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*Consumer confidence and
market experience study*
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“ Preface ”

This document presents the findings of the CAV commissioned *Consumer Confidence and Market Experience Study*.

The purpose of the study is to determine the level of confidence in the consumer protection framework by examining consumers' experience of the market, including incidences of detriment.

The consumer protection framework comprises of a complementary body of Commonwealth and State consumer protection legislation administered by regulatory agencies, and government and industry-run dispute resolution services. As Victoria's consumer protection agency, CAV plays a key role in this framework, and aims to ensure the efficient, effective and fair operation of the market, in line with the Victorian Government's *A Fairer Victoria* policy statement.

The survey investigated the incidence of consumer detriment across 24 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 consumer detriment, as perceived by Victorian consumers, at \$3.03 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: home building, renovation and maintenance; motor vehicle hire, purchase and maintenance; insurance; and telecommunications.

Encouragingly, the Study found that 91% 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 (87% agreement) and that those traders acting unfairly would be detected and made to do the right thing (68% agreement).

From its vantage in administering consumer protection legislation, handling enquiries and complaints and providing services, CAV collects a range of intelligence. This survey complements this program of market monitoring, to determine how CAV can best target research, information and education strategies and regulatory priorities in particular market sectors. As such, this paper presents the survey results to stimulate discussion on future directions, but does not constitute government policy at this stage.

Consumer Affairs Victoria would like to thank *On Track Research* for its assistance in conducting the quantitative research into consumers' market experience.



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“ Objectives and design ”

1

1.1 The aim

The aim of the research was to explore consumers' confidence and experience in the market.

1.2 The method

The study used a quantitative method. Twelve hundred interviews were conducted with Victorian consumers. The sample was random and representative which allows the findings to be generalised to all Victorian consumers.

The study investigated consumers' experiences in the market. In particular it examined:

- the confidence they have in “the market” in general
- the sectors within the market consumers engage in
- the type of problems they encounter in those markets
- the cost of the problems they encounter
- how they deal with the problems they encounter
- how traders respond, and
- the outcomes of their problems.

1.3 The measures

The study used three measures to determine the level of consumer confidence:

- a general feeling that consumers have when buying goods and services that they will be treated fairly in the market
- that there are laws to protect them, and
- that traders who act unfairly will be detected and made to do the right thing.

Two measures used to determine consumer detriment were incidence and cost. Incidence was determined by asking respondents if they had experienced any problems for which they considered they had a genuine cause for complaint.

The cost of detriment was determined by three elements:

- the cost of out-of-pocket expenses
- the cost of the time spent trying to rectify problems, and
- the emotional costs involved in trying to rectify problems.

1.4 The previous study

The *Consumer Confidence and Market Experience Study* follows on from the 2006 Consumer Detriment study, however, the scope of this study is broader than the previous study, exploring the consumers experience in the market as well as their experiences with detriment.

1.5 Table formats

- All percentages have been rounded to the nearest whole number.
- All percentages have been rounded to the nearest whole number.

“Consumer confidence”

2

Summary statistics:

- 91% of consumers agreed that “In Victoria you can generally buy products or services and expect to be treated fairly”
- 87% of consumers agreed that “If traders did not act fairly, there are laws to protect your rights as a consumer”, and
- 68% of consumers agreed that “Traders who don’t act fairly will be detected and made to do the right thing”.

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

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

The survey provided for responses to each statement in terms of varying degrees of agreement or disagreement. The results show that confidence among Victorian consumers is high across all three measures of consumer confidence.

Table 1: 91% of consumers agreed with the first statement and only 8% disagreed

Agree a lot	57
Agree a little	34
Neither	1
Disagree a little	6
Disagree a lot	2
Total	100

Table 2: 87% of consumers agreed with the second statement and only 8% disagreed

Agree a lot	58
Agree a little	29
Neither	1
Disagree a little	4
Disagree a lot	4
Don’t know	4
Total	100

Table 3: 68% of consumers agreed with the third statement and just under a quarter disagreed

Agree a lot	32
Agree a little	36
Neither	4
Disagree a little	14
Disagree a lot	10
Don’t know	4
Total	100

Difference between demographic groups

Differences between demographic groups in terms of agreement/disagreement were not substantial, and tended to be most apparent in relation to the first statement. The differences in relation to statements 2 and 3 were less pronounced, and in some cases disappeared. The indications are that consumers from vulnerable and disadvantaged groups, such as youth, seniors, those from NES backgrounds, and those on welfare were less confident than were other consumers.

