

## Digital Transformation and Consumer Protection

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### Abstract

*The article presents issues related to European consumers protection in the context of digital transformation. In this context, the role of digital technologies is described, and more specifically digital platforms, the Internet of Things, Artificial Intelligence and cloud services. The benefits of their application in the everyday life of consumers are explained. At the same time, some of the risks these technologies pose to consumers are revealed. Emphasis is placed on issues related to consumer protection against unfair commercial practices in digital space. The protection tools in this direction are indicated. Special attention is given to EU priorities for comprehensive consumer protection in the context of digital transformation and the challenges of the Digital Decade.*

*Keywords: digital transformation, consumer protection, unfair commercial practices, digital content, digital services, digital decade*

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### Introduction

Digital transformation is undoubtedly one of the most current topics and among the main strategic priorities of the European Union (EU). Part of the EU's efforts in this direction are related to building sustainable digital infrastructures, increasing the capacity of businesses in the digital environment and developing citizens' digital skills. The achievement of these goals is set out in a number of new programmes that are related to The Digital Europe Programme<sup>1</sup>. It stimulates the accelerated take-up of digitization in all areas for the benefit of business, consumers and society. For consumers, digital transformation has multiple meanings as it affects a huge part of their everyday life. The era of new technologies, of which digital platforms, the Internet of Things, Artificial Intelligence, cloud services are a part, have a significant impact and create conditions for qualitative changes in the lives of consumers and even shape new life attitudes. These technologies change the consumer behavior, turning them into online consumers, influence their choice of time, place and way of shopping, as well as work, communication, sports, entertainment and many other activities accompanying their daily routines.

It is a fact that consumers have increased interest in using the Internet. In 2022, 91% of people aged 16 to 74 in the EU had used the Internet, 75% of whom had bought or ordered goods or services for private use. This percentage reaches and even exceeds 90% in three Member States of the EU<sup>2</sup>, (Eurostat, 2023). For comparison, fewer than 50% had shopped online in Bulgaria (NSI, 2023). In recent years, the interest and activity of consumers to use the Internet for private purposes, such as shopping, communication, access to information, entertainment, Internet banking, as well as the use of many other digital services through websites or applications, has had definitely increased. Digitization finds more and more areas of application in the everyday life of consumers and shift the performance of their daily tasks in a digital environment. On the other hand, there is the issue of the need for enhanced protection of the personal data that consumers accumulate in the digital environment, as well as the protection of their consumer rights and interests. Consumer protection is

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<sup>1</sup> The Digital Europe Programme (2021-2027) is a new EU funding programme dedicated to expanding and maximizing the benefits of digital transformation for all European citizens, public administrations and businesses.

<sup>2</sup> In 2022, the highest shares of internet consumers who bought or ordered goods or services online were recorded in the Netherlands (92%), Denmark (90%) and Ireland (89%).

key to the effective implementation of digital transformation and therefore features high on the New Consumer Agenda<sup>3</sup>.

The aim of this article is to examine some consumer protection issues in the context of digital transformation. For the achievement of the formulated aim several tasks have to be completed:

1) To describe the role of digital technologies, and more specifically the impact of digital platforms, the Internet of Things, Artificial Intelligence and cloud services, in the everyday life of consumers.

2) To justify the need for enhanced European consumers protection in the digital environment, focusing on protecting consumers against unfair commercial practices.

3) To examine some of the more important perspectives in the development of EU consumer protection policy, in relation to the challenges of the Digital Decade.

A subject of research in the present elaboration are some of the consumer protection issues raised by the digitization process. An object of the research are new technologies, considered, on the one hand, as a means to provide consumers with a more efficient daily routine, and on the other hand, as a challenge for consumer protection in a digital environment.

### **1. Digital transformation in the everyday life of consumers**

Digital transformation integrates digital technologies to create innovations that find widespread application in various areas of human activity. These technologies change and accelerate the development of the economy, business, even transform the way of life of consumers and form new attitudes in society. Technologies such as digital platforms, the Internet of Things, Artificial Intelligence, and cloud services are imperceptibly entering and establishing themselves in the everyday life of consumers.

Digital platforms are a virtual place where consumers can perform activities of various natures such as work, study, communicate, watch movies, listen to music, read books, shop, share their own resources and many other activities that meet the needs of consumers. These platforms can be in the form of a website or an application. They contain many interactive tools that allow consumers to access comfortably and work with them. It makes them highly preferred in carrying out many daily activities.

