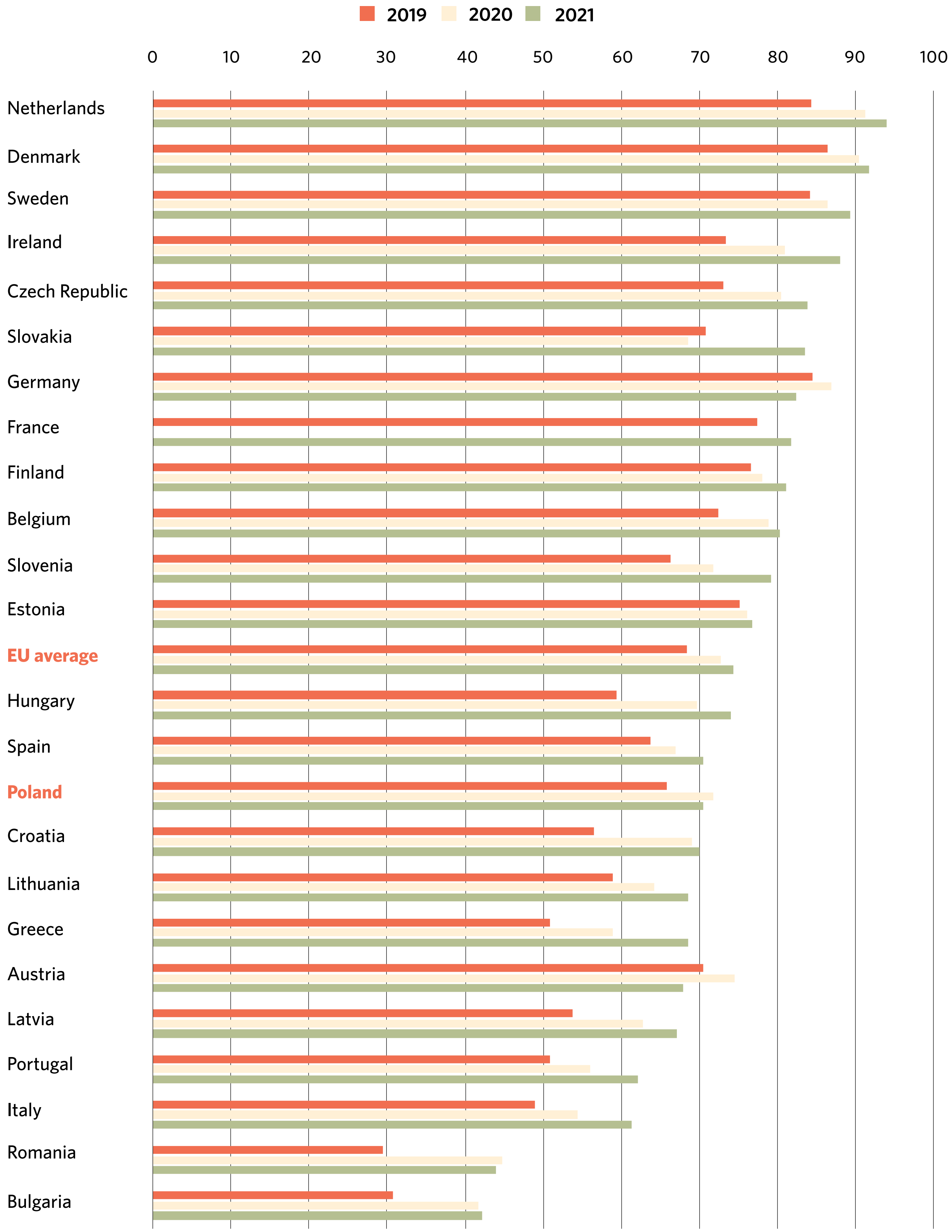
CHART 1. E-COMMERCE'S SHARE OF RETAIL SALES AT RETAIL PRICES (PER CENT)



SOURCE: POLITYKA INSIGHT BASED ON THE STATISTICS POLAND'S DATA (2023).

The number of Internet users in Poland reached an estimated 29.3 million in August 2023, with 24.7 million people using it on a daily basis. According to the study E-commerce in Poland, 79 per cent of Polish Internet users shopped online in 2023, with about 75 per cent using Polish platforms and about 30 per cent using foreign platforms. In June 2023, 92 per cent of Internet users had used at least one website or app from a shopping category. According to the same study, 6 per cent of Internet users only visit marketplaces and 11 per cent only visit specialised shops.

CHART 2. PERCENTAGE OF INTERNET USERS WHO, IN THE LAST 12 MONTHS BOUGHT AND/OR ORDERED A SERVICE BY THE INTERNET (PER CENT)

