

CONSUMER PROTECTION IN RELATION WITH THE EUROPEAN BUSINESS ENVIRONMENT

Gabriela Gheorghiu, PhD
Dorinela Nancu, PhD Student
Dănilă Alexandra, PhD

“Ovidius” University of Constanta, Faculty of Economic Sciences, Romania

Abstract

The present paper highlights the importance of protecting consumers in their relations with the representatives of business environment in general and with those of European business environment in particular, in order to enhance the benefits they can get from transactions carried out in the market and to ensure that they can take full advantage of the European single market. Analyzing the results of research undertaken by the European Commission, which regularly monitors markets and national consumer conditions and assesses business attitudes toward cross-border trade and consumer protection, the paper argue that consumer environments differ considerably across European Union’s Member States. Furthermore, it identifies the persistence of unfair commercial practices and low knowledge of consumer rights among both consumers and businesses as issues of particular concern.

Keywords: Consumer rights, enforcement, legislation

Introduction

The protection of consumer rights in its relations with business environment was done at European Union’s level in close connection with the liberalization of movement for persons, goods, services and capital between Member States and contributes unequivocal to improve the environment for their action within the European single market, which is obvious due to the increasing degree of their involvement in cross-border transactions

The level of consumer satisfaction on purchases made for the European single market depends, however, not only on the quality and price of products / services contracted, but also on compliance by representatives of business environment of consumers’ economic interests throughout the course of the transactions, beginning with the first contact established by means of advertising for example, and ending with providing after-sales services. In all the stages of a transactions is very important to establish precise rules that reduce costs arising from such transactions and to eliminate, as much as possible, the risks associated with the occurrence of a possible misunderstanding between consumers and traders that could further affect their confidence to engage in future transactions.

Consumer protection, a necessity in its relations with the business environment

The explanation for the intervention in favor of consumer protection within the market is substantiated especially on the practical findings which point out more and more that the consumer appears objectively disfavored in his connections with the suppliers of products and services, even if, with his own needs and necessities, he represents the origin and, at the same time, the end of production. (Gheorghiu, 2012) Various reasons lie at the basis of this imbalance.

Firstly, economically – consumer’s resources are obviously more reduced than those at the producer’s disposal, the latter investing in systematic concerns for the correct identification of consumer’s objective needs and necessities, not being aware of many of them.

Secondly, at the informational level – the producer knows more characteristics with regard to his product than its consumer, because the latter does not have adequate possibilities and means in order to evaluate its quality.

Also, legally – the producer is permanently in touch with the laws which govern commercial relations, he uses them by the help of legal advisers, while the consumer may sometimes ignore the existence of a law by which defends him through its provisions.

Not lastly, at the level of representing its interests – offerors are very well organized, their interests being represented both by the agency of employers, professional and commercial organizations, and by the influence exercised toward governmental authorities on purpose to adopt some regulations which take account of their points of view; on the contrary, consumers represent a mass of individuals of whom few know how to promote their interests by specific and organized actions. (Gheorghiu, Popovici, Bunda, 2010)

Starting from these cleavages in the relation between consumers and the representatives of business environment, as a distinctive side of the social protection that must be promoted by a democratic society, consumer protection actually represents a set of measures belonging to public or private initiative in order to assure and improve continuously the observance of consumers’ interests within the market.

Consumer protection in the European Union

Assuming that the consumer is generally in the market in a vulnerable position economically in relation with its trading partners, as argued above, at European level has been developed a coherent policy designed to protect consumers, which has four main objectives:

- ✓ consumers protection from serious risks and threats that they cannot stand on their own;
- ✓ taking the necessary measures to enable consumers to make choices based on clear, accurate and consistent information;
- ✓ consumer rights protection by establishing rapid and effective procedures for resolving trade disputes;
- ✓ adaptation of consumers' rights to economic and social developments, especially in the food energy, digital and transport sectors.

Improving consumer conditions in the Member States is of crucial importance not only for the welfare of consumers themselves, but for the economy as a whole. Only informed consumers and decision makers, whose rights are adequately protected, are able to play a full role in the market, thereby enhancing competition and growth. European Union Strategy for Growth until 2020, entitled suggestively “Europe 2020” invites Member States to commit to improve the business and consumption environment as part of reforms to enhance growth.