Indeed, over the past two decades, digital platforms have become an integral part of the everyday life of consumers as they can be used for a variety of purposes. For example, they are a wide field of application for work (putting in labor) and sharing of consumer resources. These platforms create a peer-to-peer market<sup>4</sup> (Ribov, 2019), connect consumers in a digital environment and enable activities such as sale, resale, exchange of goods and services, exchange of ideas, gifting of new or used items, donation, financing of projects, events, etc. (Dushkova, 2020), and also providing specific services for a fee. Digital work platform is a relatively new way of employment. There are currently over 500 digital labor platforms operating in the EU, facilitating access to services for customers and creating opportunities for both businesses and people. According to EU data, in 2022 more than 28 million people<sup>5</sup> work in the community through one (or more) of the digital work platforms. It is expected that in 2025 this number will reach 43 million people. Platforms for streaming movies, music, e-books, video games and other digital services are also intensively used by consumers and even partially perform the functions of social networks. For example, they allow functions such as adding friends, exchanging messages, commenting, etc. Social platforms for communication and lifestyle are taking an increasingly prominent place in the everyday life of consumers, and e-commerce platforms are increasingly expanding the range of

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<sup>3</sup> The New Consumer Agenda: „Strengthening consumer resilience for sustainable recovery“, is an updated vision for EU consumer protection policy for the period 2020-2025.

<sup>4</sup> Digital platforms enable different business models types: business-to-business, business-to-consumer, etc.

<sup>5</sup> Similar to the number of people employed in manufacturing (29 million)

goods and services offered and bought digitally. Moreover, the merging of social media and e-commerce is accelerating, i.e. selling and buying products directly on digital social media platforms (Danchev, 2023). With the development of digital platforms, other opportunities are opening up in the everyday life of consumers, such as online training. The above examples are only part of the scope of digital platforms. Working and interaction with them is continuously increasing, as a result of which these digital technologies are expected to play an increasing role in the everyday life of consumers.

Another digital technology that finds a place in the everyday life of consumers is the „Internet of Things“<sup>6</sup>. The Internet interconnectivity of multiple computing devices embedded in everyday objects (Ribov, 2021) allows consumers to organize their daily lives in an innovative way. „Internet of Things“ connects these objects – „smart devices“ with consumers and provides interaction between them, by means of 5G wireless and mobile communication technology<sup>7</sup>. In general, 5G technology is key to all digital technologies, as it provides extremely fast Internet, which makes them more effective and efficient.

The „Internet of Things“ has extremely wide application in fields such as transportation, energy, industry, construction and building management, healthcare, household, and etc. In the everyday life of consumers, this technology allows them to interact with their „smart devices“ in a fundamentally new way, to exercise continuous control over them, with the help of various mobile applications. The „Internet of Things“ technology provides efficient solutions for all fields in which it is applicable and is therefore useful in the everyday life of consumers. It provides them with mobility, awareness, saving time and costs, and creates many positive effects. The „Internet of Things“ stimulates modern consumers to purchase innovative products that facilitate their dynamic and fast-paced lifestyles (Dimitrova et al., 2021) and generally improve their quality of life. For example, smart devices used in homes and offices save electrical energy, help prevent accidents, provide a higher level of security for residential and other buildings, and help protect the environment and reduce harmful emissions (Stojanov, Grozdeva, 2021). Therefore, the „Internet of Things“ technology creates convenience for consumers in performing activities both at the workplace and at home, as well as in urban environments. Shopping, as a daily activity, has also been influenced by the „Internet of Things“ technology, creating a positive attitude among consumers and opportunities for better experiences while shopping, by forming an environment where consumers are significantly relieved and perform much more quickly their informed choice for purchasing goods and services (Stojanov, Grozdeva, 2021).

Artificial intelligence with its tools (intelligent machines) is entering all aspects of life and is establishing itself as a key technology for the future. Virtually every sector that is digitized is a user of Artificial Intelligence. Healthcare, transport, business, education, everyday life, leisure are just some of the application fields of this new technology. Today, even children are communicating more with Artificial Intelligence, including with each other. In the Internet space, they build and develop as individuals, form their value system (Dimitrova, 2023). Artificial Intelligence is become as key tool and the most powerful catalyst of digital transformation. It is predicted that artificial intelligence will lead to major changes, even a complete digital transformation of society, and it has become an EU priority (European Parliament, 2023).