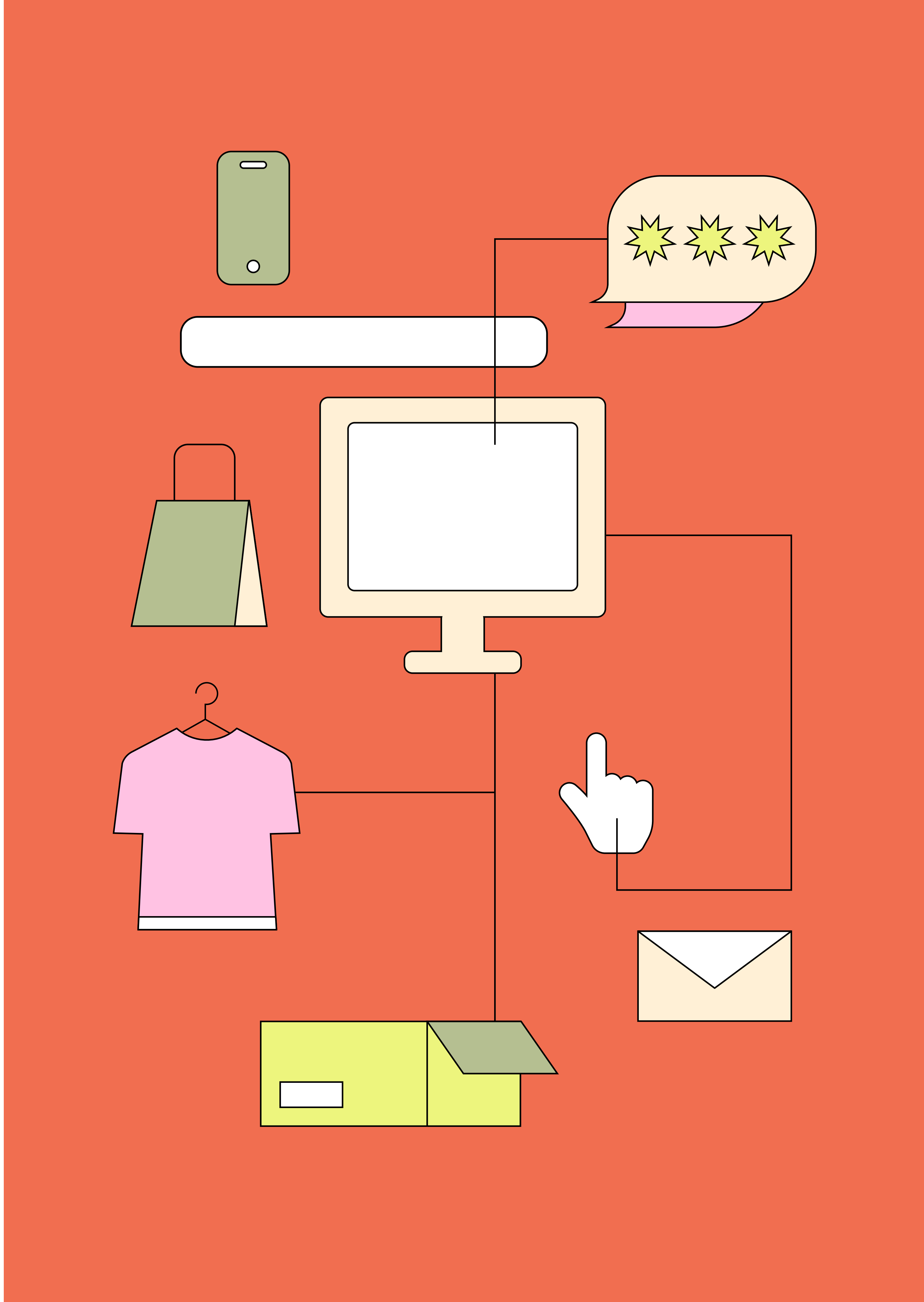


SOURCE: EUROSTAT.

In contrast, Statistics Poland data shows that 64.6 per cent of Poles in the 16-74 age group made online purchases in 2022. The highest percentage of people ordering or buying goods or services online for private use was recorded in the Dolnośląskie Voivodeship (72.6 per cent), with the lowest in the Podlasie Voivodeship (52.9 per cent). Consumers most frequently ordered clothing, footwear and accessories (72.6 per cent of online buyers), as well as cosmetics, health and beauty products (35.3 per cent).

According to estimates by Dun & Bradstreet Poland for the Rzeczpospolita, 57,900 online shops (+10.7 per cent y/y) were opereting in Poland in 2022. It forecasts that this number could exceed 65,000 at the end of 2023. According to Statistics Poland (GUS), 56,587 entities with the PKD code 47.91.Z (retail sales via mail order or the Internet) are registered in the REGON database (ten years earlier, this was 30,600). Only just over 300 entities employ more than nine people, and 42,700 are sole proprietors. E-commerce is also becoming increasingly professionalised, with several trade organisations representing its interests. They include the Digital Poland Association, the Polish Chamber of Commerce, the Association of Employers of the Internet Industry (IAB) and the Chamber of the Electronic Economy.

