

Consumer Confidence and Market Experience Study

2010 – 2011



DEPARTMENT
OF JUSTICE

Consumer Confidence and Market Experience Study: 2010–2011 is a research paper, approved by the Director of Consumer Affairs Victoria, which presents the findings of research into the level of consumers' confidence in the consumer protection framework and their experience of the market, including incidences of detriment.

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Preface

This document presents the findings of the third Consumer Confidence and Market Experience Study commissioned by Consumer Affairs Victoria. The study follows on from the 2008 Consumer Confidence and Market Experience Study and 2006 Consumer Detriment Study.

The purpose of the Consumer Confidence and Market Experience Study is to determine the level of consumer confidence in the consumer protection framework, and examine the experience of consumers in the market, including incidences of detriment.

From January 2011, the consumer protection framework comprises national legislation administered by regulatory agencies, and government and industry-run dispute resolution services.

In its role as Victoria's consumer protection agency, Consumer Affairs Victoria ensures the market operates in an efficient, effective and fair way, that traders understand and comply with their regulatory obligations, and that consumers are informed about their rights and protected from breaches of the law.

This study investigated the incidence of detriment – that is, issues consumers face when engaging in the market – across 31 market sectors, the dollar cost of this detriment to consumers, and the specific types of problems consumers experience; for example, faulty goods, poor customer service and unfair contract terms.

The study quantified the total cost of consumer detriment, as perceived by Victorian consumers, at \$3.69 billion annually, including the cost of time spent rectifying problems. It revealed that the incidence of this detriment is higher in a few specific sectors: telecommunications, utilities, mobile phone handsets, and building a new home.

The study found 90 per cent of consumers had a high level of confidence that they would be treated fairly in the purchase of goods and services. The reason for the high level of confidence is a belief in 'the system' – that is, there are laws in place to protect consumers when traders act unfairly (88 per cent agreement), and that those traders acting unfairly will be detected and made to do the right thing (64 per cent agreement).

While administering consumer protection legislation, handling enquiries and complaints and providing services, Consumer Affairs Victoria collects a range of information. This study complements that program of market monitoring, to determine how we can best target research, information and education strategies, and regulatory priorities in particular market sectors. Accordingly, it presents the study's results to stimulate discussion on future directions. The paper does not constitute government policy at this stage.

Consumer Affairs Victoria would like to thank Hall and Partners for its assistance in conducting the quantitative research into consumers' market experience.



Director
Consumer Affairs Victoria

1. Objectives and design

1.1 The aim

The key aims of the research were to understand the experience of consumers in the marketplace and the extent of consumer detriment in the Victorian economy.

1.2 The method

The study is a quantitative one. The data for the study was collected by telephone interviews in late 2010. A random sample of 1001 Victorian consumers, aged 16 years and over, was drawn from the random digit database at the Association of Market and Social Research Organisations. Data generated from the survey has a margin of error of plus or minus two to three percentage points, which indicates that the data is reliable.

All survey findings were weighted to the structure of the Victorian population aged 16 and over, based on Australian Bureau of Statistics data, to ensure an accurate representation.

1.3 The scope of the study

The scope of the study was expanded from its 2008 parameters to gain a more robust understanding of consumers' experiences as they attempt to address the problems they encounter in the market.

The 2010 study investigated the following aspects of the marketplace and consumers' experiences in the market:

- the confidence consumers have in 'the market' in general
- the market sectors in which consumers participate
- the type of problems they encounter in those sectors
- the cost of the problems they encounter
- how they deal with the problems they encounter
- how traders respond
- whether the problem was resolved.

1.4 Measures

The study determined the level of consumer confidence by measuring consumers' general feeling that:

- they will be treated fairly in the market when buying goods and services
- there are laws in place to protect them
- traders who act unfairly will be detected and made to do the right thing.

The two measures used to determine consumer detriment¹ were incidence and cost. Incidence was determined by asking respondents if they "had experienced any genuine cause for complaint".

The cost of detriment was determined by two elements:

- consumers' out-of-pocket expenses
- the cost of the time consumers spent trying to rectify problems.

1.5 Chart and table formats

All charts present results for the total sample.

All percentages have been rounded to the nearest whole number.