Artificial intelligence, in addition to areas of strategic importance (machine learning, machine vision, cyber-physical systems, robotics, etc.), is also used in the everyday life of consumers. This technology has the potential to provide better quality goods and services to

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<sup>6</sup> The „Internet of Things“ refers to connecting various devices to the unified network, allowing them to be monitored and controlled from a remote location. These connected devices can be computers, smartphones, cars, kitchen and other household appliances. In the context of digital transformation, this list will continue to grow.

<sup>7</sup> 6G (sixth-generation wireless) is intended to be the successor to 5G cellular technology. In the future, 6G networks will be able to use higher frequencies than 5G networks and provide significantly faster and guaranteed high-speed Internet. It will give new boost to high technologies. It is assumed, implementation of 6G will be around 2028-2030.

consumers, faster and better commercial service, more efficient consumption of services for private use, as well as those of public importance. Artificial intelligence is present in the everyday life of consumers and they interact with it through: social networks; „smart devices“; communication with chatbots; generally through the mobile applications that consumers use for shopping, communication, work, sports, entertainment, and other daily activities. Artificial Intelligence is a cutting-edge technology that traders use to create, communicate, deliver and improve the overall consumer experience (Peteva, 2022) and thus make online shopping even more impactful and enjoyable. In addition, consumer behavior in the digital environment accumulates data - consumer information that becomes a source for building customer profiles. The construction of such profiles is carried out with the help of Artificial Intelligence and other technologies. In this way, companies can use the information to provide consumers with more targeted and accurate search results, personalized purchase offers, targeted advertising and other effects<sup>8</sup>.

Cloud technologies are closely related to the information infrastructure and offer services that facilitate, accelerate and make more effective and efficient activities carried out over the Internet. These technologies provide a repository of accumulated data online and provide an environment where consumers can quickly and easily solve their daily tasks without being tied to a specific device. Virtually the entire digital environment is connected to these technologies, and therefore almost all internet consumers are connected to them.

Cloud technologies, in addition to being actively used for business purposes, are at the service of consumers in performing all the above-mentioned activities online, namely: work, education, communication, searching for information, watching movies, listening to music, reading books, video games, shopping, sharing own resources, working and interacting with „smart devices“ and much more. All consumer information collected and stored in cloud storage can be used by consumers at any time and from any device. Thus, cloud services provide flexible solutions for all daily activities carried out by consumers online. They provide them with even greater mobility and awareness, and also save time and costs. Cloud technologies stimulate modern consumers to more intensive use of digital technologies in general, thereby accelerating the entire process of digital transformation.

Digital platforms, the Internet of Things, Artificial Intelligence, cloud services, 5G technology have a huge impact on the activity of consumers in the digital environment. These technologies have the potential to shape consumer behavior, create new habits, and shape new life attitudes. In everyday life, digital technologies provide many benefits to consumers such as: mobility; flexibility; awareness; digital connectivity between them; digital connectivity to their devices; fast and efficient solving of everyday tasks. Moreover, they save time, cost and effort. At the same time, digitization poses risks for consumers and raises questions about the protection of consumer rights and the responsible use of their data in a digital environment. For example, when their personal data is available, it is possible to make a purchase from one consumer at the expense of another, without their knowledge and consent. The collection, processing and analysis of information about consumer behavior and cognitive biases of consumers in a digital environment can be used with disloyal intentions. The entire body of knowledge about consumers can be used to influence the consumer decision-making process. It could be against their best interests. From this point of view, digitization outlines one of the problems of consumers in a digital environment related to unfair commercial practices.

## **2. Consumer protection against unfair commercial practices**

Digital transformation is emerging as an extremely powerful and useful superpower that is globally affecting all aspects of life. However, to ensure that it is effective for consumers and that

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<sup>8</sup> Forecasts related to the development of Artificial Intelligence determine that by 2025, 95% of interactions with customers will be managed by this technology. The expectation is that companies, by getting to know consumers in an automated way, will create new and more targeted consumer opportunities.

they manage to derive full benefit from this global process, consumer rights and interests should be taken into account in the design or adaptation of rules governing the digital economy. Within the EU, these actions have a twofold objective (COM (2020) 696 final): on the one hand, to create a safer digital space for consumers where their rights are protected, and on the other hand, to ensure a level playing field enabling innovation to deliver newer and better services for all Europeans.