The quality of consumption environment in the European Union is estimated by means of a composite index – Consumer Conditions Index - covering the enforcement of consumer and product safety legislation, the effectiveness of redress as well as consumer empowerment and information. This index is based on the results of wide surveys of and retailers conducted at the European level with respect to 12 indicators reflecting five main aspects of the consumer environment:

- ✓ feeling protected as a consumer measured through consumer trust (in public authorities, retailers, consumer organisations and existing consumer protection measures);

- ✓ illicit commercial practices, measured through the experience of misleading/ deceptive and fraudulent advertisements/offers;
- ✓ consumer complaints, measured through consumers' propensity to take action in the event of problems and satisfaction with complaint handling;
- ✓ redress, measured through the perceived ease of resolving disputes through courts and out-of-court bodies;
- ✓ product safety, measured through consumers' and retailers' trust in the safety of non-food products on the market. (European Commission, 2014)

The 12 components of the index are weighted equally, and the maximum total score is 100.

According to the latest calculations from 2012, consumer conditions continue to differ considerably across EU member states. There are marked differences (of between 30% and 60%) in country results on all 12 indicators which make up the Consumer Conditions Index. The index suggests that the countries with the best consumer conditions are Finland, the UK, Netherlands, Luxembourg (with index values greater than 70), Ireland, Denmark, Austria, Sweden, Belgium, Germany and Portugal (all above the EU average of 62). Outside the EU, a relatively high index value is registered in Norway. Consumer conditions appear to be less favourable in most of the eastern and southern member states, with Greece, Cyprus, Croatia and Bulgaria recording the lowest values (less than 50). (European Commission, Scoreboard, 2013)

Following its annual evolution, the index showed a slight drop (of 2 points) between 2011 and 2012, after two years of improvement, following a fall in 2009.

At the national level, out of 27 EU countries, 14 have seen an improvement since 2011. Portugal's index has improved by more than 4 points, continuing the positive trend since 2008. Slovenia, Finland and Lithuania have each improved by around 2 points.

The biggest drops were noted in Denmark, Germany, Cyprus (all of which have lost almost 5 points since 2011), France and Austria (-4 points) and Greece (-3 points). This breaks the positive trend seen in all these countries -with the exception of Cyprus and Greece - in the two previous years.

The enforcement of consumer protection legislation in the European Union

Proper enforcement of consumer legislation is essential to strengthen consumer confidence, but also to ensure a fair playing field for businesses and to guarantee that competitive advantage will not be granted for rogue traders.

Unfortunately, both consumers' and retailers' perceptions of the latter's compliance with consumer legislation deteriorated in 2012 compared to the previous year. Among retailers, 68,6 % believe that their competitors comply with consumer legislation (down from 72.2 % in 2011). (European Commission, Flash Eurobarometer 359, 2013)

The picture becomes even more sobering when looking at consumers' opinions: 58,6 % agree that retailers respect consumers' rights and this percentage has decreased significantly compared to the last two years (65,1 % in 2011 and 65,2 % in 2010) (European Commission, Flash Eurobarometer 358, 2013).

But the efficiency of markets and the protection of consumer interests depend on the extent to which the vast majority of consumers and retailers meet consumer rights established by existing legal provisions. However, the 2012 surveys results show that this requirement is far from being fulfilled and that there are no clear signs of improvement.

For example, in the case of distance selling, where consumers cannot try or see directly the goods they are buying, being able to give up a purchase during the cooling-off period is an important safeguard. Although the 2012 survey reveals that 69,3% of European consumers (70,5% in 2011) know that they are entitled to return goods ordered by mail,

phone or internet four days after delivery without any special reasons, almost a quarter of respondents (23,8% compared to 22,8% in 2011) wrongly believed that they have no right to do so.

Also, considering the fact that consumer products with defects are quite common, it is important for consumers to know what are the conditions for return of a defective product. More than half of European consumers (56,2%) correctly answered the question about the right to free repair or replacement of a new refrigerator that has broken without any fault from them, within two years after purchase (up from 50,9% in 2011). It is worrying that 43,7% of respondents were not aware of this right.

On the other side of the "barricade", most representatives of business environment (85,2%) stated in 2012 that they know where to look for information and advice on consumer legislation in their country, but fewer than four out of ten (38%) agree they know where to find information and advice relating consumer legislation in other EU countries. However, the actual level of knowledge, measured in terms of the incidence of correct answers, is maintained low, and between 2009 and 2012 found only a slight improvement.

