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WAYS TO REDUCE CONSUMER COMPLAINTS – THE EU PERSPECTIVE

Catalina Soriana Sitnikov* and Claudiu George Bocean

1 Universitatea din Craiova, Romania

Abstract

Organizations are currently concerned with meeting consumers’ demands and needs by creating products that meet their expectations. Addressing wider issues of consumers’ protection and relying on a detailed research of the latest data from the European Union, our paper analyses and synthesizes ways to reduce consumers’ complaints on products and services purchased, based on a series of causal links and interrelated activities. It is a dual approach in order to link quantitative and qualitative arguments as well as the analysis of correlations between efforts and the recorded effects in the domain of the consumer’s protection. Based on data provided by the Flash Eurobarometer 332 there were determined the existing influences in consumers’ protection, calculating correlations among a number of indicators registered in the European Union in the field of consumer protection. Based on the relations established between the indicators that describe the domain of the protection of consumer, a model that centres on complaining in case of problems, indicating the main ways to reduce these complaints was developed and built.

Keywords: Consumers’ protection, consumers’ rights, consumer’s complaints, consumers’ awareness

JEL classification: D18

Introduction

Consumers’ protection covers a range of specialized activities aimed at the protection and preservation of bio-psycho-social integrity of the person, as a user of the sold goods and services (Stanciu et al, 2005; Miron et al, 2011). Consumers’ protection extends beyond trying to ensure that goods and services are safe, covering a wide range of issues that refer to a broad range of economic interests as well as the health and safety of consumers. Specifically, consumers’ confidence may increase as consumer protection and their rights are taken into account (European Commission, 2009). The United Nations has developed a series of guidelines for consumers’ protection (United Nations, 2003). Legitimate needs addressed by these lines of action are:

- Consumers’ protection against health and safety risks,
- The promotion and protection of economic interests of consumers,
- Consumers’ access to appropriate information to enable choice depending on their requirements,

*Corresponding author, Catalina Soriana Sitnikov - inasitnikov@yahoo.com
Consumer education, including the impact on the environment, social and economic effects of their choices,
- Availability of effective ways to seek compensation,
- Freedom to form groups or organizations and the opportunity of the organization to
  present their views in the process of making decisions affecting them,
- The promotion of sustainable consumption patterns.

Since its creation, the European Union has established a number of policies and guidelines to ensure a high level of consumers’ protection. Over the years the EU has built a European framework to combat unfair trade practices, unfair contract terms, misleading advertising, to ensure consumers' right to withdraw from the contract and to claim damages. Consumer Rights Directive recently adopted has strengthened the rights of European consumers. Implementation and timely effective implementation of the new rules is crucial. The new Directive (European Commission, 2012f) strengthens the rights of European consumers who were protected by various specific regulations:

- Services Directive which ensures that consumers cannot be discriminated by traders on simple grounds of nationality or residence.
- Competition rules that prevent abuses of dominance, cartels and concerted agreements to the detriment of consumers.
- The rights of passengers transported by air, rail, road, sea when moving within the EU.
- Limit roaming charges in the EU has led to lower prices for consumers with more than 70%, and both ease of portability in fixed or mobile.
- Legislation on food information of consumers to enable consumers to make informed choices.

The data used in this work was provided by Flash Eurobarometer 332. Flash Eurobarometer 332 was conducted in September 2011 among European Union consumers. Our paper analyses the efficiency of the ways to reduce consumer complaints and the influence of different variables on the number of consumer complaints from consumers: Consumers’ Perceptions Concerning consumer protection and trust, monitoring compliance with consumer legislation, Consumers' and retailers' views on Product not safe, satisfaction with complaint handling, consumer trust in independent Organizations, Consumers year retailers knowledge of prohibited commercial practices.

1. Current issues and future challenges

Despite the high level of consumers’ protection reached in the EU, the status quo can be improved. Due to challenges such as food security, expanding new technologies in a very short time, the establishment of unsustainable consumption patterns or actions of social exclusion, over-saturating consumers with redundant information, violating the rights of consumers, it is necessary to establish a coherent strategy in consumers’ protection (European Commission, 2012b, 2012f). These challenges, especially those related to new technologies may also lead to new opportunities.