In the context of the digitalization of commerce and the need to ensure a safe digital space for consumers, the EU systematically updates and improves legislation in the field of consumer protection. This is of the utmost importance both to ensure effective consumer protection and to improve market outcomes for the entire economy, including the digital one. Consumer protection rules have the potential to make markets fairer, improve the quality of goods and services offered, and in this context to improve the quality of commercial service, create conditions for more competition, and increase consumer confidence in businesses. A key point for achieving such effects is a good knowledge of consumer protection legislation.

All commercial practices that disregard consumers' right to make an informed choice, abuse their behavioral biases or distort the decision-making process, require special attention and application of effective consumer protection tools. These practices include the use of „dark patterns“ (user interface designs aimed at manipulating consumers), certain personalization practices that are often based on profiling, hidden advertising, fraud, false or misleading information, and manipulated consumer reviews. Additional guidance is needed on the applicability of consumer law instruments such as the Unfair Commercial Practices Directive and Consumer Rights Directive to these practices. Ultimately, consumers should benefit from a comparable level of protection and fairness online as they enjoy offline (COM (2020) 696 final). Therefore, with regard to these and other similar practices, it is necessary to ensure a high level of consumer protection.

Knowledge of unfair commercial practices and countermeasures against them are essential to ensure effective consumer protection. These practices prevent consumers from making informed and free decisions, mislead them, violate their economic interests, harm consumer rights and society as a whole. Unfair commercial practices can cause negative effects with large-scale dimensions in economic and social aspects.

In order to better understand the nature of unfair commercial practices, it is appropriate to consider the concept of „commercial practices“. The legal definition of this term is set out in the Unfair Commercial Practices Directive (UCPD) and refers to any act, omission, course of conduct or representation, commercial communication including advertising and marketing, by a trader, directly connected with the promotion, sale or supply of a product to consumers. From the point of view of legislation in this field, standard commercial practices are advertising, marketing, different sales methods (for example, direct sales or Internet sales), incentive systems, bonuses and discounts when purchasing goods or providing services (KZP, 2023). In fact, some of these practices are elements of the promotional mix<sup>9</sup> that traders actively use in promoting and selling goods and services to consumers. Therefore, in any aspect of commercial practice, which actually covers the entire spectrum of the relationship between consumers and traders, from advertising and communication, to the realization of the sale and beyond, unfair practices by traders towards consumers can occur.

A commercial practice shall be unfair if it is contrary to the requirements of professional diligence<sup>10</sup>, and it materially distorts or is likely to materially distort the economic behaviour of

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<sup>9</sup> The promotional mix, including advertising, personal selling, sales promotion, public relations, implies active communication with consumers and an influence on the purchase decision.

<sup>10</sup> It means the standard of special skill and care which a trader may reasonably be expected to exercise towards consumers, commensurate with honest market practice and/or the general principle of good faith in the trader's field of activity.

consumers<sup>11</sup> (UCPD, 2023). In other words, a trader is considered to apply an unfair commercial practice when he knowingly affects the economic behavior of consumers, significantly reducing their ability to make an informed decision to purchase a good or use a service. Unfair traders mislead consumers into making a purchase decision that they would not otherwise make (KZP, 2023). These commercial practices are prohibited.

UCPD defines two categories of unfair practices: misleading and aggressive. Misleading commercial practices shall be regarded as misleading actions and misleading omissions. Misleading actions: a commercial practice shall be regarded as misleading if it contains false information or in any way, including overall presentation, deceives or is likely to deceive the consumer, even if the information is factually correct, and in either case causes or is likely to cause him to take a transactional decision that he would not have taken otherwise. Misleading omissions: commercial practice shall be regarded as misleading if, in its factual context, taking account of all its features and circumstances and the limitations of the communication medium, it omits material information that the consumer needs, according to the context, to take an informed transactional decision and thereby causes or is likely to cause the consumer to take a transactional decision that he would not have taken otherwise.

A commercial practice shall be regarded as aggressive if, in its factual context, taking account of all its features and circumstances, by harassment, coercion, including the use of physical force, or undue influence, it significantly impairs or is likely to significantly impair the consumer's freedom of choice or conduct with regard to the product and thereby causes him or is likely to cause him to take a transactional decision that he would not have taken otherwise.

