# CHALLENGES IN ASSESSING AND SCRUTINISING CONSUMER IMPACTS

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### Overview

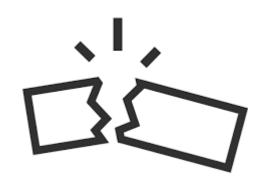
- Types of detriment
- Examples of consumer detriment
- Information sources
- Methodological considerations
- Example: OECD survey of financial detriment in e-commerce
- Example: Australian Scams





### What is consumer detriment?

Loss or damage experienced by a consumer



# Types of consumer detriment

- Personal detriment (compared to reasonable expectations) vs. structural detriment (due to market or regulatory failure)
- Financial or non-financial detriment
- Apparent or hidden detriment (e.g., credence goods)

## Examples of consumer detriment

#### **Financial**

- Cost of buying something that doesn't meet expectations
- Paying too much
- Replacement costs
- Costs of resolving disputes
- Damage to property
- Lost earnings
- Medical expenses



#### **Non-financial**

- Restricted choice
- Compromised personal information or privacy
- Delays in receiving products
- Injury or adverse health impacts
- Psychological detriment, inconvenience or disappointment
- Reduced trust
- Time lost to resolving issues/buying a replacement

### Information sources

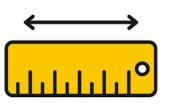
- Consumer complaints (though few complain ~ 5% and not representative)
- Consumer surveys on
  - Views
  - Experiences
  - Behaviour
- Behavioural studies and experiments (e.g., to get at hidden detriment)
- Sales and pricing data

- Injury and death data (including costs – e.g., Australia and US)
- Consumer reviews
- Mystery shopping
- Expert interviews
- Court awards for cases involving injury/harm
- Web scraping
- Contracts



# Methodological considerations

- Robustness e.g. sample sizes and representativeness
- Measurable what purpose/question and why, ex ante or ex post
- Simple qualitative vs. quantitative (incidence vs. magnitude)
- Timely and low cost e.g., face-to-face vs. online surveys
- Transparent and repeatable
- Widely applicable

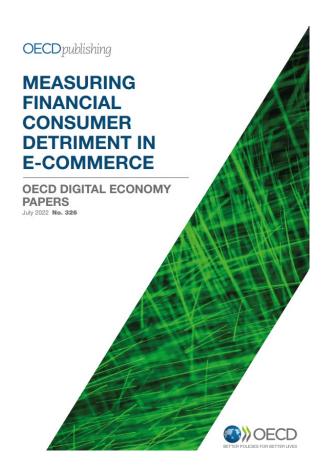






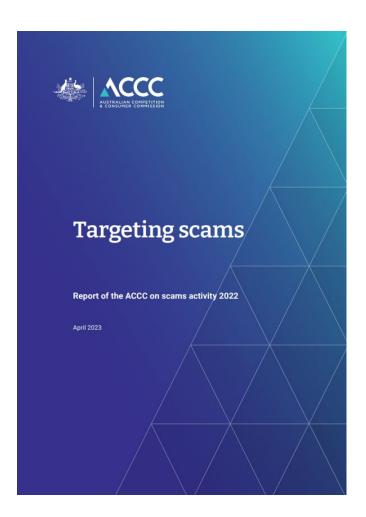
# Example: OECD survey of financial detriment in e-commerce

- Online survey: 13 countries surveyed: Australia, Canada, Chile, Germany, Israel, Italy, Japan, Korea, Mexico, Norway, Singapore, Türkiye, and the United States
- Survey asked 42 questions on: social-economic, types of purchase(s), price(s), types of problem(s) (whether COVID-19 related), hidden costs, whether purchase was usable, resolution steps taken, why if no steps taken, time lost to problem, emotional stress, money to resolve problem, price to avoid problem, steps taken by seller to resolve problem, reimbursement, whether problem resolved and time taken, duration of problem, satisfaction with remedy, company they purchased from, impact on trust, attitudes to e-commerce, online shopping behaviour
- 50% consumers encountered a problem
  - Most frequently problems with the product (41%) or delivery delays (40%)
  - Most costly –T&Cs, scams, payment issues/cancellations
  - Caused substantial emotional stress for 38%
- Cost some USD 22.3 billion in 2020 across the OECD (not including time)
  - 34% of financial harm due to COVID-19 (e.g., event, accommodation and travel cancellations)
- Redress
  - 90% took action to resolve issues
  - 54% insufficient or no redress
  - On average spent 5 hours resolving problems worth **USD 14.9 billion**



## Example: Australian Scams

- Annual report on scams
- Complaints to Scamwatch, ReportCyber, Australian Financial Crimes Exchange, IDCARE, ASIC, ACMA, Australian Tax Office
  - Methodological challenge that there may be duplication
  - But only 13% of losses reported to Scamwatch, and 30% not reported at all
- <u>2022 report</u>
  - Total reported losses: \$3.1 billion (USD 2 billion) in 2022
  - 80% increase from 2021



### References

- Australian Competition and Consumer Commission (2022) <u>Targeting Scams: Report of the ACCC on scams activity 2022</u>
- Australian Government (2016) <u>Australian Consumer Survey</u>
- European Commission (2017) <u>Study on measuring consumer detriment in the European Union</u>
- Europe Economics (2007), An analysis of the issue of consumer detriment and the most appropriate methodologies to estimate it
- OECD (2020) Measuring consumer detriment and the impact of consumer policy: Feasibility study
- OECD (2022) Measuring financial consumer detriment in e-commerce
- Thorun, C. et al. (2017), <u>Indicators of consumer protection and empowerment in the digital world</u>, ConPolicy GmbH, Berlin