Challenges regarding products, services and food safety arise from differences between States members in the implementation of legislation on the safety product. Economic crisis causes consumers and businesses to focus primarily on price by sacrificing quality, resulting in a risk to food safety and product counterfeiting. Taking into consideration the
increase in cross-border consumer services in the EU the control and supervisory bodies should ensure that all consumers have the same conditions regardless of country of residence.

**Economic and social changes** are primarily aimed at development and expansion of ICT, introducing sustainable consumption patterns, the emergence and expansion of social exclusion. Development and expansion of ICT has fundamentally changed the way traders promote and sell products and services. There were innovative ways of organization, information access, regarding sharing and evaluation of information. Search engines websites to compare products and prices are now widely used tools and become components of consumer behaviour and business models. Electronic commerce can bring considerable benefits taking into consideration that all consumers have more opportunities to choose when shopping online rather than offline (European Commission, 2012c, 2012f).

As regards the challenges related to **unsustainable consumption patterns, respectively actions of social exclusion**, it can rely on the following aspects:

- increased consumption in the world has increased pressure on the environment, generating a series of climate changes and creating greater competition for resources (European Commission, 2011a, 2012f). More and more consumers are aware of the environmental impact of unsustainable consumption. They should be encouraged and supported through public and private initiatives to adopt sustainable consumption behaviour, to easily identify sustainable products. Consumers’ demand for sustainable products can lead to economic growth and increased competition, thereby raising the accessibility of these products and to reward businesses that provide goods and services less polluting and from renewable sources.

- the economic crisis and sovereign debt affected consumer confidence leading to some consumers in a very significant decrease of income and purchasing power, thus raising the risk poverty. These risks are exacerbated by the fact that Europe's population is aging, markets are becoming more and more multifaceted, and a number of people may not have any opportunity or ability to master digital skills necessary for a decent living in the XXI century (European Commission, 2012f). The current context can exacerbate also underprivileged condition of vulnerable consumers, such as individuals with disabilities or reduced mobility who are experiencing difficulties in accessing and understanding information on the products and services they need.

**Over-saturation of redundant information to consumers.** Because of ICT expansion, consumers are often saturated with information, most of them being not necessary. Faced with more and more complex information and options, consumers tend to rely more and more on intermediaries and filters “such as comparison websites or reviews. This is why concerns have been raised about accuracy and correctness of these sites. Consumers’ organizations tend to play a key role in improving consumers’ information and knowledge, but their situation is different between States members. Those which are operating nationally, in particular, often lack the resources and expertise (European Commission, 2012f; Consumer Agenda, 2012).

The Empowerment Survey published in 2010 (European Commission, 2011b, 2012f) showed that one in four European consumers do not trust the products and services that were offered, and one in three admits that it has knowledge that would enable it to make the optimal choice. This lack of consciousness weakens the ability of customers to assert their rights.
**Failure of consumers’ rights.** Despite a generally high level of consumers’ protection guaranteed by EU law, many of the problems faced by consumers are still left unresolved. The retailer Eurobarometer survey in 2011 establish that only 26% of retailers recognize the precise period where customers have the right to return a substandard manufactured goods. A lot of problems faced by consumers are not repaired simply because the consumer does not take any action. A study on consumers’ empowerment showed that among consumers who have had problems, only 16% have contacted consumer organizations or public authorities to solve them (European Commission, 2011b, 2012f; Consumer Agenda, 2012). Remedies and enforcement mechanisms need to be further improved. Consumers’ confidence will also have a positive impact on the stimulation of growth.

**Challenges specific to the economic sectors.** Some sectors are particularly important in times of economic crisis, as it affects the basic interests of all consumers of essential goods and services such as food, energy, transport, communications, electronics and financial services. In the banking sector the EU must ensure highest transparency and improve financial literacy of consumers due to increasing complexity and risks of certain financial products and services. Captive consumers also fail to enjoy the full benefits of liberalization of network industries such as energy, transport and electronic communications, not just in terms of price but also in terms of quality and services.