1. Consumer detriment refers to the problems consumers experience when engaging in the market. In general, it refers to products and services not being fit for their purpose, but it also includes issues such as unfair contract terms and warranties.

2. Consumer confidence

Summary statistics

90 per cent of consumers agreed with the statement “In Victoria you can generally buy products or services and expect to be treated fairly”.

88 per cent of consumers agreed with the statement “If traders did not act fairly, there are laws to protect your rights as a consumer”.

64 per cent of consumers agreed with the statement “Traders who don’t act fairly will be detected and made to do the right thing”.



2.1 Confidence in general

To measure consumer confidence, participants were asked about their expectations of fair trading in the Victorian marketplace and the Consumer Protection Framework. Three statements were used to measure consumer confidence:

1. In Victoria you can generally buy products or services and expect that traders will act fairly
2. If traders don’t act fairly, there are laws that protect your rights as a consumer
3. Traders who don’t act fairly will be detected and made to do the right thing.

Responses were structured around varying degrees of agreement or disagreement. In general, the findings show that confidence among Victorian consumers is high across all three measures of consumer confidence. The findings are consistent with those of the 2008 study.

Table 1 (below): Shows that 90 per cent of respondents agreed that “In Victoria you can generally buy products and services and expect that traders will act fairly” and 8 per cent disagreed.

Response category	%
Agree a lot	62
Agree a little	28
Neither	1
Disagree a little	6
Disagree a lot	2
Don’t know	1
Total	99

Table 2 (below): Shows that 88 per cent of respondents agreed that “If traders don’t act fairly there are laws in place to protect your rights as a consumer” and seven per cent disagreed.

Response category	%
Agree a lot	60
Agree a little	28
Neither	2
Disagree a little	4
Disagree a lot	3
Don’t know	4
Total	101

Table 3 (below): Shows that 64 per cent agreed that “Traders who don’t act fairly will be detected and made to do the right thing” and 30 per cent disagreed.

Response	%
Agree a lot	29
Agree a little	35
Neither	2
Disagree a little	17
Disagree a lot	13
Don’t know	3
Total	99

Since the 2008 survey there have been a number of changes in respondents’ perceptions. There has been:

- a significant increase in those agreeing strongly that you can expect that “traders will act fairly”, but
- a significant decrease in those agreeing strongly or moderately that “traders who do not act fairly will be detected and made to do the right thing”.

2.2 Confidence about various markets

Consumer confidence differed significantly between market sectors. There were six sectors where 87 per cent or more of respondents indicated that they were confident about the sector. Sectors in which consumers expressed the greatest confidence included:

- clothing and footwear
- appliances or electrical goods
- ticketing or booking services (sports/entertainment)
- food and drink
- sporting/athletic equipment, games and toys
- airline services.

There were seven sectors where 54 per cent or less of consumers indicated they were confident about the sector.

Sectors in which consumers expressed the lowest levels of confidence included:

- interest-free finance
- purchase of a used vehicle
- online auctions
- renting/leasing a residential property
- telecommunications
- owners corporations
- pay TV.

In general, sectors in which consumers expressed high and low confidence were largely consistent between 2008 and 2010; however, a few new sectors appeared among those where there was low confidence. These sectors included purchase of a used vehicle, interest-free finance, and renting or leasing a residential property.

3. Market experience

Summary statistics

90 per cent or more of consumers indicated that they did not “personally experience a problem” in 24 of 31 market sectors examined in the study.

95 per cent or more of consumers indicated that they did not “personally experience a problem” in 10 of 31 market sectors.



3.1 Market participation

The study examined 31 market sectors². Survey participants were asked to indicate which sectors of the market they were active in. The participation of consumers in the market sectors varied significantly from a high of 100 per cent for the food and drink sector to a low of four per cent for building a new home.

Table 4 (below and opposite): Shows the percentage of Victorian consumers who participated in each of the market sectors in the last 12 months.