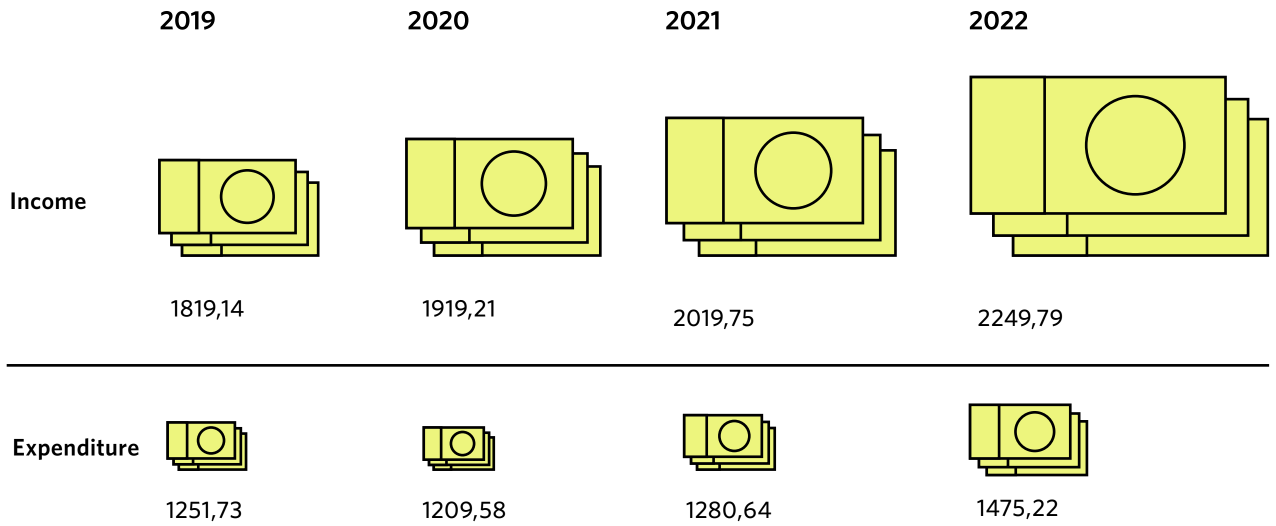
E-commerce is a complex web of interdependencies, with the quality of customer service, customer attitudes towards e-shopping, market structure, the quality of logistics services and the system for enforcing consumer rights playing a major role. All these elements influence retailers' sales and financial performance.



Household consumption in Poland in 2019-2023

The level and structure of consumption, including the consumption of goods and services via the Internet, are linked to the level of wealth in society. A brief analysis of Polish households' economic situation in 2019-2022 helps us understand the processes in the e-commerce sector in Poland. According to Statistics Poland data, the average monthly disposable income per person in 2019 was PLN 1819.14. At the same time, total monthly spending per person was PLN 1251.73.

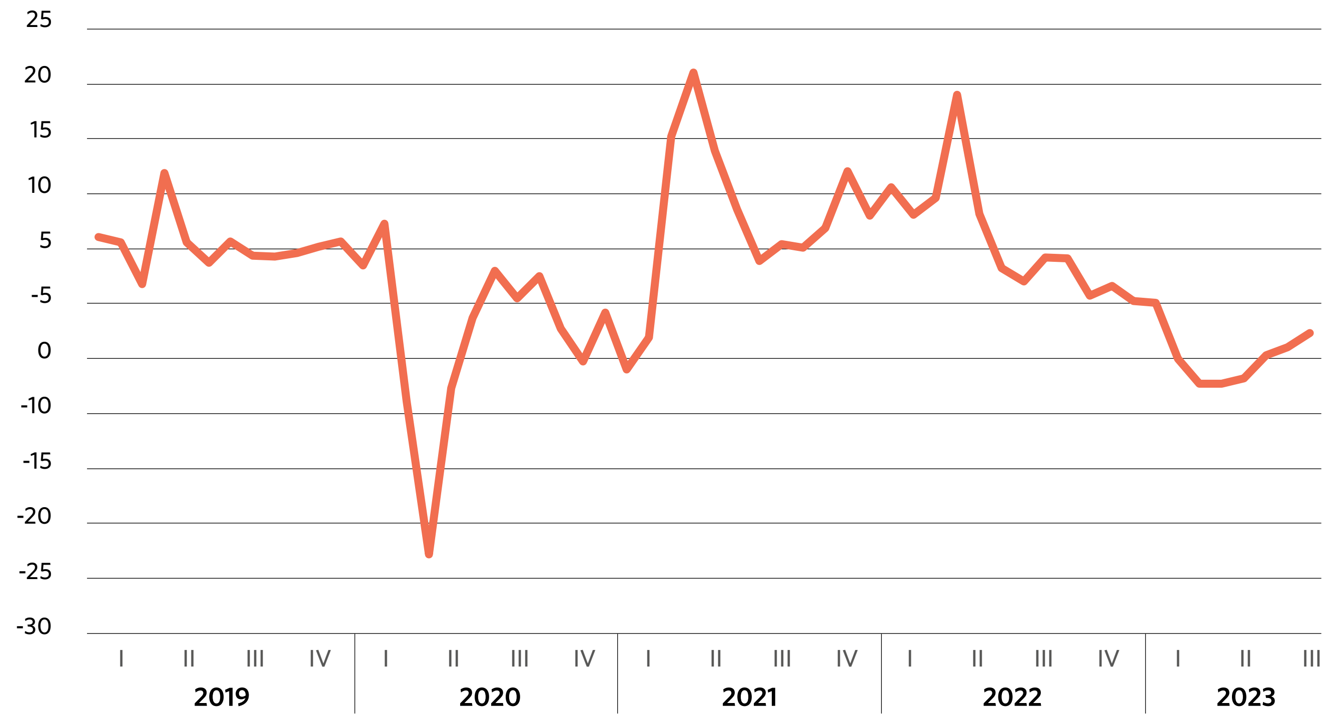
CHART 3. LEVEL OF AVERAGE MONTHLY INCOME AND EXPENDITURE PER 1 PERSON IN HOUSEHOLDS (PLN)



SOURCE: STATISTICS POLAND (GUS).

