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COMMISSION OF THE EUROPEAN COMMUNITIES

Brussels,
COM(2009) 25/3

**COMMUNICATION FROM THE COMMISSION TO THE EUROPEAN
PARLIAMENT, THE COUNCIL, THE EUROPEAN ECONOMIC AND SOCIAL
COMMITTEE AND THE COMMITTEE OF THE REGIONS**

**Monitoring consumer outcomes in the single market
Second edition of the Consumer Markets Scoreboard**

{SEC(2009) 76}

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**Monitoring consumer outcomes in the single market
Second edition of the Consumer Markets Scoreboard**

Executive Summary

This communication presents the results of the second edition of the Consumer Markets Scoreboard and complements the Commission's broader market monitoring exercise¹ by providing additional information on the malfunctioning of markets from a consumer perspective. The main objective of the Scoreboard is to identify which parts of the internal market are not functioning well for consumers. The main findings of the Scoreboard are:

- Consumers are less satisfied and experience more problems with services than with goods markets. The most problematic surveyed sectors are energy, transport (bus and rail)² and banking services. Energy scores particularly badly in terms of switching, and is among the less well performing sectors in terms of satisfaction and complaints. Only 7% of consumers switched energy providers over the past two years while less than two thirds of consumers are satisfied with their supplier. Bus and rail transport are the sectors consumers are least satisfied with and complain about a lot. In the banking sector switching is low and offers difficult to compare. The substantial variation in bank fees between Member States is not explained by differences in expenditure levels. Of the three sectors identified, energy is the one on which consumers spent most (5,7% of their household budget) and within energy, electricity takes up the highest part of consumer spending (2,1%). Therefore the **retail electricity** market is the target sector for a follow up market analysis to assess consumer problems in more detail.
- In markets with higher switching rates, for example car insurance, internet and mobile telephony, consumers are less likely to report price increases. Facilitating the switching process should be a policy priority in the most important retail services.
- While online shopping is becoming more widespread, cross-border e-commerce is not developing as quickly as the domestic side as a result of cross-border barriers to online trade. The e-commerce report published alongside this Scoreboard draws a detailed picture of the current state of e-commerce in the EU. The retail market report in 2009 will include a chapter on online retailing which will take stock of various initiatives dealing with geographical market segmentation online and describe the hurdles consumers encounter when shopping online across borders and the efforts underway to address these.

¹ SEC(2008) 3074 – Market Monitoring: State of Play and Envisaged Follow-Up.

² The Commission has already taken action in these two problematic areas of transport. Regulation (EC) No 1371/2007 of the European Parliament and of the Council of 23 October 2007 on rail passengers' rights and obligations will enter into force in December 2009. The Commission has also recently adopted the Proposal for a Regulation on the rights of passengers in bus and coach transport and amending Regulation (EC) No 2006/2004 on cooperation between national authorities responsible [COM(2008)817].

- Effective enforcement and redress are essential for markets to function well: evidence shows major differences between Member States and room for improvement of enforcement and redress mechanisms. The Commission will address these issues through a Communication on enforcement and a follow-up to the Green Paper on collective redress.
- More quality data are needed to develop a solid consumer evidence base. The Commission will further develop the methodology for collecting average prices of comparable and representative goods and services. It will also work at a harmonised methodology to classify consumer complaints.

The current evidence on consumer *complaints, prices, satisfaction, switching and safety*, is still not enough to draw definite conclusions, but the following observations can be made:

The *satisfaction* data show less satisfaction with services than with goods markets. Services involve more complex contracts and customer relations and a changing consumer environment when markets are liberalised. The consumers using **bus and rail** transport services experience least satisfaction and most problems: less than half of consumers are satisfied with these services and about one in four experienced problems. Overall satisfaction is also low for **fixed telephony, postal services and energy (electricity and gas supply)**. Main drivers of dissatisfaction in these markets are the price levels, the attractiveness of commercial offers, the ease of purchase, and customer mindedness.

The *complaints* data available, despite comparability problems, also indicate a high number of complaints in the services markets, especially **transport, communication (telecommunications and postal services)**, and the group that includes **banking services and insurance**.

Evidence on *switching* shows that **banking services (bank accounts) and energy (electricity and gas supply)** are particularly problematic in terms of comparability of offers, ease of switching and actual switching. Only 9% of users of current accounts changed banks, 7% of consumers switched gas supplier and 8% electricity provider. These rates are low compared to 25% who switched car insurance.