Market sector	Consumers who participated in the market %
Food and drink	100
Clothing, footwear and other personal products	96
Utilities (electricity, gas, water)*	96

Insurance	80
Appliances and electrical goods	74
Motor vehicle maintenance*	74
Homewares, furniture and household goods	70
Credit, store or charge cards	63
Ticketing/booking services	63
Personal computers	62
Telecommunications (including premium SMS)	62
Airline services	57
Sporting/athletic equipment, games and toys	53
Travel services	51
Mobile phone handsets	49
Home maintenance or improvements	42
Fitness/gym, sporting club membership	39
Online auctions	31
Financial or investment service	28
Pay TV	25
Home mortgage finance*	23

2. The number of sectors examined in the study increased from 24 to 31 between 2008 and 2010. The utilities sector was added to the study, while the building sector was split into three sectors as were motor vehicles and finance.

*Indicates new or revised sectors.

Market sector	Consumers who participated in the market %
Renting/leasing residential property	20
Home renovation*	17
Personal car finance*	15
Purchase of a new vehicle*	15
Purchase of a used vehicle*	15
Property conveyancing	11
Buying and selling residential property	10
Owners corporations	10
Interest-free finance*	6
Building a new home*	4

There were a number of differences in the extent to which various groups of consumers were active in particular market sectors. Respondents aged 16-24 years were significantly more likely to have purchased a used vehicle: 20 per cent in comparison with the average 15 per cent.

Culturally and linguistically diverse consumers were significantly more likely to have been:

- renting/leasing residential property: 29 per cent compared with the average of 20 per cent
- purchasing a new or used vehicle: 21 per cent compared with the average of 15 per cent
- building a new home: nine per cent compared with the average four per cent.

3.2 Market experience

In general, most consumers do not experience detriment – or problems – when they participate in the various market sectors. There were 24 sectors where 90 per cent or more of consumers indicated that they did not experience a problem, and 10 sectors in which 95 per cent of consumers indicated that they did not experience a problem.

The problems consumers experienced varied significantly between different demographic groups of consumers. Groups where the largest percentages of consumers reported a problem included those in the age group 25– 44, and males. Groups where the lowest proportions of consumers reported a problem included consumers over 65 years of age and consumers in regional areas, as shown in Table 5 (below).

Category	Consumers who reported a problem %
In the age group 25-44	66
Males	55
All consumers	49
Aged over 65	43
Regional areas	39

Although it is important to monitor the overall level of consumer detriment, a better understanding of what is going on in the trading environment is possible by examining the proportion of consumers experiencing a problem at the market sector level.

The proportion of consumers experiencing a problem varied across the 31 market sectors examined from a low of one per cent for the interest-free finance sector to a high of 19 per cent for telecommunications as shown in Table 6 below.

Table 6: Shows percentage of Victorians experiencing detriment.

Market sector	Consumers experiencing detriment (of all in the market) %	Number of consumers experiencing detriment '000 ³
Telecommunications	19	514
Utilities	10	419
Mobile phone handsets	17	415
Motor vehicles (new and used vehicles and repairs)	8, 10, 9 ⁴	407
Food and drink	7	262
Building (new home, renovations and repairs)	18, 13, 7	256
Clothing, footwear, and other personal products	5	251
Credit, debt, store or charge cards	6	165
Airline services	5	149
Insurance	4	140
Renting or leasing residential property/rooms	12	105
Pay TV	9	98
Travel services	3	89
Fitness/Gym, sporting club memberships	5	85

3. The number of Victorians who experienced a problem in a particular market sector is calculated by establishing the percentage of all consumers who participate in a particular market sector (as shown in Table 4), then multiplying that number by the percentage of consumers who experienced an incident of detriment in that sector, as shown in Table 6.

4. The three motor vehicle and building sectors have been collapsed together to determine the number of Victorian experiencing detriment.

Market sector	Consumers experiencing detriment (of all in the market) %	Number of consumers experiencing detriment '000 ³
Ticketing/booking services	1	82
Online auctions	7	81
Homewares, furniture, other household goods	5	61
Financial or investments services	2	61
Property conveyancing	5	38
Owners corporations services	8	35
Buying and selling residential property	3	31
Home or mortgage finance	3	30
Personal computers, accessories, services	8	26
Personal or car finance	4	26
Sporting/athletic equipment, games and toys	1	23
Interest-free finance	1	3

Types of problems

Survey participants were asked to identify the types of problems they experienced. The three most common complaints related to:

- an item that performed below standard
- an item that was faulty or damaged
- service or work that was not provided or completed.