All practices containing misleading actions and lack of information, as well as a form of aggression on the part of traders towards consumers, are evaluated by the competent authorities on a case-by-case basis. However, certain commercial practices are prohibited under all circumstances. They are included in a „black list“ with 31 prohibited practices (UCPD, Annex I). They are commercial practices which are in all circumstances considered unfair. They can certainly negatively affect a free and informed purchase decision. The first 23 refer to misleading behavior by traders, and the last 8 are defined as aggressive practices. Some of the most common unfair commercial practices, in a digital environment, are listed below (European Union, 2023):

- Non-transparent ranking of search results. EU rules require websites to clearly indicate when a search result is sponsored or made more prominent as a result of paid advertising (with a label such as „Sponsored“ or „Ad“). Online platforms are obliged to disclose the advantages given to sponsored products in the ranking and to explain to consumers the parameters upon which the ranking is based. To find unbiased choices, consumers usually need to scroll beyond the first page of any search results.

- Dark design patterns. Dark design or deception design patterns are tricks used on websites to encourage, deceive or steer consumers to take a certain action. Fake countdown timers are one example. Used by businesses to drive e-commerce sales, they convey a sense of urgency to influence customers and encourage them to make a purchase before an offer expires. Another example is consent forms that are so complex and unclear that consumers are not entirely sure what they have signed up for. EU consumer rules protect consumers from these deceptive patterns, and prohibit companies from creating online user interfaces designed to trick consumers into buying things they do not really want.

- Ads (advertise) by social media influencers. A study on the impact of influencers on advertising and consumer protection in the Single Market was published last year (Michaelsen, Collini, et al., 2022). This study shows to what extent influencers are responsible for spreading misleading information and the promotion of unsafe products. The influencer marketing sector,

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<sup>11</sup> It means using a commercial practice to appreciably impair the consumer's ability to make an informed decision, thereby causing the consumer to take a transactional decision that he would not have taken otherwise.

which has grown significantly in recent years, often uses misleading messages to draw mostly in vulnerable consumers. Under EU law, consumers have the right to know if their favourite athlete, singer, blogger etc. is paid to endorse specific products. Sponsored (i.e. paid) endorsements need to be identified as such. Sponsoring can also be free gifts, trips or discount codes. It is obligatory for influencers acting as product sponsors to make it clear that they are not merely consumers of the product. The rules apply for every payment, discount, partnership arrangement, free product (including unsolicited gifts), free trip or event invitation.

- Ads by games. Many games have in-app ads. They appear suddenly and are hard to get rid of. Sometimes, it is not clear what is part of the game and what is the ad. Under EU rules, consumers have the right to know whether ads, endorsements and paid content are present in games or on gaming platforms. They must be clearly marked as such and comply with all relevant rules.

- Persistent unwanted offers. Under EU law, companies may not make persistent and unwanted offers to consumers by telephone, fax, e mail or any other media suitable for distance selling.

Unfair commercial practices are prohibited throughout the EU, and the conditions related to them are established in Directive 2005/29/EC - Unfair Commercial Practices Directive (UCPD). It is for maximum harmonization<sup>12</sup> and therefore every Member State has the same standards for consumer protection. The requirements of UCPD have been introduced into Bulgarian law through the Consumer Protection Act. These two legal instruments - the first at the EU level, the second at the national level - directly protect consumers in our country against unfair commercial practices. In addition, they also indirectly protect compliant traders from their competitors who engage in unfair and prohibited practices. It should be specified that UCPD and the relevant laws at the national level protect the economic interests of consumers before, during the commercial transaction, and afterwards. In this way, the choices of consumers and their actions are protected at every stage of „the purchasing path“ - the decision-making process (Kotler, Kartadzhaya, Setiuan, 2019). Other legal instruments related to consumer protection against unfair commercial practices are: Directive 2011/83/EU on consumer rights; Directive 2019/2161/EU as regards the better enforcement and modernisation of Union consumer protection rules; Directive 2019/770/EU of digital content and digital services.

In relation to unfair commercial practices, Member States shall determine penalties for infringements of national provisions and shall take all necessary measures to ensure that these are enforced. These penalties must be effective, proportionate and dissuasive. It is the responsibility national authorities to ensure consumers have access to all remedies, if they have been harmed by unfair commercial practices like misleading marketing. The joint work and interaction between all institutions related to consumer protection, including the active activity of consumer associations, is of key importance. This provides more guarantees for effective countermeasures against unfair commercial practices and overall, more consumer protection in the Digital Decade.

