

Digital Consumer And Legal Compliances In A Sustainable Ecosystem: Issues, Challenges And Road Ahead

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ABSTRACT

Significant development in this digital era has enormously transformed our economies and the entire ecosystem. Undoubtedly, digitalization has opened new avenues for consumers bringing them innovation, efficiency and new possibilities. Consumers and businesses are witnessing a paradigm shift. Embracing digitalization, it seems, is no longer a choice but a necessity for a sustainable world. While digital consumers are gung-ho about their newfound love for online transactions, several online activities to demonstrate their consumption behavior in the digital ecosystem, the inherent characteristics of digital data and digital technologies generate new risks.

This research article vividly explains numerous benefits of digitalization with regard to sustainable development, behaviour of the digital consumer, and critically analyses legal issues and challenges pertaining to data privacy and data protection. Relying on both primary and secondary sources, through qualitative research methodology, the authors bring forth some interesting perspectives in respect to legal compliances and give their insights into the topic, citing some recent judgments and orders.

1. Introduction

The exponential emergence of the internet has enormously altered our daily lives and routines, also transformed how businesses operates globally. The internet has not only opened a new medium of communication for businesses and individuals but also offered chances to communicate and access information in an entirely different ways.

As the world undergoes a constant process of digitization in which experiences become more immersive and smart technologies saturate the market, consumer behaviour continues to evolve and adapt to new and engaging environments¹, urging a new understanding of how these realities impact consumer needs, perceptions, desires, motivations, insights, and ultimately practices².

Today, particularly in digital developing societies governed by rule of law, the interaction between legal and social processes are so pronounced that no intelligent student of law can ignore the behavioural and policy dimensions of legal norms and processes. It is time and again pointed out, and rightly so, law is indeed a behavioural science par excellence and lawyer, more than anything else, is a “social engineer” trained in ordering and facilitating change in a manner that creates the minimum friction and maximum happiness for the maximum number of people. In the context of consumer behavior which in a simple language refers to the field that examines the psychological, social, and cultural factors influencing individuals' processes of researching, purchasing, and using products and services online. This concept plays a significant role in marketing and business domains, aiming to understand consumers' preferences, shopping motivations, and purchase decisions in an online eco-system or digital environment.

¹ Yuruk-Kayapinar, P. Digital consumer behavior in an omnichannel world. In *Managing Customer Experiences in an Omnichannel World: Melody of Online and Offline Environments in the Customer Journey*; Emerald Publishing Limited: Bingley, UK, 2020; pp. 55–73. [CrossRef]

²Aliev, A.; Kadirov, D. Digital marketing and smart technology marketing systems as the future of metaverse. In *International Conference on Next Generation Wired/Wireless Networking*; Springer: Tashkent, Uzbekistan, 2022; pp. 397–410. [CrossRef]

Digital consumer behavior is a specialized area focusing on consumers' processes of researching, purchasing, and using products and services in digital environments (Sağkaya Güngör & Ozansoy Çadırcı, 2022). This behavior manifests across multiple digital platforms, including the internet, mobile devices, social media, and additional digital channels (Rogova & Matta, 2023).

There is no denying the fact that the technological progress, particularly in the internet friendly ambience wherein the widespread acceptance of digital marketing of late have propelled digital consumer behavior into a prominent position in research with regard to legal compliances and risk management.

Another striking development which has taken place recently in the realm of India's digitalization is India's position in digital services exports. India has overtaken China in digital services Exports. According to the latest Global Trade Outlook and Statistics report released by the WTO on April 11, 2024, India's exports of digitally delivered services soared to 257 billion dollars in 2023, registering a notable 17% increase compared to the preceding year. The report highlights a significant surge in global exports of digitally delivered services, which reached a staggering 4.25 trillion dollars in 2023, making a robust 9% year-on-year growth. This accounted for a substantial 13.8% of world exports of goods and services. Despite a decline in global trade in goods across all regions, exports of digitally delivered services continue to thrive. Therefore the gamut of academic studies on digitalization in our literature highlights some significant aspects of digital consumer, data privacy and digital transactions etc. and provide detailed deliberation of consumer behavior and identify how literature progresses. The paper presents gaps in the literature and provides recommendations for future research. Elements such as research and information gathering, online purchasing, legal compliances, personalized experiences, and rampant mobile usage are major discussions in digital consumer behaviour. A key element of digital consumer behaviour involves buying products and services through the Internet. E-commerce platforms, online shops, and various digital channels augment or replace conventional retail shopping (Wagner et al., 2020). Social media platforms enable consumers to interact with brands, share their thoughts about products, and enhance brand loyalty (Aljuhmani et al., 2023). Digital consumers expect personalized content and recommendations on online platforms, enhancing brand loyalty by providing unique and engaging experiences (Felix & Rembulan, 2023). Mobile devices enable consumers to stay connected continuously, allowing them to shop and interact with brands from anywhere through mobile applications and websites (Luceri et al., 2022).