The following years saw a series of macroeconomic shocks that affected consumption. According to Statistics Poland, in 2020, despite an increase in average income (by 5.5 per cent compared to 2019), average spending fell due to the pandemic and the temporary restrictions on social and economic life. Polish consumers had money — the impact of the pandemic on the labour market was negligible — but they could not spend it as they had done before. This was due to periodic bans on brick-and-mortar shops and services, especially in entertainment, culture and sport. Restrictions on social life and the need to work and study remotely changed the priorities of consumers, who needed fewer products and services connected with leaving home (such as smart clothes, transport tickets or fuel). Instead, they reached for goods and services that made their life more comfortable or that enabled them to satisfy some of the needs that they had satisfied outside the home. As a result, sales of furniture, household appliances and electronics, sports equipment for home use and online courses rose.

CHART 4. RETAIL SALES DYNAMICS AT CONSTANT PRICES



SOURCE: STATISTICS POLAND (GUS).

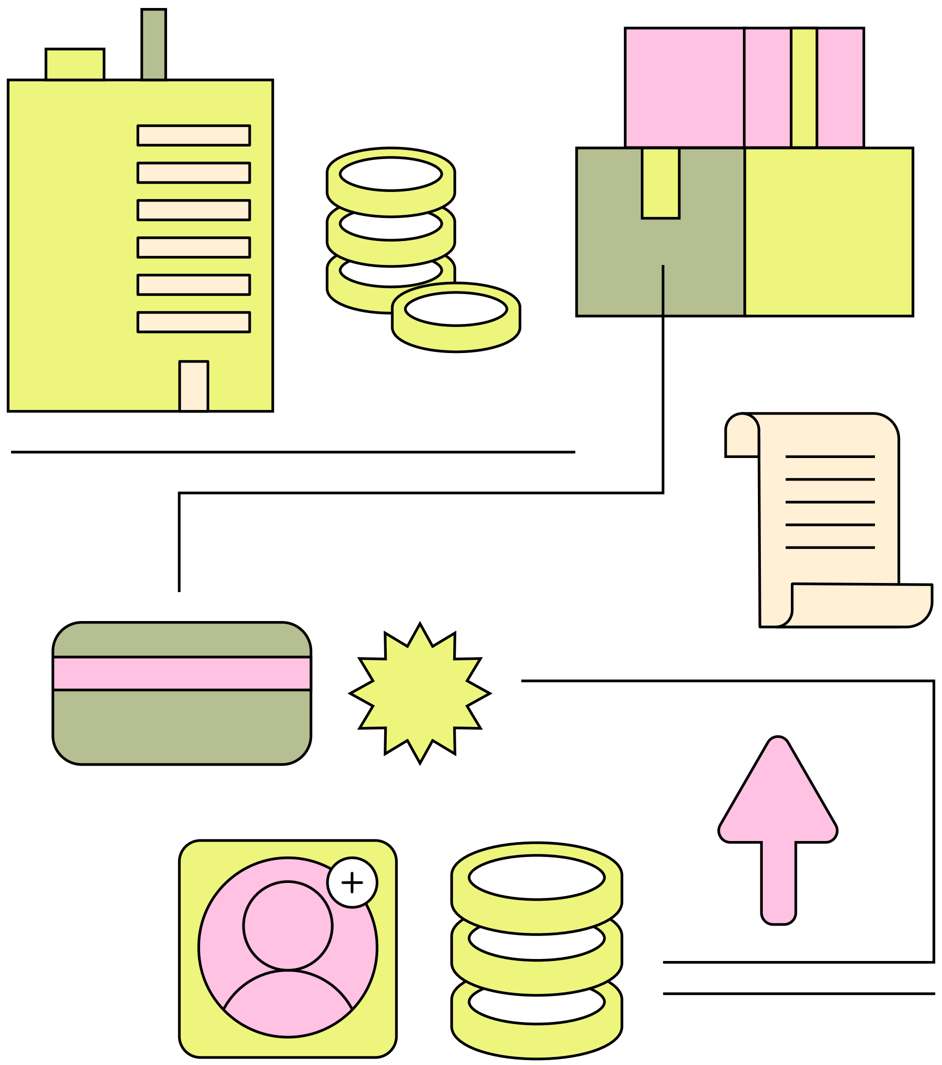
As CBOS public sentiment surveys conducted in 2021 and 2022 show, one of the key factors shaping consumer behaviour was high inflation.[6] It peaked in February 2023 at 18.4 per cent, but is still forecast to be high in 2024 (the Ministry of Finance's forecast is 6.6 per cent). For many households, this has meant a long period of decline in the real value of their income and savings. In society as a whole, the average disposable income rose by 11.4 per cent and average spending by 15.2 per cent in 2022, according to Statistics Poland, which was reflected in the value and structure of consumption. The real value of purchases fell for most of 2023, with consumers seeking cheaper substitutes and promotions (in both brick-and-mortar and online shops) . With the slump in the housing market, demand for interior design products and services fell, too.

Consumer sentiment also affects consumption. In September 2023, the current consumer confidence index (BWUK) stood at -20.3 points, 2 points higher than the previous month and 23.9 points higher than in September 2022. The index published by Statistics Poland can range from -100 to +100. A positive value indicates that there are more optimistic consumers than pessimistic

6. Research Communication No. 137/2021 *How are Poles coping with inflation?; Research Communication No. 138/2022 How are Poles coping with inflation?*

ones. For comparison, in April 2020, as Poland grappled with the first cases of COVID-19, the index was -36.4, and a year earlier it was +7.2. In recent years, the lowest reading of the index (-45.5) was in October 2022, during one of the peaks in inflation in Poland.