### **3. The Digital Decade and EU consumer protection policy**

The Digital Decade is associated with the ubiquitous penetration of digital technologies in all fields of social and economic life, and aims to highlight the benefits of digital transformation. This strategic objective is part of the European program for the „Digital Decade“. It sets specific digital targets and milestones to be reached by 2030. The programme puts digital skills and education at the forefront and is structured around four areas: digital skills; digital transformation of business; secure, durable, efficient and sustainable digital infrastructures; and digitization of public services (Decision (EU) 2022/2481). The complicate process of introducing digital technologies

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<sup>12</sup> Exceptions are made for financial services and real estate, for which Member States may impose stricter requirements.

will also reflect on Consumer Protection Policy. This ongoing and highly dynamic process outlines one of Europe's most important strategic missions: to provide more opportunities for businesses and people in a human centred, sustainable and more prosperous digital future (COM (2021) 118 final). At the core of this goal, the increased role of people and their interaction with new technologies is evident and emphasized. This is also evident in the European Declaration on Digital Rights and Principles, which show the enormous commitment, and along with this challenge, to the EU to reach a sustainable digital transformation. This declaration refers to the following rights and principles for the digital decade<sup>13</sup> (2023/C 23/01):

- Putting people and their rights at the centre of the digital transformation. Technology should serve and benefit all people living in the EU and empower them to pursue their aspirations. It should not infringe upon their security or fundamental rights. It will take measures to ensure rights are respected online as well as offline. The EU will promote this approach both at home and on the international stage.

- Supporting solidarity and inclusion. Everyone should have access to technology, which should be inclusive, and promote rights. The declaration proposes rights in a number of key areas to ensure that nobody is left behind by the digital transformation, including elderly people, people living in rural areas, persons with disabilities, and marginalised, vulnerable or disenfranchised people and those who act on their behalf. Concretely, actions will be in a number of areas, including: connectivity; digital education, training and skills; fair and just working conditions; digital public services.

- Ensuring freedom of choice online. Everyone should be empowered to make their own, informed choices online. This includes when interacting with artificial intelligence and algorithms. The declaration seeks to guarantee this by promoting human-centric, trustworthy and ethical artificial intelligence systems, which are used in line with EU values. Freedom of choice also includes people being free to choose which online services use, based on objective, transparent and reliable information. This in turn involves making sure everyone is empowered to compete and innovate in the digital world.

- Fostering participation in the digital public space. Digital technologies can be used to stimulate engagement and democratic participation. Everyone should have access to a trustworthy, diverse and multilingual online environment and should know who owns or controls the services they are using. The digital principles also highlights the need to create a digital environment that protects people from disinformation, information manipulation and other forms of harmful content. And, it supports access to digital content that reflects cultural and linguistic diversity.

- Increasing safety, security and empowerment of individuals. Everyone should have access to safe, secure and privacy-protective digital technologies, products and services. The digital principles commit to protecting the interests of people, businesses and public services against cybercrime, and confronting those that seek to undermine the security and integrity of our online environment. The declaration calls for everyone to have effective control over their personal and non-personal data in line with EU law. It pays specific attention to children and young people, who should feel safe and empowered online.

- Promoting the sustainability of the digital future. The digital and green transitions are closely linked. While digital technologies offer many solutions for climate change, it must be ensured they do not contribute to the problem themselves. Digital products and services should be designed of in a way that reduces their impact on the environmental and society. There should also be more information regarding the environmental impact and energy consumption of such services.

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<sup>13</sup> The European digital rights and principles will complement existing rights, such as data protection, ePrivacy, and the Charter of Fundamental Rights. They will build on the experience of the European Pillar of Social Rights. And, they will provide guidance for the EU and Member States as they adapt to the digital transformation.



Although the EU is developing key performance indicators that will measure progress towards digital goals, the specific changes, consequences and effects of the digital transformation process, as well as the level of readiness of consumers and society for these changes, are very difficult to predict and evaluate. Certainly, the upcoming changes in the field of the digital market will lead to the adoption of new rules in favor of European consumers. Among the most recent changes are the new rules for contracts for the provision of digital content and digital services. The specific instruments at European level specifying these new rules are Directive (EU) 2019/771 and Directive (EU) 2019/770. They aim to provide better consumer protection, taking into account the impact of the digital economy on the European market. In 2022, the directives are transposed into Bulgarian legislation, harmonizing certain aspects of contracts for the supply of goods as well as digital content and digital services. The law related to these two EU Directives applies to contracts concluded online and offline. By updating the legislation in this direction, the scope of consumer protection is further expanded through the introduced new responsibilities of traders when selling digital content and digital services. For example, the sale of e-books, online games, navigation maps or services offered by social networks fall within the scope of this law. In addition, goods that contain digital elements (smart TVs, cars, home appliances) and the associated liability of traders for non-conformity, are also subject to the new law. New legal rules give consumers greater certainty when buying digital goods and digital services. At the same time, the new rules will be a prerequisite for the wider implementation of new technologies in the everyday life of consumers - digital platforms, the „Internet of Things“, Artificial Intelligence.