The available *price* data are not sufficient to properly monitor the internal market. Much of the data available at present is experimental, but a tentative analysis of available prices nevertheless shows unexplained cross border variations in a number of goods and services: bank fees, some high-tech products (DVD players and blank CDs), some food products (coffee, natural yoghurt, olive oil, ice cream, orange juice, black tea, jam, tinned tuna), washing machine powder, and broadband access.

Cross-border retail trade is stalling. The proportion of consumers shopping cross-border has not increased since 2006, while the proportion of retailers selling across borders has declined. Nevertheless, while 25% of consumers have shopped cross-border in the last 12 months, 33% are considering doing so in the next year. If harmonised consumer regulations were put in place across the EU, 49% of retailers would be interested in selling cross-border. This would be a significant improvement compared with the 20% that currently sell cross-border. Online shopping is becoming more widespread but cross-border e-commerce is not developing as fast as domestic online shopping.

The percentage of consumers who feel adequately **protected** by existing measures varies considerably between **Member States**. In 2008, half of Europeans are confident that existing

measures protect consumers well. Moreover, consumers seem to experience difficulties when trying to solve a problem or when seeking **redress**. About half of European consumers who made a complaint were not satisfied with the way their complaint was dealt with. Only four in ten consumers find it easy to resolve disputes with sellers and providers through alternative dispute resolution and only three in ten find it easy to resolve disputes through courts. These figures are slightly lower than in 2006.

1. INTRODUCTION

1. On 29 January 2008, the Commission adopted the Communication ‘Monitoring consumer outcomes in the single market: the Consumer Markets Scoreboard’³ and accompanying Staff Working Document⁴, the first edition of the Scoreboard. The initiative to monitor how the internal market is performing for consumers results from the Single Market Review⁵ which called for reconnection with EU citizens, for policies to take better account of citizens’ concerns, and for policymaking to be more evidence-based and driven by a better understanding of real outcomes for consumers.
2. In its conclusions on the Single Market Review of 25 February 2008, endorsed by the European Council in its conclusions of 13/14 March 2008, the Competitiveness Council ‘welcomed the Commission’s intention to develop with the Member States a Consumer Markets Scoreboard and new consumer price data’.
3. On 18 November 2008, the European Parliament adopted a report endorsing the methodology and indicators and calling for additional evidence on consumer empowerment, such as literacy and skills. It also underlined the importance of close cooperation with Member States and communication of the results to a wider public.

2. MONITORING CONSUMER OUTCOMES

4. In the context of the Single Market Review, the Commission launched a broader market monitoring exercise aimed at a systematic monitoring of markets in two phases. As due to the lack of data the consumer dimension is only partly captured, the Consumer Markets Scoreboard can contribute to better integrate the consumer dimension in the market monitoring by providing more suitable data. At present, the Commission launched in-depth analyses in four sectors: food supply chain, retail sector, electrical goods and pharmaceutical industries.
5. The Scoreboard was developed to monitor markets from a consumer perspective in two phases: a screening and an analysis phase. The Scoreboard is also designed to become a rich source of comparative data for national policymakers in the competition, consumer and other areas to help them identify market malfunctioning on a national basis.
6. In the first section the Scoreboard monitors the performance of markets across the economy against a range of five key indicators. This should identify which sectors

³ COM(2008) 31.

⁴ SEC(2008) 87.

⁵ COM(2007) 724.

have the greatest risk of malfunctioning in terms of economic and social outcomes for consumers. In section two, indicators are presented to track progress in retail market integration. The third section of the Scoreboard presents data for benchmarking the national consumer environment.

7. Markets are also being monitored from the consumer perspective at national level. In Denmark, an annual 'Consumer Condition Index' is published for fifty-seven markets which are rated in relation to each other. The index looks into trust, transparency and terms of complaints. Based on this methodology, Norway developed a similar 'Consumer Satisfaction Index' and the UK a 'Consumer Conditions Survey'. France, the UK and Portugal have developed comprehensive complaints systems for policy-making and several Member States (e.g. Italy and Belgium) have set up price observatories.
8. The first edition of the Scoreboard contained the limited data available at the time but was only an illustration of what the Scoreboard will become. The main finding of this first exercise was that the relevant, comparable, EU-wide data needed to assess whether the internal market is delivering for consumers was mostly lacking.
9. A report on **e-commerce** accompanying this Scoreboard sets out preliminary findings on cross-border e-commerce trends. The Commission will in the first semester of 2009 assess the problems consumers face resulting from a lack of transparency in **retail financial services**.
10. In 2008, the Commission started in earnest to develop and collect consumer data and evidence through surveys and studies and in collaboration with stakeholders in Member States — national statistical offices, consumer policy makers, enforcement authorities and consumer organisations. Particular attention has been paid to assuring quality of data. While the second Scoreboard presents more data on the indicators, work on many areas (e.g. prices, complaints, enforcement) is still incomplete: data are not yet available for all consumer markets and are sometimes collected using different market definitions, indicators need to be further developed and collection organised to take account of differences between national systems. At present, some Member States do not use data to monitor consumer markets and have difficulties aggregating data. Despite these difficulties, work in 2008 has delivered a sound basis for further progress.