2. **Consumers’ empowerment**

The European Commission identified four pillars for consumers’ empowerment (European Commission, 2012b, 2012f; Consumer Agenda, 2012):

- improving consumers’ safety,
- enhancing knowledge,
- stepping up enforcement and redress,
- aligning rights and key policies to economic and social change. ”

These pillars address the challenges and actions for the knowledge-enhancing aspects of consumers’ empowerment.

**Improving consumers’ safety.** By improving the control and supervision of product safety, the EU will be able to face the challenges that may arise in the supply chains of products and services. To achieve the main objective of strengthening consumers’ safety, it is necessary to achieve two objectives: improving the regulation and supervision of safety products and services and enhancing the safety of food chain.

**Strengthening the knowledge.** Both consumers and traders should be aware of their rights and obligations, in order to stimulate mutual trust and to find a solution when problems arise. Improving consumers’ knowledge is particularly important in financial services as the income and wealth of the citizens can be affected. Consumers’ organizations (Consumer Agenda, 2012) have a significant role, not just in consumers’ information and awareness, but also in their effective representation and defence. To achieve the overall objective of increasing consumers’ knowledge is necessary to achieve two objectives: improving information and raising awareness of consumers’ rights and interests, both among consumers and traders, as well as improving participatory consumers in the market.
Improving consumers’ protection legislation and ways for consumers to redress. Only if consumers exercising their rights throughout the EU and reputable traders find that unfair competition is sanctioned properly, cross-border trade will continue to grow in the EU. To achieve the overall objective of improving consumers’ rights is necessary to achieve two objectives: effective implementation of consumers’ protection legislation, focusing on key sectors and providing more efficient ways for consumers to resolve disputes with manufacturers and retailers.

Aligning rights and key policies to economic and societal change. Currently, under the conditions of the digital revolution, it is imperative to obtain consumers’ confidence in purchases made online. Hence, the consumer rules should be updated to be made compatible with market development and to take account of the emerging field of behavioural science perspectives on how consumers behave. Moreover, the barriers that currently prevent consumers to access digital products and services they want, easily and accessible everywhere in the EU, should be eliminated (European Commission, 2012f; Consumer Agenda, 2012). To achieve the overall objective of harmonizing the rights and consumers’ protection policies it is necessary to achieve two objectives: to adapt to the digital consumers’ law, promote sustainable growth and supporting consumers’ interests in key sectors.

3. Increasing consumers’ awareness

The consumer needs clear, simple and transparent information in order to be able to make an effective decision on the purchase a good or service. Traditional economic approach assumes that an effective awareness is achieved when the consumer has all the information about the product or service purchased. The larger amount of information leads the consumer to make quick decisions, ignoring much useful information. The fundamental challenge is the method of delivering information to consumer so as to be aware of his rights and options regarding reclaiming of legal provisions violations.

European consumers perceive themselves as informed and active in defending their rights, but they are not aware of crucial details about their rights in the field of consumers’ law. The European Commission calculates CCI index (Consumer Conditions Index) incorporating the multidimensional aspects of consumers’ empowerment, including consumer skills, knowledge of consumers’ rights and insistence in support of those rights (European Commission, 2011c, 2012f; Consumer Agenda, 2012). CCI analysis shows that the most knowledgeable and active in defending consumers’ rights are found in northern European countries: Norway first, followed by Finland, Holland, Germany and Denmark. Eastern European countries, particularly Bulgaria, Lithuania, Poland and Romania, are found at the bottom of the ranking. Several studies show that there are relationships that are established between consumers’ confidence and economic growth (European Commission, 2011c, 2012f; Consumer Agenda, 2012):

- There is a relationship established between the two types of consumers’ confidence: confidence in the future purchasing power, on the one hand, and economic confidence in the accuracy of the economic agents and in the efficiency of national and EU systems, such as safeguard of consumers’ interests, consumers’ rights, imposing rules and laws, the existence of complaint options, on the other hand.
• The direct impact of consumer policies on future purchasing power and prices is limited. They are set in a wider economic context, being under the influence of business, employment, economic policies, energy prices, etc.