3. The number of Victorians who experienced a problem in a particular market sector is calculated by establishing the percentage of all consumers who participate in a particular market sector (as shown in Table 4), then multiplying that number by the percentage of consumers who experienced an incident of detriment in that sector, as shown in Table 6.

4. The three motor vehicle and building sectors have been collapsed together to determine the number of Victorian experiencing detriment.

These three types of problems accounted for 48 per cent of all problems across all sectors. Table 7 shows the percentages for the types of problems.

In general, the types of problems consumers experienced were largely consistent between 2008 and 2010. However, there were a few significant increases in the percentage of consumers experiencing specific types of problems.

Problems with an item that performed below standard increased from 13 per cent to 30 per cent, and problems with an item that was faulty or damaged increased from 20 per cent to 27 per cent.

The types of problems that consumers experienced varied considerably across market sectors.

A large majority of the problems with building a new home related to being 'below standard/not as expected' and, to a lesser extent, service not provided or not completed on time.

Faulty or damaged items were reported most often in relation to a purchase of vehicles (57 per cent of new vehicles and 64 per cent of used vehicles), personal computers (58 per cent), appliances (56 per cent) and clothing (68 per cent).

Incorrect claims by salespeople were frequently mentioned in relation to buying used vehicles (43 per cent), buying and selling residential property (37 per cent), fitness/gyms (32 per cent), and mortgage finance (28 per cent).

Unsafe products were most often reported in the food and drink sector (42 per cent of problems).

Table 7 (below): Shows the 14 types of problems experienced by consumers.

Type of problem	%
Item performed below standard or not as expected	30
Item was faulty or damaged	27
Service or work was not provided or completed	14
Final charge exceeded quoted price	11
Salesperson's claims turned out to be incorrect	10
Difficulty getting faults fixed	9
Important information about the purchase was not provided	7
Advertising was misleading	7
Unfair terms/conditions in contract	6
Item did not work at all	6
Product/service was unsafe/ a health hazard	6
Goods delivered late or not at all	5
Misunderstood contract terms/conditions	5
Sold inappropriate product/ put under pressure to buy	3

3.3 Cost of consumer detriment

The cost of consumer detriment, a key measure of the study, was determined by two elements:

- the extent of additional out-of-pocket expenses
- the time-cost spent trying to rectify problems⁵.

Consumers were asked to estimate their out-of-pocket expenses as a result of the problems they encountered with the purchase of their goods and services, as well as the cost of time they spent trying to resolve the problem.

Employing the method described above, the overall cost of consumer detriment to the Victorian community was estimated to be \$3.69 billion in 2010. Additional out-of-pocket expenses were calculated to be \$2.70 billion, and cost of personal time trying to rectify problems associated with the detriment was estimated to be \$991 million.

The total cost of consumer detriment (\$3.69 billion) represents 1.3 per cent of Victorian Gross State Product (GSP). The cost of consumer detriment, as a percentage of GSP, rose from 1.1 per cent in 2008 to 1.3 per cent in 2010.

3.4 How consumers deal with the problems they experience

The 2010 study examined in greater detail than the 2008 study how consumers deal with their problems. In particular, the study examined:

- whether consumers took action about the problems they encountered
- what action consumers took
- for those who did not take action, why they did not take action
- how the traders responded
- whether the problem was resolved
- whether respondents were satisfied with the outcome.

Taking action to resolve the problem

The study shows that around two-thirds of consumers took action in relation to the problems they experienced while one-third did not.

In general, consumers who took action sought to solve their problems directly with the trader/supplier. Most consumers approached the trader asking for a refund, replacement or repairs. Taking the issue further to a government body was far less common. Only seven per cent of consumers turned to Consumer Affairs Victoria for help, and usually only did so after they had attempted to rectify the problem with the trader. This finding is consistent with Consumer Affairs Victoria's role of empowering consumers, where consumers address their problem in the first instance and seek assistance if they are unable to achieve a fair outcome.

5. Emotional costs were not examined in the 2010 study.

Table 8 (below): Shows actions taken by consumers in relation to the problem they experienced.