Changes in the Digital Decade directly affect consumers and their protection. The new Consumer Program presents the vision of EU consumer protection policy, one of the priorities being in the context of digital transformation. The problems, challenges and solutions in this field boil down to achieving the following significant results at the European level and adapting them to national policies (COM (2020) 696 final):

- *Digital Services Act*<sup>14</sup> (DSA), which purpose to reach a safer digital space and protect rights online. The main problems targeted by this legislation relate to the trade and exchange of illegal goods, services and content online and the spread of disinformation as a result of algorithmic activity. The legislation will give consumers more control over what they see online, have more information, such as why particular content has been recommended to them, and will be able to opt out of having their data processed to create a profile. Targeted advertising to children will be prohibited and the use of sensitive user data will not be allowed. The Digital Services Act also includes rules that aim to ensure the safety and high quality standards of goods sold online in the EU. For example, consumers will have more complete information about the actual sellers of the products they buy from.

The new rules will help protect and empower consumers; strong child protection; more proper content moderation; less misinformation; more transparency and accountability for the activity of the platforms they interact with.

- *Digital Markets Act*<sup>15</sup> (DMA), which purpose to ensure a level playing field for all digital companies, including online traders regardless of size. Clear rules are being introduced for the big platforms so that they cannot impose unfair conditions and practices on the companies and consumers who use them. Such practices may include placing products or services on the platform

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<sup>14</sup> The Digital Services Act, covering a large category of online services – from websites to internet infrastructure services and online platforms, came into force on 16 November 2022 and will be directly applicable across the EU by 17 February 2024. However, very large platforms and very large online search engines will have to comply with their obligations under the Digital Services Act earlier. The Commission designated the first set of very large platforms on 25 April 2023, among them are following: Alibaba AliExpress; Amazon Store; Apple AppStore; Booking.com; Facebook; Google Play; Google Maps; Google Shopping; Instagram; LinkedIn; Pinterest; Snapchat; TikTok; Twitter; Wikipedia; YouTube; Zalando. Many major online search engines are Bing; Google Search.

<sup>15</sup> The Digital Markets Act entered into force on 1 November 2022 and its rules started to apply on 2 May 2023.

itself ahead of similar services offered by other merchants, or denying users the ability to delete preinstalled software or a mobile application. Mobile messaging apps will be connected – consumers will be able to communicate (text, send files or make video calls) between different apps. The legislation will also establish criteria for determining online platforms to act as „information gatekeepers“. They are digital platforms with a systemic role in the internal market that function as consumer protection for important digital services.

Consumers are expected to receive fairer digital markets, including lower prices, better quality and more innovative digital services.

- While *Artificial Intelligence* can do a lot of good, some AI uses could breach consumer rights and cause harm to consumers. For example, algorithms and related machine-learning, if not transparent and robust enough, may risk repeating, amplifying or contributing to biases. Directly related to consumer protection, in this fields, are the White Paper on Artificial Intelligence and the accompanying report on liability and the safety of new technologies – Artificial Intelligence, the „Internet of Things“ and robotics. The overall objective of the safety and liability legal frameworks is to ensure that all products and services, including those integrating emerging digital technologies, operate safely, reliably and consistently and that damage having occurred is remedied efficiently COM (2020) 64 final.

High levels of safety in products and systems incorporating new digital technologies contribute to better consumer protection. It is high levels of safety that form trust in new technologies, which in turn is a prerequisite for their implementation in economic sectors, including trade and the acceleration of e-commerce.

- With the advance of new technologies, the dynamic development of the globalization of production and retail trade, including through online channels, the problem of existing *product safety rules* and the corresponding consumer protection is raised. European institutions related to product safety are working on a number of initiatives in this field. For example, updating the General Product Safety Directive in response to increasing challenges. The growth of online sales poses such challenges, as authorities do not always have sufficiently effective instruments for online market surveillance. In addition, e-commerce allows consumers to buy directly from operators located outside the EU, making it difficult to check the safety of products entering the single market.