For example, in 2012, less than a third of retailers (28,8%) were able to correctly identify the length of period during which consumers have the right to return defective products for repair, even though there was a slight improvement over previous years (27,1% in 2011 and 25,7% in 2009). However, retailers who claimed to know where to find information about consumer legislation in their own country did not score better on this question than the overall average (29,1 %).

A quarter (25 %) of EU consumers reported in 2012 that, in the past 12 months, they had had a legitimate cause for complaint when buying or using goods or services in their own country. Of those who experienced problems, more than eight out of ten (83,4 %) consumers took action to address them. The most likely action following a problem is complaint to the retailer/provider (71,6 % of consumers having experienced a problem), followed by complaint to the manufacturer (12,1 %).

Successful handling of complaints by businesses is crucial to avoiding consumer harm and increasing consumer loyalty. In 2012, 65,6 % of consumers were satisfied with the way their complaints were handled by the retailer/provider and 59,8 % of them with the way their complaints were dealt with by manufacturers. It's worth mentioning that 16,6 % of cases, consumers who experienced a problem decided not to take any action.

The limited sums involved and the length of the procedure are the two main reasons for not complaining (37,4 % and 36,6 %, respectively). Slightly over a quarter of respondents (27,1 %) thought that they were unlikely to get a satisfactory solution, while a fifth (19,0 %) said that they did not know how or where to complain.

Finally, uncertainty about individual rights as a consumer and unsuccessful experiences when making complaints in the past were given as reasons for not complaining by 18,0 % and 14,6 % of respondents, respectively. Encouraging consumers to communicate their problems and to seek solutions tends not only to bring benefits to the consumers themselves, but also has a positive impact on the functioning of the market. If consumers do not complain when they experience a problem, redress is denied to them and businesses miss out on valuable feedback.

Conclusion

The internal logic of functioning of market economy, approached from the perspective of the interests and motivations of the consumers in economic activity – producers and consumers, points out the fact that they are in an out of balance proportion, objectively, at the expense of the latter, even if the consumers, with their needs and necessities, should represent the origin and at the same the final point of the production

activity. Whether it is about an imbalance of economic, informational, judicial nature or at the level of the representation of interests, the cleavages which intervene within the market in the relations between producer and consumer unequivocally call for the intervention in favor of the latter.

European Union aims at improving the business and consumer environment by deepening the single market and enforcing single market and competition rules. Examining consumer conditions across the Member States is fundamental to this end: the Member States and the European Union must ensure that goods and services markets are wellfunctioning, open and competitive and that empowered consumers make informed consumer choices in these markets.

With 28 member states the internal market of the European Union has the potential to be the largest retail market in the world, however this potential has yet to be realised, as the internal market remains fragmented.

References:

European Commission. Flash Eurobarometer 359: Retailers' Attitudes towards Cross-Border Trade and Consumer Protection, September-October 2012. Brussels, 2013. Retrieved from http://ec.europa.eu/public_opinion/flash/fl_359_en.pdf

European Commission. Flash Eurobarometer 358: Consumer Attitudes towards Cross-Border Trade and Consumer Protection, September 2012. Brussels, 2013. Retrieved from http://ec.europa.eu/public_opinion/flash/fl_358_en.pdf

European Commission. The Consumer Conditions Scoreboard: Consumers at home in the single market, 9th Edition – July 2013. Luxembourg: Office for Official Publications of the European Union, 2013. Retrieved from http://ec.europa.eu/consumers/consumer_evidence/consumer_scoreboards/9_edition/docs/cms_9_en.pdf

European Commission. Report on Consumer Policy, January 2012 – December 2013, 2014. Retrieved from http://ec.europa.eu/consumers/strategy-programme/policy-strategy/documents/consumer_policy_report_2014_en.pdf

Gheorghiu, Gabriela, Popovici, Veronica, Bunda, Ramona. Justifications for Intervention in the Marketplace in Favor of Consumer Protection. *Ovidius University Annals. Economic Sciences Series*, X(1), pp. 651-655, 2010

Gheorghiu, Gabriela. Free-Market Economy – The Guarantor of Consumer Sovereignty. *Ovidius University Annals. Economic Sciences Series*, XII(Special Issue), 141-145, 2012