• The choices made knowingly by the consumers may have a positive impact on economic growth to the extent that well-informed consumers can stimulate competition and innovation in the consumer markets. Informed consumers and those who are active in defending their rights who can always change the supplier of goods and services is a prerequisite condition to effective competition between market players.

• In some cases, however, consumers do not make rational decisions. They don’t choose the most convenient products or services; they don’t change the suppliers when there is a better one on the market or even make a switch to a more expensive supplier, etc. This is caused by over-saturated information; inertia may be the result of behavioural biases or environmental influences and entourage.

• Unfortunately, competition on the market is determined by more and more sophisticated marketing strategies, rather than by the price-quality ratio. Choosing the product based on individual irrational preferences (usually influenced by aggressive and sometimes misleading marketing strategies) without quantifying the value of the product according to price-quality value considerations, is made at the cost of consumers, they pay more for less (favouring companies offering products weaker from the point of view of quality, but marketed aggressively). Therefore biased consumer choices based solely on aggressive and deceptive advertising do not permit rewarding the most innovative and efficient companies, and negatively affects the entire economy (economic downward).

Consumers require unambiguous, straightforward and visible information in order to take optimal purchasing decisions. Traditional economic approach assumes that providing consumers with as much information leads to greater empowerment of consumers. Any new information improves the awareness of consumers, because it allows consumers to make informed choices. But today’s society is characterized by unprecedented quantity of information while human cognitive capacities are limited. “Most consumer decisions are subject to time restraints that make this cognitive effort more complicated”(Maule and Svenson, 1993).

In practice, behavioural psychology researchers have found that most consumers tend to adopt often random and irrational judgments. They do not make complete use of available information and choose to ignore some information or options but make a quick decision. A large amount of information may distract consumers from the most important issues, and cause them to take hasty decisions (European Commission, 2012d). In short, there is a limit to the information that a consumer can or wants to absorb during the different stages of the buying process. Therefore, it can be concluded that more information is not always the best thing for consumers. There must be a compromise between full and simplified information, however, if properly designed, the rules governing information can decisively contribute to consumer empowerment. Due to the significance of background factors for consumers making decisions, consumer policies should aim at changing the way the consumers make choices in order to stimulate consumers to make responsible choices, rather than rely on information and education efforts (Thaler and Sunstein, 2009; Friedman, 2007; Korpysa, 2013). The main challenge for the future is therefore how to provide consumers with information on purchase options, rights and choices of claimed deficiencies so that they will be capable to utilize them decide when they need them.
Consumer information environment has changed significantly in the past decade. Access to information about products and services, rights issues and measures of consumers’ protection has improved at national level significantly due to the presence on the internet national authorities, consumers’ associations, consumers’ groups, as well as manufacturing companies, due to increasingly large groups of the population who have access to the Internet (European Commission, 2012d). New sources of information for consumers are growing rapidly. Consumers post their views and comments about products and services on their own blogs, websites specialized on social networks. Manufacturers and merchants present their products and services, enabling comparisons of price and features. Web applications for mobile phones and tablet PC that offer consumers’ information spread exponentially, and can even become the main source of information for consumers in the future. Consumers are also looking on various websites to find contact information about organizations and institutions of consumers’ protection and to find advice to solve their problems as consumers. The impact of all these online activities extends to online markets, because people check online before you purchase products in stores (Civic Consulting, 2011). The number of people who still have no access to the Internet is steadily declining. Even in Romania, the state with the smallest rate of Internet penetration and the lowest index of consumers’ empowerment, an overwhelming majority of residents of major cities has access to the online environment (Flash Eurobarometer 333, 2012). Internet, including applications used by mobile devices is becoming a key channel with information for consumers.