Consumers are expected to receive an updated and modernized general framework for the safety of non-food consumer products in the context of the challenges posed by new technologies and the growth of online sales, as well as to ensure a level playing field for businesses.

- A *public electronic identification* that is based on the choice of consumers, their consent and the guarantee that privacy is fully respected in accordance with the General Data Protection Regulation (GDPR). This identification can enable consumers to manage access to and use of their data in a controlled and secure manner. At the European level, such a system is systematically reviewed, taking into account the interest and protection of consumers.

- Another important change for the benefit of consumers is the removal of *geo-blocking*. This is an important element of the Digital Single Market strategy, because geo-blocking discriminates between consumers in the EU<sup>16</sup>. It was one of the reasons for the relatively small percentage of Europeans who buy products from online stores established in another EU country. The Geo-blocking Regulation removes these restrictions and frees up e-commerce to the benefit of both consumers and businesses. Discrimination of customers and companies in terms of access to prices and conditions of sale or payment, when buying products and services in another EU country, is prevented.

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<sup>16</sup> In 2017, roaming charges are abolished, allowing Europeans to use their phones anywhere in the EU under the same conditions as in their home country. Another significant change from 2018 is that EU travelers can use their online movie or music subscription abroad thanks to content portability legislation.

• *The European Data Strategy* aims to facilitate the effective right of individuals to data portability under the GDPR. This right has the potential to put people at the center of the data-driven economy by enabling them to choose and switch service providers, combine different services, use other innovative services and choose the services that offer the most data protection. The strategy is of utmost importance for the single data market and the creation of common European data spaces. In addition, the protection of personal data significantly limits the opportunities for abuse in commercial practice. Control in this field of consumer protection provides for institutions to have enhanced powers over traders who are caught in violations.

• *The retail financial services sector* is also affected by the digital transition and the introduction of new trends in financial products and services offered. This sector is extremely dynamic and creates a number of benefits for consumers. For example, instant payment solutions ensure funds are available to the recipient within seconds. These instant payments are central to the EU's Retail Payments Strategy as well as the EU's Digitalization of Financial Services Strategy. The aim is to develop a high-tech, secure and cheaper way to make payments both nationally and cross-border within the EU. In practice, with the help of new technologies, including mobile, instant payments can be an alternative to card payments in all shopping channels (online and in a physical store). Strategies for financial services and retail payments, as well as legislative proposals on crypto-assets and digital operational resilience for the financial sector, are part of the European Commission's *new package to digitize financial services*. The overall goal is to ensure that consumers and businesses can benefit from innovation while being protected.

• Digital transformation can lead to issues related to the accessibility of *digital solutions by people with disabilities*. Its application by 2025 is expected to help eliminate the challenges of digitization for people with disabilities and increase the availability of products (and services) for people with disabilities.

• Digital transformation requires consumers to have reliable *digital literacy and competences*, which should be fostered through education and training in a lifelong learning perspective. This is a strategic priority in the Digital Education Action Plan 2021-2027.

It is clear from the above that the Digital Decade outlines a future for European consumers in which the emphasis is on harnessing the opportunities of the Digital Single Market, the development of Artificial Intelligence technologies, the promotion of innovation and the accumulation of digital skills. All this is accompanied by the development of new and the improvement of existing laws, which directly or indirectly reflect on the EU consumer protection policy. The global aim of this policy is to achieve maximum consumer protection in all channels of interaction with people, goods, services and devices.

### **Conclusion**

In conclusion, digital transformation permeates all spheres of life, including in the everyday life of consumers. It is becoming a key priority of EU policy. Digital platforms, Internet of Things technology, Artificial Intelligence, cloud services have a wide application field and are useful for business, consumers and society. These technologies provide more mobility, awareness, flexibility, efficiency and effectiveness to consumers in their daily lives, save time, costs and efforts. At the same time, new technologies raise questions about the protection of consumer rights and the responsible use of their data, which can be used with disloyal intentions. From this point of view, special attention should be given to consumer protection against unfair commercial practices.

The EU is making systematic efforts to improve and adapt legislation to protect consumer in the context of the digital transformation and the growing challenges of the Digital Decade.

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