Confidence about various markets

Consumer confidence differed significantly between market sectors. Sectors in which consumers expressed the greatest confidence included:

- homewares, furniture and household goods
- food and drink
- ticketing and booking services
- sporting, athletic equipment, games and toys
- clothing and footwear and cosmetics
- airline services
- travel services, tours, and accommodation
- computers, software services
- property conveyancing.

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

- online auctions
- telecommunications services
- credit, debt, store credit, charge cards
- mobile phone handsets
- insurance
- pay TV
- buying and selling property
- home and personal finance
- financial and investment services
- fitness centres, gym, sports clubs.

“ Market experience ”

3

Summary statistics:

- 90% of consumer reported no problem in 18 of the 24 market sectors examined, and
- 95% of consumers reported no problem in 11 of the 24 market sectors examined.

The study examined 24 market sectors. Consumers aged 16 and over were asked in which sectors of the market they participated. Consumer participation in the various market sectors varied from a high of 100% in the food and drink sector to a low of 11% for buying and selling property, and property conveyancing as shown in table 4, see page 6. This means that nearly four million consumers participated in the food and drink sector, while 431,000 consumers were involved in buying or selling property.

Note: The numbers of consumers who participated in the each of the market sectors is based on the percentage of the sample who participated in the market sector.

Consumers' market experience

In general, the overwhelming majority consumers reported a positive experience of participating in the majority of the markets sectors. The findings show that in more than three-quarters of the market sectors (18 of the 24), more than 90% of consumers reported no problem.

Further, there were 11 market sectors where 95% or more of consumers reported no problem as shown in table 5, see page 6.

Table 4: Shows the proportion and number of Victorian consumers who participated in a market sector in the last 12 months

Market sector	Proportion of Victorian consumers who participated in the market	Number of Victorian consumers in the market last year
Food and drink	100%	3,915,000
Clothing, footwear, cosmetics and other personal products	94%	3,680,000
Appliances and electrical goods	74%	2,897,000
Insurance	74%	2,897,000
Homeware, furniture, and household goods	73%	2,897,000
Telecommunications (including premium SMS)	70%	2,740,000
Credit, store charge cards	64%	2,505,000
Personal computers	60%	2,349,000
Ticketing/booking services	60%	2,349,000
Airline services	58%	2,270,000
Motor Vehicle purchase and maintenance	56%	2,192,000
Sporting/athletic equipment, games and toys	53%	2,074,000
Travel services	51%	1,996,000
Mobile phone handsets	48%	1,879,000
Fitness/gym, sporting club membership	38%	1,487,000
Financial or investment service	34%	1,331,000
Home building, renovation and maintenance	33%	1,292,000
Online auctions	30%	1,174,000
Home or personal finance	29%	1,135,000
Pay TV	25%	978,000
Renting, leasing residential property	24%	939,000
Owners Corporations/body corporation	14%	548,000
Buying and selling residential property	11%	431,000
Property conveyancing	11%	431,000

Table 5: Shows the 11 market sectors in which 95% or more of consumers reported no negative experience

Market sector	Proportion of Victorian consumers who experienced no problems
Sporting/athletic equipment, games and toys	99%
Ticketing/booking services	99%
Financial and investment services	98%
Travel services	97%
Insurance	96%
Property conveyancing	95%
Buying and selling property	95%
Homewares, furniture and other household goods	95%
Clothing, footwear, cosmetics & other personal products	95%
Fitness centre, gym, sporting clubs membership	95%
Airline services	95%

“ Consumer detriment ”

4

Summary statistics:

- 406,000 consumers experienced a problem in the telecommunications sector, and
- 309,000 consumers experienced a problem with motor vehicles
- 229,000 consumers experienced a problem with mobile hand sets
- 206,000 consumers experienced a problem with building
- 53% of the cost of consumer detriment occurred in the building sector, and
- 11% of the cost of consumer detriment occurred in the motor vehicle sector.