Inflation only changes the shopping behaviour of some of the Polish population — a group that controls its spending and checks prices even more carefully. The report E-commerce in Poland 2023 shows that 52 per cent of Poles have not changed their e-shopping behaviour due to inflation. 30 per cent of respondents said that they would limit their online shopping (18 per cent said the opposite).



(Consumer) barriers to the development of e-commerce in Poland

1 Barriers linked to Internet access and equipment

- According to Statistics Poland, 93.3 per cent of Poland's population had access to the Internet in 2022. This is 0.9 pp more than a year earlier. The level of access varies by household type, place of residence, the level of urbanisation and age. The percentage of households (with people in the 16-74 age group) with broadband Internet access was highest in the Śląsk and Wielkopolska voivodeships (97 per cent and 95.1 per cent respectively), and lowest in the Świętokrzyskie Voivodeship (81.4 per cent). In Poland, 85 per cent of the population regularly uses the Internet, but in some demographic groups this percentage is lower. Among pensioners and economically inactive people, it is 60.4 per cent, and among farmers it is 83 per cent. The percentage of regular Internet users also varies depending on age. In the 65-73 age group, it is just 51 per cent. A barrier to regular Internet use is therefore evident among older and less economically active people. In turn, European Commission data on the progress of the "Digital Decade" shows that the percentage of Polish households that have access to high-speed broadband Internet is 71 per cent (the EU average is 73 per cent). In contrast, only 63 per cent of households are covered by the fifth-generation mobile network, 5G (the EU average is 81 per cent).

- Computer equipment is most often used by parents with children, with single people using it the least often. According to a study by the National Media Institute, Media services and the infrastructure for receiving them in households in Poland in 2022, about 70 per cent of households in Poland have computers. This is significantly lower among single-person households and households without children (43.1 and 61.9 per cent respectively). The number of households that own computer equipment increases with the number of family members and the children's age. The situation with mobile phones is similar: 96.9 per cent of households in Poland have them, and 84.5 per cent of households have smartphones. In the 65+ age group, more than 91 per cent of households have a mobile phone, but only 53.9 per cent use a smartphone.

2 Barriers linked to skills and confidence

- A roundtable discussion featuring representatives of the e-commerce sector and consumer organisations[7] shows that low levels of access to high-speed Internet, computer hardware and smartphones in some groups translate into low levels of digital literacy, which extends to the use of the e-government system and online shopping. A Statistics Poland study from 2021 shows

7. According to participants in the "Challenges of the e-commerce market from a consumer perspective" roundtable discussion.

that just 20.6 per cent of people in the 55-64 age group and just 9.4 per cent in the 65-74 age group had downloaded or installed software on a computer or apps on a smartphone. When it came to changing software and app settings, this was 15.6 per cent and 7 per cent respective. In the case of online shopping, the figures were 42.8 per cent and 21 per cent.

→ This results in a relatively low awareness of consumer rights, which is followed by a low level of confidence in off-premises shopping. According to representatives of consumer organisations,[8] people who do not shop online have relatively limited knowledge about their right to return purchases, such as their right to return a product within 14 days (in some cases, if a seller wants to improve relations with customers, the timeframe for returning items stipulated in the regulations is as much as 100 days). They are also more likely to need direct contact with the seller and the trust they associate with buying at brick-and-mortar shops, as well as the opportunity to check a product before purchasing it. In addition, trust in sellers who have a physical point of sale remains strong. A 2022 study by E&Y found that 36 per cent of consumers had no or low levels of trust in sellers who conducted all their business online.

→ The buyer's short-term interest and habits weaken customers' vigilance. Many consumers view a quick transaction and fast delivery as an advantage. This is supported by research by Ipsos, which found that, for 85 per cent of customers, the delivery time of goods is important or very important. Other studies, conducted by Gemius and Polish Internet Research, show that fast delivery (up to 8 or 12 hours) would make 83 and 94 per cent of consumers shop online more often, respectively. It is important to remember that, for less informed consumers, rushing is not conducive to vendor verification and increases the risk of a failed shopping experience.

→ According to some consumer organisations,[9] the number of information obligations can reduce confidence in online shopping. These include consumer rights messages and transaction information that sellers are legally obliged to show consumers. Over time, buyers get used to the messages and may become less vigilant as they come to see sellers as professionalised actors. Meanwhile, participants in the discussion at Polityka Insight stressed that the majority of the more than 57,000 online sellers in Poland are small businesses; in most cases, sole proprietorships. The discussion[10] also showed that, in extreme cases, too much information may lead to reactivity among some consumers and discourage them from buying online.

→ Unlike at brick-and-mortar shops, customers who shop online do not have the opportunity to see and touch the physical item. According to the report E-commerce in Poland 2023, among Polish citizens who do not buy online (21 per cent), 31 per cent cited the desire to see the product before making a transaction as one of the key reasons. This also applies to the in-person services offered by sellers, who sometimes offer advice at brick-and-mortar ships. This factor is cited by 8 per cent of people who do not shop online in the report. For some consumers, these factors influence their purchase decision and make it difficult for them to buy online regularly.

→ The language barrier makes shopping difficult. This applies to the skills of some non-Polish workers employed by companies that sell online. Cross-border trade, where there is also a language barrier when dealing with foreign customers, presents a similar challenge.