4. Statistic indicators used in consumer protection

In order to ensure close coordination of consumer protection policies at the level of each Member State and to better assess the impact of these policies there is a need for a number of instruments, indicators used to implement a system to monitor issues relating to consumer protection.

Consumer protection policy can provide consumers true power to perform as an engine of innovation and growth. Consumer better conditions not only lead to improved consumers’ welfare but can also be beneficial to the overall economy. The ability of consumers to share and compare information can have a significant impact on their ability to promote the most efficient and productive sectors of the economy and therefore stimulate economic growth. Markets where customers are able to make educated options and where their rights are respected generate increased confidence and stimulate improvements in quality and efficiency (European Commission, 2012).

Well-informed and active consumers in defending their rights have the skills, knowledge and confidence for the acquisition of quality products and services with added value by rewarding businesses correctly and efficiently through their purchasing decisions, and by submitting complaints and obtaining redress when their rights are violated, thereby eradicating unfair practices. This leads to the choice of "the best product or service for the price . . . "ensuring efficient allocation of resources for the best business models and incentives for innovation. In short - "more sophisticated the consumers are becoming in making good decisions, the better it will be for economic growth"(UK Department for Business, Innovation and Skills and the Cabinet Office Behavioural Insights Team, 2011).

Within the EU a synthetic indicator for consumer called Consumer Conditions Index is
calculated. The Consumer Conditions Index offers a general idea of key indicators that
describe the national consumers’ protection. The reason of this index is to produce a long-
term information set that can be used by national decision makers and stakeholders to
assess the impact of policies on the welfare of the consumers’ protection (European
Commission, 2012). By comparing the results with those of other countries one can identify
and promote the best practices. The index is based on the results of Eurobarometer
conducted among consumers and retailers. All questions have equal weight in the index and
they also reflect the positive aspects, thus reaching a maximum value of 100, in theory.

The EU Consumer Conditions Index increased by only two per cent lower in 2011
compared to 2010, continuing the previous trend after the fall of 2009. Figure no. 1 presents
the values of each country in the EU in the period 2008-2011.

As can be seen in Figure no. 1, most countries have experienced an increase in Consumer
Conditions Index during the period 2008-2011. However, the economic crisis and
budgetary austerity policies have prompted this index decreases in certain states (Italy,
Slovenia, United Kingdom).

5. Model of reducing complaining in case of problems

In order to build a model that renders existing influences in consumers’ protection domain,
we calculated correlations among a number of indicators registered in the European Union
in the field of consumer protection. In Table no. 1 there are given the values of the Pearson
correlation coefficient calculated from the investigated variables. The values of investigated
variables are recorded in 2011 in a survey of the European Commission (Flash
Eurobarometer 332, 2012).

Variables used are as follows:

- Consumer Conditions Index – CCI (provides an overview of key indicators that
describe consumer protection at the national level, as measured by surveys on consumers
perceptions, attitudes and experiences);
- Consumers' perceptions concerning consumer protection and trust (measured by the
percentage of respondents who answer affirmatively to questions concerning consumer
protection and confidence in the measures taken and the authorities involved in the
protection of consumers' rights): perceptions on existing measures to protect consumers -
CPCP1, perceptions on respecting the rights of consumers - CPCP2, perceptions on public
authorities capacity to protect your rights as a consumer -CPCP3;
- Monitoring compliance with laws (% of retail ers) - CMCL (percentage of retailers
who have stated that authorities actively monitor and ensure compliance with the laws in
the area of consumer protection);
- Consumers’ and retailers’ views on product are not safe (per cent of consumers and
retailers): consumers - CVPS, retailers - CRPS;
- Complaining in case of problems (per cent of consumers who meet a problem) - C;
- Satisfaction obtained following the administration of complaint (% of consumers who
have lodged a complaint) - SCH;
- Trust in independent consumer organizations (per cent of consumers) TCO.
- Consumers knowledge of prohibited commercial practices ( per cent of retailers who
gave all three correct answer) CK;
Figure no. 1: Value of Consumer Conditions Index - UE country

Source: European Commission, 2012e.