Consumer detriment is used to describe consumers' adverse experiences in the market, often related to unfair and unlawful trading practice. Two measures used to determine consumer detriment were incidence and cost. Incidence was determined by asking respondents if they had experienced any problems for which they considered they had a genuine cause for complaint. The cost of detriment was determined by three elements:

- the cost of out-of-pocket expenses
- the cost of the time spent trying to rectify problems, and
- the emotional costs involved in trying to rectify problems.

4.1 The incidence of detriment

The incidence of consumer detriment varied across the 24 market sectors examined in the study from a low of 1% to a high of 16%.

Of the 24 market sectors examined in the study there were:

- Eleven in which 5% or less of consumers reported an experience of detriment
- nine in which between 6% and 10% of consumers reported an incident of detriment, and
- four in which more than 10% of consumers reported an experience of detriment.

The four sectors where more than 10% of consumers reported a problem included:

- building 16%
- telecommunications 15%
- motor vehicles 13%, and
- mobile phone handsets 12%.

To establish the number of Victorians who experience an incident of detriment in a particular market sector, we need to consider the proportion of all consumers who participate in a particular market sector, as well as the proportion of consumers in that market sector who experienced an incident of detriment.

Considering these two rates together, the telecommunications, motor vehicle and mobile hand set sectors show up as areas of concern as shown in table 6, see page 8.

Variation of detriment among demographic groups

The incidence of detriment varied significantly between different demographic groups of consumers. Groups where the largest proportions of consumers reported an incident of detriment included those in the age group 25-44, people in the workforce; and those with high incomes. Groups where the lowest proportions of consumers reported an incident of detriment included: consumers who were aged over 65 years of age and students, as shown in table 7, see page 8.

Table 6: Proportion and numbers of Victorians experiencing detriment

Market	Proportion of consumers in the market reporting detriment	Number of Victorian consumers experiencing a problem
Telecommunications	15%	406,000
Motor vehicle purchase and maintenance	13%	309,000
Food and drink	7%	275,000
Mobile phone handsets	12%	229,000
Appliances/electrical goods	7%	207,000
Home building, renovation and maintenance	16%	206,000
Personal computers, accessories, services	8%	190,000
Clothing, footwear, cosmetics, and other personal products	5%	170,000
Credit, debt, store or charge cards	6%	162,000
Homewares, furniture, other household goods	5%	140,000
Airlines services	5%	124,000
Insurance	4%	122,000
Renting or leasing residential property/rooms	9%	90,000
Pay TV	9%	83,000
Online auctions	7%	82,000
Home or personal finance	10%	113,000
Fitness centre, gym, sporting club memberships	5%	69,000
Travel services	3%	66,000
Body Corporate/Owners Corporations services	10%	55,000
Ticketing/booking services	1%	24,000
Financial or investments services	2%	26,000
Sporting/athletic equipment, games and toys	1%	22,000
Property conveyancing	5%	20,000
Buying and selling residential property	3%	12,000

Category	Percentage
In the age group 25-44	53
People in the workforce	51
High income earners	50
All consumers	47
Students	38
Aged over 65	32

Table 7: Variation of consumer detriment among demographic groups

4.2 The cost of consumer detriment

The study provided for 22 types of problems. The three most common complaints related to: defective or substandard goods; issues with costs, fees, interest and charges; and items that performed below standard. These types of problems accounted for 48% of all problems. Table 8 below shows the percentages for the 13 most common types of problem.

In terms of differences between markets sectors, claims of misleading advice or advertising were more frequent for consumers buying used vehicles, travel services, telecommunications services and pay TV.

Reports of unfair contract terms for services were more common in the insurance, gyms/health clubs and airline sectors, while unfair contract terms for goods showed up more often when purchasing new vehicles, clothing/footwear, and mobile phones.