8. Ibid.
9. Ibid.
10. Ibid.

3 Barriers linked to meeting different customer groups' expectations

→ Online sellers face an extremely diverse group of consumers with different expectations and priorities when it comes to goods and sellers. This presents a major challenge for entrepreneurs, who must personalise their offerings and adapt their service to their customers. Participants at the Polityka Insight Roundtable[11] pointed out that this could help increase the share of people using e-commerce, especially among older people and those who live in less urbanised areas.

→ Entrepreneurs may also face a mismatch between the declarative and actual behaviour of buyers. For example, this may relate to buying products that are environmentally friendly or socially sustainable. This means that, in the future, retailers will have to invest in deepening their relationship with consumers and getting to know them better.

4 Barriers linked to logistics and delivery

→ According to Colliers, a consultancy, Poland had the highest number of parcel lockers in the world per 100,000 inhabitants in 2021. According to estimates by Last Mile Experts, in mid-2023, there were approximately 29,000 of these lockers in Poland, while their total number in the EU and the UK was approximately 120,000. These impressive figures do not reflect reality, as the distribution of parcel lockers is related to population density, and they are usually be found in highly urbanised areas. Residents of smaller towns and villages often have to drive to a parcel locker in another village. Demand for courier services linked to parcel lockers continues to outstrip supply, as demonstrated by local groups on social media that aim to organise residents and put pressure on logistics operators to set up a machine in their locality. This applies less to parcel collection points, which are usually located at local shops or post offices.

→ According to industry experts,[12] it is difficult for consumers to check parcels in the presence of couriers, while they should do to verify the condition that the products they ordered arrived in. Meanwhile, most couriers have too much work and operate under time pressure. Buyers' comments on consumer forums indicate that couriers rarely wait for them to unpack the parcel and check the condition of the product. If the goods are damaged, this can lead to misunderstandings between buyers, sellers and courier companies.

→ The physical unavailability of products listed online makes purchasing difficult. This can occur as a result of significant fluctuation in demand,[13] when the retailer underestimates the scale of the demand for its products, or manages stocks inadequately. In the case of some multichannel retailers, some products are only offered at brick-and-mortar shops, despite being advertised online, which can have a negative impact on the shopping experience.

11. Ibid.
12. Ibid.
13. A. Kawa, Logistics of e-commerce in Poland, 2015

5 Barriers linked to online fraud

- According to analysis by CERT Polska (the cybersecurity incident response team operating at NASK), the number of fake online shops has been increasing since 2019. In 2022, there were around 600 of them, a third more than the year before. In 2022, 5500 incidents reported and recorded in "wholesale and retail", 13.7 per cent more than in 2021. This is hugely significant in the context of educating the Polish public about cyberthreats. 84 per cent of Poles do not know what phishing is (impersonating another person or entity), and 77 per cent do not understand the concept of skimming (copying information from payment cards). The fear of losing money makes some potential customers choose not to shop online.

- Consumers do not pay attention to whom they buy goods from. They do not check the physical location of the company they are buying from. This also applies to the company's contact details (whether the seller's contact details, such as a telephone number, are provided). Consumer tend to stick to reviews of the seller by people who have bought from him or her in the past. Buyers rarely check whether the goods and the receipt or invoice are issued by the same seller.

- E-commerce operators — marketplaces and companies that run individual shops — need to improve their supervision of sellers. Marketplaces, especially the large ones, such as Amazon or Allegro, verify sellers effectively. However, the aim of most platforms is to sell the products listed by sellers quickly. In contrast, companies providing software and sales tools for individual online shops have fewer opportunities or incentives to verify their customers. As a result, dishonest sellers who trade via marketplaces are removed from the market more rapidly (within a few weeks) than fraudsters who run their own online shops.

- A way must be found to check shipments from outside the EU more effectively. This is especially true for low-value shipments sent directly from China. Already at the end of 2020, the Supreme Chamber of Control (NIK) noted that the Polish Post Office is incapable of checking shipments en masse. It lacked the electronic data necessary for customs and fiscal checks and oversight of the transport of parcels was based on the physical inspection of 1 per cent of the parcels entering Poland.

6 Barriers linked to sales and after-sales policies

- Customers are abandoning their shopping baskets. This is due to a variety of factors, the ease of comparing prices and finding a better deal, but also because the cost is too high or delivery too slow. Customers also fear hidden costs (for example, for returning products), a lack of trusted and verified payment methods, and a complicated complaints or returns policy. Lack of or insufficient contact with customer service may also be a factor. In addition, representatives of the e-commerce segment and some consumer organisations point to the complexity of sales regulations, which they attribute to overregulation.[14]

- Some sellers misinterpret the rules. For example, this concerns the right to return goods purchased off-premises. Officials representing consumer interests have pointed out that the right of withdrawal is treated as the exception, not the rule. When refusing the right to return items, sellers often cite the personalisation of the product. Meanwhile, according to the consumer community, this argument relates to handicrafts, not the choice of colour or version of a mass-produced item.[15]

- Judicial staff are not trained to interpret consumer legislation. This problem has been highlighted by both county and municipal consumer ombudsmen and non-governmental organisations representing buyers' interests.[16] In their view, judges seem to overlook the consumer's perspective and perception and the individual buyer's reasoning in the case's specific circumstances. Consumers use all sorts of mechanisms (for example, the fewer clicks needed to complete a transaction, the better) and certain patterns when shopping. Meanwhile, judges almost completely overlook this when issuing a sentence. More than once, they have stated that "since the consumer is buying online, he must expect to be cheated".