- Retailers' knowledge of prohibited commercial practices (per cent of retailers who gave all three correct answer) RK.
It can be seen that all the selected variables are strongly correlated. Most show a direct correlation with the exception of two variables: Consumers' and retailers' views on product that are not safe are correlated inversely with other variables. These two variables are directly related to each other because they record retailers’ and consumer’ perception on the insecurity of non-food products. Although the retailers recorded lower values at the country level trends persist.

Based on the relations established between the indicators that describe the consumers’ protection domain a model that centres on complaining in case of problems, indicating the main ways to reduce these complaints was built. In addition to the quantitative variables considered in the model we used a qualitative variable that acts to reduce complaints from consumers through compliance with quality standards recognized worldwide: number of ISO 9001 certificates.

Number of ISO 9001 certificates in the EU for the year of our study (2011) is shown in figure no. 2.
Figure no. 2: Number of ISO 9001 certificates (UE countries)

Source: ISO, 2012

From figure no. 2, one can see that Western countries with developed economies (Germany, Italy, Spain, Germany, Great Britain, Netherlands) recorded the highest number of ISO 9001 certified. Also, a large number of ISO 9001 is recorded in some emerging
countries with significant economic potential: Poland, Czech Republic, Romania, and Hungary.

The built model includes a number of key indicators part of the Consumer Conditions Index and beyond. The model is shown in figure no. 3 below.

In the model the influencing factors include the following key indicators:

- **SYNTHETIC INDICATOR**:
  - Consumer Conditions Index;
- **ENFORCEMENT**:
  - Consumers' perceptions concerning consumer protection and trust;
  - Compliance monitoring with consumer legislation;
- **PRODUCT SAFETY**
  - Consumers’ and retailers’ views on product not safe;
- **COMPLAINTS**:
  - Complaining in case of problems;
  - Satisfaction with complaint handling, 2011;
• REDRESS:
  – % of people who agree that it is easy to resolve disputes with sellers/providers through ADR mechanisms;
• CONSUMER ORGANISATIONS AND INFORMATION:
  – Trust in independent consumer organizations;
• AWARENESS:
  – Retailers’ and consumers knowledge of prohibited commercial practices.

Increased variable values within ENFORCEMENT lead to reduction of complaints due to the increase degree of retailer compliance rules and national legislation. Increasing consumer uncertainty regarding the products and services purchased will increase complaints of values.

Trust in independent consumer awareness influencing variables Complaints upside due to increasing consumers’ awareness and confidence in consumers’ protection organizations.

Qualitative variables (number of ISO 9001 certificates) can help reduce complaints of values and to reduce the uncertainty of consumers about the products and services purchased.

The model implementation will allow the comparison of policies effectiveness, in the area of consumer protection applied at Member State level, in order to create the prerequisites for a unitary system at European level.

Conclusions

Consumer spending accounts for 56% of EU GDP which are essential to achieving the smart, inclusive and sustainable under European Agenda 2020. Stimulation of these applications can play an important role in taking EU out of the crisis. Consumer Policies adequate and well implemented will help consumers to make informed choices that reward fairness in business and support sustainable growth and efficient use of resources.

In this paper we have identified the variables that can influence the reduction of complaints from consumers and boosting their confidence. Consumer empowerment involves providing a solid framework of principles and tools that enable the development of rational and wise choices (Consumer Agenda, 2012; European Commission, 2012f).

Research on correlations between efforts and effects recorded in the area of consumer protection at the European level has enabled the development of a model to reduce consumer complaints. The developed model has as main objective the correlation of key elements which describe existing influences within the scope of consumer protection, in order to harmonise consumer protection policies in the EU economic area.

European consumers who can rely on a solid framework governing their safety, information, education, rights and ways to complain about the deficiency of the products, can take an active part in the common market and can make it functional for them by applying their possibility of choice and by following their rights properly.”
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