Consumer actions	% ⁶
Asked the trader for a refund	29
Asked the trader to repair the goods	26
Asked the trader for a replacement	25
Went directly to the manufacturer for repair or replacement	20
Asked the trader for a credit	18
Asked the trader for compensation for costs incurred	11
Lodged a complaint with a relevant ombudsman	8
Contacted Consumer Affairs Victoria for information and advice	7
Withheld payment for the goods or services	7
Lodged a complaint with the trader or supplier	5
Lodged a complaint with Consumer Affairs Victoria	4
Ceased dealing with the trader or supplier	2
Don't know	0

The study shows that a significant percentage of consumers (around a third) do not take action when they experience a problem. Generally, consumers explained their lack of action in terms of a cost-benefit analysis; that is, that too much effort would be required to resolve the issue for what it was worth, or the effort they would be required to expend with the trader would not be worth their expected outcome (61 per cent). Consumers also explained their lack of action in terms of a lack of confidence about knowledge of their rights (25 per cent), or confidence that the trader would act fairly and provide them with a fair and reasonable outcome (36 per cent).

Trader response

Survey participants were asked to describe how the trader reacted to their complaint. Around half of consumers encountered traders who offered a replacement, repair, full or partial refund, or credit. The other half indicated they encountered a negative trader response to their complaint, such as ignoring the problem, refusing to make any amends, blaming the consumer for the problem, and trying to pass the problem on to the manufacturer.

6. Total does not add to 100% as consumers can engage in more than one action.

Table 9 (below): Shows actions taken by traders in response to a problem.

Action	%
Ignored the problem	26
Offered/gave a replacement or alternative	21
Repaired/offered to repair goods	19
Refused to make amends	15
Offered/gave a full refund	15
Tried to blame the consumer for the problem	11
Offered/gave full credit	9
Tried to pass the issue to the manufacturer	9
Offered/gave a partial credit	7
Made an offer that was not fair or reasonable	6
Offered/gave a partial refund	4
Don't know	4

Resolution of the problem

Consumers who took action about their problems described vastly different outcomes for the problems they experienced:

- 51 per cent indicated their problem was fully resolved⁷
- 16 per cent of problems were described as partially resolved
- 19 per cent indicated they could not resolve the problem
- 13 per cent said the issue was ongoing at the time of the survey.

Subsequent action

Consumers who were not able to resolve their problem were asked if they took any subsequent action. The findings show that, in general, if the consumer cannot initially resolve the problem with the trader or supplier, they take no further action. Only 33 per cent of those who could not fully resolve their problem took further action.

Those who did take further action approached a government body such as Consumer Affairs Victoria, an ombudsman or made an official complaint to the trader or trader's organisation. The others concluded that they had done what they could do and that taking further action was not going to be worth the effort, or they did not trust that they would get a fair outcome if they pursued the matter further.

7. The term 'resolved' is used in the study to mean that the consumer and the trader or supplier had reached an agreement about the consumer's problem.

Consumers' satisfaction with the trader's response

Respondents were asked to indicate whether they believed the trader's action was fair and reasonable. Overall, respondents gave a mean score of 5.4 out of 10; however, responses were somewhat polarised with 23 per cent giving a score of 1 (very unfair and unreasonable) and 21% giving a score of 10 (very fair and reasonable).

Factors that most influenced the resolution of the consumers' problems

Regression analysis was used to identify the factors that contributed to a full resolution of the problem. This analysis demonstrated that the largest contributing factor to the resolution of consumers' problems was positive action taken by the trader. This highlights the important role that traders have in relation to consumer problems and outcomes.

4. Conclusion

This study shows that the Victorian market environment is working effectively. The overwhelming majority of consumers indicated that they did not experience a problem while participating in most market sectors. The effectiveness of the market environment is also evidenced by the high proportion of consumers who indicate confidence in the trading environment and the consumer protection framework.

The exploration of the way consumers deal with the problems they experience highlights a number of important issues. A significant proportion of consumers do not take action about the problems they experience because they feel it will take too much effort to achieve a satisfactory outcome, or they do not have faith that the trader will act in a fair or reasonable way.

When consumers do act, they show a preference for resolving their problems directly with the trader. However, when consumers approach traders about problems, only around half the traders appear to engage in action that serves to resolve the problem.

These findings about the perceptions and experiences of consumers in dealing with their problems highlight the very significant relationship between traders' behaviour and consumers' problems and outcomes.



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