14. According to the participants of the expert debate "Challenges of the E-commerce Market from the Consumer's Perspective"
15. Ibid.
16. Ibid.

Factors supporting online retail

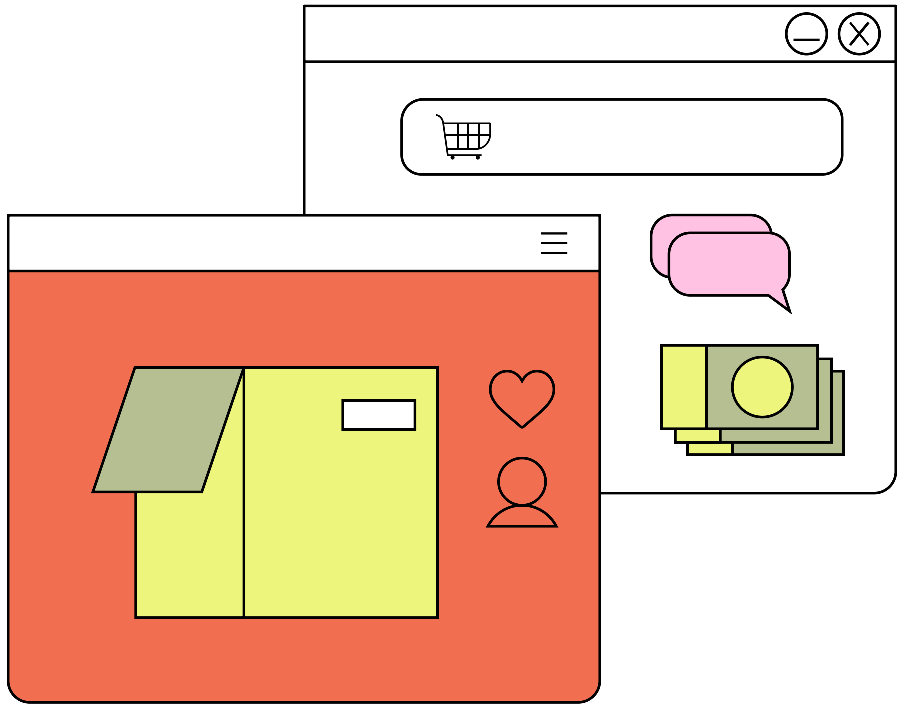
1 **Highly competitive offers and a wider range of products.** This translates into lower prices, compared to most brick-and-mortar shops. It is also easier to find the product you are looking for and compare it with others. Online retailers can also offer a wider range than brick-and-mortar shops due to their different product storage model and the possibility of shipping directly from the manufacturer or importer. Customers can also take advantage of quote, including products from abroad. According to a study by Dr Justyna Majchrzak-Lepczyk of the Poznań University of Economics, the comparability factor is decisive for 59 per cent of consumers who shop online, while 58 per cent of respondents cited attractive prices.

2 **Greater product availability.** This is linked to an increasingly extensive logistics network owned by logistics operators, marketplaces and companies that offer sellers a shipping service for products ordered from them. This makes it possible to reduce the time between a customer ordering a product and its delivery from a few days to as little as a dozen hours.

3 **24/7 online shops.** Customers can buy from all online shops and marketplaces 24 hours a day, 7 days a week. As Gemius' analysis for the Chamber of Electronic Economy shows, this is an important factor for almost 80 per cent of shoppers. Accessibility also gives customers unlimited time to analyse products and different sellers' offers.

4 **Rapid online payments**. According to the E-commerce in Poland 2023 report, almost 70 per cent of online shoppers pay using fast transfers. Blik (a payment method) is slightly less popular (63 per cent), but ahead of card payments (43 per cent).

5 **Social responsibility supports e-commerce.** One of the ways in which sustainable consumption manifests itself is the purchase of second-hand items, mainly clothing. According to various sources, around 60 per cent of consumers have bought second-hand goods. This trend reduces consumers' carbon footprint as it extends items' lifespan. The 2022 Visa Globe Scan Research report shows that up to half of the world's businesses are engaging in re-commerce, and two-thirds of companies expect revenues from it to increase over the next three years. The consolidation of courier deliveries, which parcel lockers and pick-up points can be used for, also supports sustainable consumption. Delivering products to a single location in an area, instead of individual deliveries and visits to brick-and-mortar shops, will reduce the carbon footprint.



6 **An extensive network of receivers.** This is speeding up the delivery of products, one of the key factors guiding consumers when choosing a shopping channel. According to estimates, there were around 29,000 parcel lockers of various networks and around 30,000 pick-up points in Poland by mid-2023. The number of parcel lockers increased by around 9000 compared to a year earlier. Almost every logistics operator in Poland is investing in increasing its collection network. InPost has the largest network of parcel lockers (over 20,500) and more than 3500 pick-up points. DPD Pickup has over 25,000 points and parcel lockers in Poland in total. Orlen Group also has a relatively large pick-up network, with about 3300 lockers and a total network of over 10,000 points. The parcel collection network's quality improves as the population density increases.

7 **Loyalty programmes.** Their main advantage is encouraging customer loyalty to a given shop, which often results in more frequent purchases. The additional information obtained about shoppers, especially if they use an app on a mobile device, is not insignificant. Loyalty programmes also help build relationships and trust between retailers and their customers. They can take the form of loyalty cards, a points system or additional benefits from buying from the retailer. Combined with online marketing and social media, these programmes also offer better personalisation, which helps companies meet customers' expectations.