1.1 Proliferation of Digital Consumerism: Changing Dimensions and Influencing Factors

A "digital consumer" is a person who shops mostly online using digital technology and the internet, purchasing goods and services through online channels. This group is distinguished by a number of important traits and behaviors. Due to the shifting of consumer habits and technology breakthroughs, digital consumers constitute a dynamic and developing market segment (Haws et al., 2010).

Digital consumerism has surfaced due to the momentous shift in consumer behavior as a result of digitalization. The changing trend in customer behavior including the financial and psychological factors has influenced digital consumption to a significant level.

1.2 Digitalization-Related Shifts in Consumer Behavior Patterns

The means and techniques that the consumers adopt in selecting and deciding the products that they have to purchase have been intensely modified by digitalization. The most evident transformation in customer behavior is the significant augmentation in online shopping over conventional purchase. The need to visit brick-and-mortar set up has significantly decreased with the proliferation of digital tools. It has become convenient for the customers to surf different shopping applications online thereby enabling the customers to make well informed choices (Liu et al., 2020).

Further, the data is now easily accessible due to the digitalization. There is a tendency among the customers to read the buyers' feedback, which has a significant impact on their opinion and decision-making to purchase the product (Chevalier & Mayzlin, 2006). A sense of corroboration and self-belief in product selection is promoted by buying pattern of other people.

In a digital era, the business enterprises are able to make use of data analytics in order to understand the preferences of the customers, thereby, customizing market communication, escalating prices and engagement (Smith & Smith, 2021). Customization options are becoming more and more available from brands, enabling customers to tailor items to their preferences and strengthening emotional bonds.

The emergence of social media platforms has changed how customers find and interact with goods. Many customers seek advice from influencers, frequently placing more credibility to their recommendations than

conventional advertising (De Veirman et al., 2017). Online communities formed by consumers sharing their experiences have an impact on prospective customers. Purchase decisions might be greatly influenced by this peer pressure.

Mobile commerce or m-commerce has increased dramatically as a result of the widespread use of smart phones. Customers favor shopping experiences that are mobile friendly and make browsing and buying simple. This behavior is also influenced by the ease of using mobile payment methods. Retailers can improve the shopping experience by sending location based customized promos (Huang & Rust, 2021).

A culture of immediacy has been cultivated by digitalization. Fast delivery options, including same-day or next day shipping are becoming more and more expected by customers. Consumer expectations are changing across industries as a result of companies like Amazon setting high requirements for delivery speed (Kumar et al., 2021). Because they are quickly accessible, digital goods (such as software, music, and e-books) satisfy consumers' need for rapid fulfillment.

It is now essential to integrate several purchasing channels. Customers anticipate a similar experience across all platforms and frequently conduct online research before making in-store purchases (ROPO: Research Online, Purchase Offline). In order to combine the advantages of online ease with the speed of in-person shopping, several retailers provide the option to purchase online and pick up in-store.

1.3 Psychological Factors Driving Digital Consumerism

Numerous psychological elements have a significant impact on digital consumption, influencing how people view and interact with companies and products online.

The perceived ease of internet shopping is one of the most important psychological factors influencing digital consumption. Digital platforms make buying easier by lowering the amount of work needed to find and buy things (Huang & Benyoucef, 2017). Shopping at any time appeals to customers' need for convenience by fostering a sense of freedom and flexibility.

The need for instant gratification is met by the digital environment. With just a few clicks, customers may browse and buy products online, meeting their demands nearly instantly (Hirschman & Holbrook, 1982). A culture where waiting is less accepted is created by the need for quick delivery choices (such as same-day shipping), which fosters the need for instant satisfaction (Kumar et al., 2021).

Consumer behavior in digital areas is greatly influenced by social considerations. When making purchases, consumers frequently seek advice from others. Social evidence in the form of reviews, ratings and testimonies can increase credibility and trust (Cialdini, 2009). Consumer behavior has changed as a result of the growth of social media influencers since people are more likely to believe suggestions from influencers than from traditional advertising (De Veirman et al., 2017).

There is a psychological phenomenon, FOMO (Fear of missing out), that persuades the consumers to make spontaneous purchases. The marketing strategies that draw attention to the deals based on limited time period helps in causing FOMO, thereby encouraging consumers to purchase right away to avoid any regret (Przybylski et al., 2013).

The need to tailor the buying experience is mounting among the consumers. There is a feeling of appreciation among the customers when digital platforms recommend products based on their past actions. It helps in improving their complete buying experiences (Smith & Smith, 2021). The customers can articulate their exclusivity by customizing the products, thereby intensifying their affection with the brand selected by them (Schiffman & Kanuk, 2010).