Incidents of issues with fees and charges were more common in the property, finance services, gyms/health clubs, telecommunications and pay TV.

Table 8: Percentages for the 13 most common types of problems

Type of problem	Proportion
Item was faulty or damaged	20%
Costs, fees, interest or charges	15%
Item performed below standard	13%
Service below standard	8%
Poor customer service	8%
Unfair terms or conditions	6%
Difficulty or delay with repairs	6%
Work late, not provided or completed	5%
Errors on providers behalf	5%
Claims were incorrect	4%
Goods delivered late or not at all	4%
Advertising misleading	3%
Labelling or packing misleading	3%

Consumers were asked to estimate the 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 incurred 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 \$3.03 billion a year. Out-of-pocket expenses were calculated to be (\$2.35 billion), and personal time trying to rectify problems associated with the detriment was estimated to be (\$677 million). The monetary cost of consumer detriment does not take into account the emotional costs that accompany detriment. Consumers described considerable distress, frustration and anger about the detriment that they experienced in the market.

Of the estimated \$3.03 billion of consumer detriment, 74% is confined to just four market sectors, building (53%), motor vehicle repairs (11%), insurance (6%) and telecommunications (4%) as shown in table 9, see page 10.

Table 9: Market sectors which account for the highest dollar value of consumer detriment

Market	percentage of total consumer detriment	Annual dollar value of total consumer detriment
Home building, renovation and maintenance market	53%	\$1.60 billion
Purchase hire or maintenance of a motor vehicle market	11%	\$348 million
Insurance	6%	\$196 million
Telecommunications	4%	\$131 million
Total	74%	\$2.275 billion

Table 10: Actions taken by consumers in relation to the problem

Action taken by consumers	Proportion
Complained to the trader	69%
Asked for a refund	28%
Asked for a replacement	26%
Asked for repairs	22%
Attempted to use warranties or insurance	13%
Asked for compensation	9%
Withheld payment	8%
Contacted CAV	4%
Did nothing, intend to do nothing	15%

4.3 How consumers deal with detriment

The study indicates that consumers generally try to solve their problems themselves. When consumers were faced with a problem, most (69%) complained to the trader about the problem. More specific demands or requests such as asking for a refund, replacement or repairs, were far less common as were requests for compensation, see table 10 on page 10.

Only 4% of consumers turned to CAV for help and this was usually after they had made attempts to rectify the problem with the trader.

Consumers' satisfaction with the action taken by traders to put things right

Six in ten consumers reported being dissatisfied with the steps the trader took to put things right. Consumers with major complaints were less satisfied than those with minor problems.

The findings were similar across demographic groups, however, consumers with issues involving purchases of more than \$500 were more likely to be dissatisfied than consumers with issues of value of less than \$500.

Consumers who had contacted CAV were more likely to be dissatisfied with their trader than those who did not 58% compared with 38%.

Current status of the problem

Of the problems that the consumer had taken time to try to resolve, about half (48%) were considered to be completely resolved at the time of the survey. However, one in three (33%) were considered by the consumer to have not been resolved at all.

Of the problems that had been not resolved, these were more likely to be problems involving a purchase price of at least \$500. For example, 60% of problems with purchases of used vehicles have not been resolved and 44% of problems with home building were also unresolved. Consumers who had contacted CAV were also more likely to say that their problem had not been resolved.

This evidence would suggest that CAV tends to deal with more entrenched and difficult problems, that is, problems that the consumer could not solve themselves and those that were over the value of \$500.

“ Conclusion ”

5

The findings of the study show that consumers generally have a high level of confidence in the consumer protection framework and a small proportion of consumers experience problems in the majority of the markets sectors.

The findings of the study confirm that CAV's comprehensive program of work in the building and motor vehicle sectors has been well targeted and CAV will continue to refine its work in these areas. The study indicates that telecommunications and mobile phone hand set sectors need further attention and CAV will target information and regulatory responses, to the full extent of its jurisdiction, in these sectors.

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