Expert recommendations[17]

- **A consistent way of reporting on the state of the e-commerce sector should be developed.** Information on how many people in Poland buy online should be in line with information on how much e-commerce consumers buy. Despite information on the increase in the number of entities selling online and information on the increase in the number of online marketplaces' customers, data from Statistics Poland on the share of online sales in total retail does not show rapid growth, and even points to a post-pandemic decline.

- **A review of the legislation protecting consumers is needed.** According to business organisations and some consumer associations,[18] the public administration should evaluate the legislation protecting consumers with stakeholders. Next, it is worth removing barriers to doing business, provided that this does not worsen buyer protection. According to representatives of the Office of Competition and Consumer Protection (OCCP), the current regulations are the result of some sellers' unfair practices, so the review should be approached with caution.[19] However, incidental cases of unfair practices must not create regulations that restrict the entire industry. The procedures for complaints and returns should also be simplified.

- **E-commerce should be supervised more effectively.** Some participants in the debate[20] called for the creation of a separate administrative unit to supervise e-commerce (either within the OCCP or an independent one). However, any changes should be preceded by a debate involving all the stakeholders, and legislative changes should be preceded by consultations with consumer protection organisations, existing market regulators and retail representatives.

- **The regulator should strengthen the supervision of online shops.** Industry experts have emphasised[21] that large marketplaces protect buyers and verify the activities of the sellers that use them. Similar incentives would need to be created for both smaller operators / marketplaces and companies that setting up online stores. This would probably make it more difficult for fraudsters to set up fake online shops.

- **Artificial intelligence could help vet would-be and existing sellers and identify risky traders.** This could be pioneered by large marketplaces, which should be constantly strengthening their consumer protection tools. Similar solutions should be applied by the above-mentioned providers of solutions for individual shops.

- **Salespeople should get to know their potential and existing customers better.** This would enable them to hone their offerings and improve their sales and after-sales service. At the same time, traders should ensure that they have the right level of contact with their customers, which could increase trust among consumers from every social group in the future.

- **A comparison of service conditions is needed.** Today, the dominant criteria for comparing offers are price, delivery time and delivery costs. The tech industry and e-commerce entrepreneurs should invest in tools for comparing service quality. The current ratings of vendors or products do not show individual vendors' approach to customers.

17. According to participants in the expert debate "Challenges of the e-commerce market from a consumer perspective".
18 Ibid.
19. Ibid.
20. Ibid.
21. Ibid.

- **Strengthening the status of the "trusted third party".** Consumer organisations equipped with the appropriate technology (e.g. AI tools) or the means to develop it should impartially and objectively monitor the lawfulness of the market and individual players' behaviour. Strong consumer organisations will result in higher levels of trust in the market.

- **Education will increase consumer awareness.** Participants in the discussion pointed out[22] that it is worth highlighting the benefits of buying online. Promotional activities by businesses and organisations representing consumers should include developing and creating a quality mark or marks, credible to customers, which would be awarded to sellers who meet certain conditions.

- **Training will increase confidence in e-commerce and consumer law.** Their format, for groups with particular needs, such as the elderly or neurodivergent people, should include learning about the shopping process (handling electronic devices or product selection), cyberthreats, and online shoppers' rights. Training should be aimed at new customers; for example, in less urbanised areas and older age groups. Training for consumer ombudsmen, trade inspectors and the wider judiciary is also needed. It would consolidate their knowledge of consumer legislation and take into account consumers' perspective.

- **The law should better protect customers who buy products from outside the EU**. The European Commission is working on a draft on customs union reform. Among other things, Brussels plans to create an EU Customs Office, which will oversee an EU customs data centre. The legislation will also introduce the principle of a "deemed importer" entity for marketplaces and abolish the customs exemption for goods worth up to EUR 150. During the legislative work, stakeholders involved in importing goods into Poland should ensure due protection of consumers, which can be achieved by integrating customs rules with existing product safety regulations properly, and so on.

- **Sales broadcasts (live sales; live shopping) can offer better contact with customers.** This trend, which has been present for some 30 years in television, is now conquering the Internet. In Poland, this form of online shopping is already used by around 19 per cent of online shoppers, mostly women (23 per cent) and people in the 15-24 age group. McKinsey estimates that live shopping via platforms and social media will account for around 20 per cent of online sales in 2026.

- **Live shopping needs regulation.** Sales broadcasts will increasingly be conducted using celebrity images generated by AI. Entrepreneurs should pay attention to the credibility and consistency of their message to customers. Customers will have to learn how to vet salespeople and not succumb to emotions triggered during the broadcast. Entities that operate abroad, but sell goods with Polish names and in złoty, may be a problem. Disappointment with their offer or the quality of their service could reduce trust in e-commerce in general.

- **Efforts to improve Internet access must continue.** The administration is using EU funds and encouraging private entrepreneurs (telecom operators) to invest in fibre-optic and mobile infrastructure. In the future, the use of public funds to improve network access in the least urbanised areas may have to be increased.

22. Ibid.

Methodology

Most of this report (the section on challenges and the recommendations) is based on the conclusions of the debate held at the Polityka Insight headquarters in September 2023. It was attended by around 20 representatives of e-commerce companies and organisations, the public administration (including municipal consumer advocates and representatives of the Office of Competition and Consumer Protection) and consumer organisations.

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