When it comes to online customer behavior, trust is crucial. Customers frequently have concerns regarding the safety of their private data and the dependability of online retailers. These worries might be alleviated by brands that communicate transparency and have strong security measures (Miyazaki & Fernandez, 2001). People are more inclined to make digital purchases when a brand has a positive image because it increases consumer trust (Bhatnagar et al., 2000).

When customers feel uncomfortable because of contradicting attitudes or actions, this is known as cognitive dissonance. Customers frequently look for confirmation that their choice was the right one after making a purchase. Brands' post-purchase communications and positive reviews can lessen dissonance (Festinger, 1957). More cognitive dissonance results from high-involvement purchases (such as electronics and automobiles), which drive buyers to look for more information to support their decisions (Petty & Cacioppo, 1986).

1.4 Economic Aspects Affecting Digital Consumerism

Numerous economic considerations have a considerable influence on digital consumerism and how consumers make judgments about what to buy in the online marketplace. The financial benefits of internet shopping are one of the main forces behind digital consumerism. Online retailers can offer cheap pricing since they frequently have lower overhead costs than conventional stores. Customers are more likely to shop online when they can use price comparison tools to get the greatest prices (Haws, Winterich, & Naylor, 2010). Promotional offers, discounts and loyalty programs are common components of online shopping that encourage purchases. Customers are encouraged to choose digital channels over conventional buying methods due to this financial advantage (Nielsen, 2018).

Global rivalry has increased due to the growth of e-commerce, which has affected customer behavior. Retailers compete with one another because consumers have access to a wide variety of products from around the globe. There are several options available with the customer that helps them in selecting the finest deals (Laudon & Traver, 2021). In a competitive digital world, the companies make it easier for the customers to make a comparison of costs across diverse online retailers worldwide (Matzler et al., 2011).

The economic condition of a country as a whole plays a significant role in impacting consumer behavior. It has been observed that the customers tend to expend during economic expansion, however, there is a possibility of becoming more cost sensitive at the time of recession (Kumar & Gupta, 2020). The confidence and the buying pattern of the consumers are largely affected by certain factors, such as, inflation, job stability and inflation. The consumers lay emphasis on the requirements at the time of uncertain monetary period, often opting for the finest deal (Riley & Cargill, 2020).

Moreover, the digital payment methods, such as, PayTM, banking cards, credit cards etc. have changed consumer behavior to a great extent. Digital payments are easy to use and boost the confidence of the customers in digital transactions. The convenience provided by the digital payment options encourages frequent online purchases (Dahlberg et al., 2015). The pace at which online transactions can be accomplished has a huge impact on consumer behavior. (Suh & Han, 2003).

The increase in the subscription services has changed the way of making purchases. It becomes easier for the customers to budget sensibly and regularly access products and services with different models of subscription (Dhingra et al., 2021). The subscription models have grown in majorly in favor of food delivery and beauty products. The customers' preferences are influenced by the subscription models, customized recommendations and cheap price than one-time purchase (Sweeney & Soutar, 2001).

Consumer behavior is largely affected by the marketing tactics, such as, providing monetary incentives, cash back offers, prizes etc. These policies attract the customers and motivate them to get influenced and immediately seize a deal (Kahneman et al., 1991). Although sizable and expanding portion of the market is made up of digital customers, who are influenced by shifting consumer habits and developing technologies (Liu & Yang, 2018), the rise in digital consumerism has given rise to worries about data protection and privacy.

1.5 Online Frauds and Cyber Crimes:

An analysis of cyber crime complaints reported on recently launched 'National Cyber Crime Reporting Portal' reveals that more than 1200 crores have been saved through prompt reporting and action taking mechanism. An alarming 4.7 lac complaints were received in 2023 regarding Online financial frauds as per the statistics of 'Citizen Financial Cyber Fraud Reporting Management under 'National Cyber Crime Reporting Portal' launched as an initiative of Government of India to enable immediate reporting of online financial frauds.³ The Reserve Bank of India's Annual Report of 2023-24 disclosed that there was a 334% hike in the number of year-on-year online frauds.

As the digital economy in India grows, it is imperative to protect it from cyber financial crime. The following are some essential tactics to improve protection:

Strengthening Regulations: Enforcing strict security measures on financial institutions through the implementation of strong regulatory frameworks can aid in the prevention of fraud. It is imperative to adhere to standards such as PCI DSS (Payment Card Industry Data Security Standard).

Improved Cybersecurity Measures: Businesses can drastically lower risks by being encouraged to invest in cutting-edge cybersecurity solutions like multi-factor authentication and AI-driven threat detection. Public

³ State/UT wise details of Cyber Financial Fraud Complaimts received during the period of 1.1.2023 to 31.12.2023 as per Citizen Financial Cyber Fraud Reporting Managment System. (pib.gov.in)

awareness campaigns can help customers identify and steer clear of potential hazards by teaching them about typical scams and safe internet practices. Partnerships between the public and commercial sectors can strengthen these initiatives.

Real-time Monitoring and Reporting: By creating a nationwide cybercrime reporting infrastructure, fraud incidences can be tracked and reported in real-time, enabling prompt response and resolution. **Cooperation Among Stakeholders:** To exchange information about new risks and plan coordinated countermeasures, financial institutions, IT firms, and law enforcement organizations should work together. **Frequent Audits and Assessments:** Businesses can detect vulnerabilities and proactively implement the required adjustments by conducting cybersecurity audits on a frequent basis.

Investing in Cyber Research and Development: Fostering cybersecurity innovation research can result in the creation of fresh instruments and approaches to tackle financial fraud. The Indian government has been deeply concerned about cybersecurity since the early 1990s, but its policies are still disjointed. India currently lacks a comprehensive personal data protection law, despite being among the first countries to enact laws addressing cybercrime and electronic commerce. Wide-ranging legal access to user data is granted to law enforcement and intelligence organizations, frequently at the expense of the interests of technology users. Citizens' interactions with the state have changed as a result, with a greater emphasis now being placed on monitoring and control over other crucial areas like cyber defense.⁴ The 1985 UN Consumer Protection Guidelines⁵ are still applicable in the digital age, especially as the amount of online shopping increases. The following are some salient points emphasizing their importance:

Rights Awareness: The rules place a strong emphasis on the rights of customers to information, safety, and choice. Customers must be aware of terms of service, data privacy, and product safety in the digital marketplace. **Consumer Education:** Given the complexity of online buying, it is imperative to inform customers about their rights and potential hazards, such as deceptive or fraudulent marketing.

Fair Business Practices: The standards are designed to provide transparency in e-commerce and to counteract fraudulent actions by encouraging fairness in business practices.

Redress for Consumers: Online complaint channels are very crucial. There must be easy options for customers to report problems or request refunds. Overall, while the context and medium has shifted, the foundational principles of consumer protection laid out by the UN remain critical for safeguarding consumers in the online marketplace.⁶ In 1999, The UN Guidelines on Consumer protection were further amended by the Economic and Social Council to include sustainable consumerism as a shared responsibility and a collective effort involving informed consumers, Member States, businesses, and civil society organizations. Knowledgeable customers can promote change by selecting socially and ecologically conscious products. Organizations ought to make an effort to increase public knowledge of the effects of consuming habits. To promote sustainable practices, member states were directed to modify regulatory frameworks and set up laws and financial tools, such as eliminating unfavorable subsidies and highlighting best practices. Governments ought to encourage recycling, set environmental health regulations, and assist in the production of safe and effective products. To guarantee that consumers make educated decisions, products should be impartially tested for their effects on the environment and their safety. Encouraging sustainable consumption can both directly improve health and advance environmental conservation. It was also stressed upon that changing consumption patterns requires the creation of new, ecologically friendly products and technology. With the advent of digital marketplace and E-Commerce, the United Nations Consumer Protection Guidelines were further updated in 2015.⁷

⁴ Kovacs, A. (2021). Cybersecurity and Data Protection Regulation in India: An Uneven Patchwork. In: Belli, L. (eds) CyberBRICS. Springer, Cham.

https://doi.org/10.1007/978-3-030-56405-6_4

⁵ <https://undocs.org/en/A/RES/39/248>

⁶ Updating the UN Guidelines for Consumer protection for the Digital Age, Edited by Jeremy Malcolm, Consumers International 2013

⁷ General Assembly Resolution 70/186 on Consumer protection, Adopted on 22 December 2015 (unctad.org)

India was among the first countries to enforce consumer protection policy measures and has thereafter been consistently updating its regulatory framework to adapt to and address new challenges that came with introducing e-commerce, UPI and fintech apps. Lack of robust Data Protection Law in remained a barrier in international e-trade for India, until recently. As a platform for member states, UNCTAD advocates for policies that leverage technology to foster economic development and trade. Its initiatives aim to bridge the digital divide, particularly in developing countries, enabling them to participate effectively in the global digital economy. Evaluating data privacy laws is essential since these rules have a big impact on cross-border sales of digital goods and services. Robust, standardized frameworks for data protection may boost customer confidence, simplify compliance, and encourage a smooth e-commerce experience. Global norms and national data protection legislation must be harmonised immediately. In order to promote an atmosphere that is favorable to e-commerce and guarantee that all economies may profit from digital trade, this synchronization is necessary. In order to achieve the UN's Sustainable Development Goals by 2030, it is imperative that strong data protection regulations and ICT tools be incorporated. Countries can increase economic growth, lessen inequality, and advance sustainable development by improving digital trade.

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