3. SECOND EDITION OF THE CONSUMER MARKETS SCOREBOARD

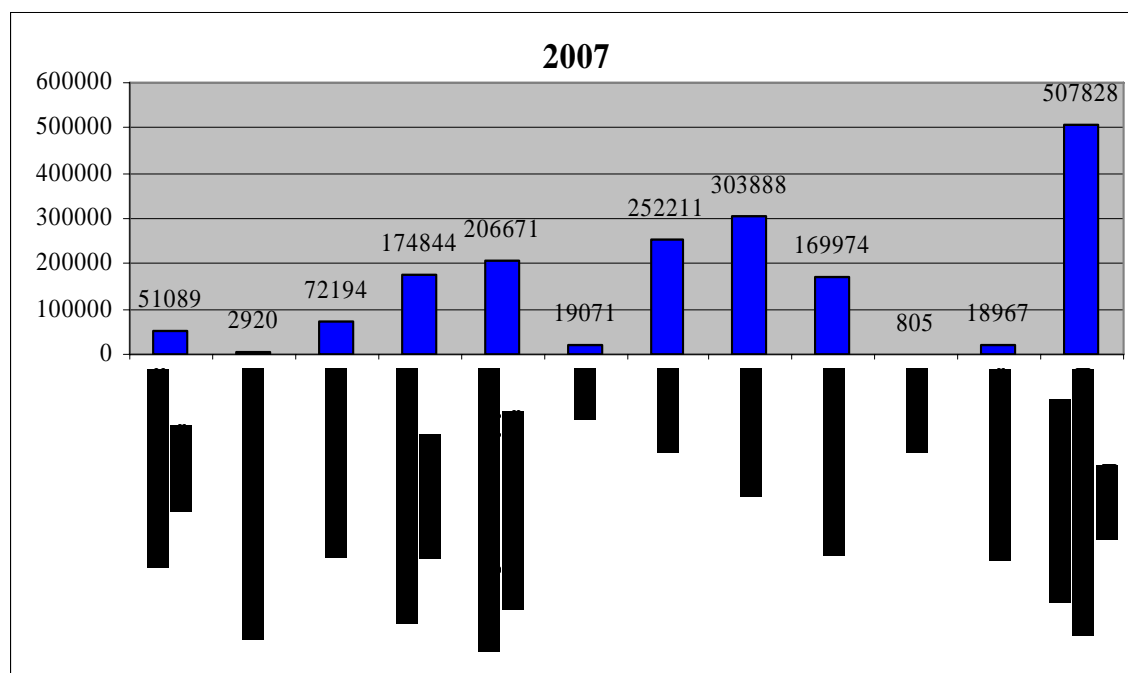
11. The second edition of the Scoreboard confirms the value of the evidence-based approach for indicating which markets may not function well for consumers. It also shows that more complete evidence is needed to assess all main consumer markets.

Part 1 — Screening consumer markets

12. Five indicators — complaints, prices, satisfaction, switching and safety — help identify the consumer markets that risk malfunctioning. No single indicator is sufficient — only by looking at several indicators can conclusions be drawn about where further analysis is needed. Moreover, identifying a sector for further analysis is not a confirmation of market malfunctioning. The screening of consumer markets complements the screening exercise in the market monitoring framework.

13. Consumer complaints are a key indicator of malfunctioning markets used extensively by national policymakers to identify problems quickly. Complaints are collected by national authorities in all Member States, but at present data on consumer complaints are not harmonised and do not allow proper comparison between markets or countries. The Commission held a public consultation on developing a harmonised methodology for classifying consumer complaints⁶. Stakeholders were supportive of a voluntary methodology for classifying and reporting complaints addressed to third parties (thus excluding complaints sent to businesses). The Commission is working with all the stakeholders concerned to ensure the widest possible adoption of the methodology.
14. Authorities from twenty-three Member States, Norway and Iceland provided data on consumer complaints. Despite differences in collection and classification, the aggregate data can be compared. The data in Figure 1 clearly have limitations — responses varied considerably as to their completeness, and the level of aggregation is too high to distinguish individual consumer markets. However, it does indicate a strong common pattern that consumers report more problems in the services markets.

Figure 1: Consumer complaints addressed to third parties — COICOP⁷. Main headings



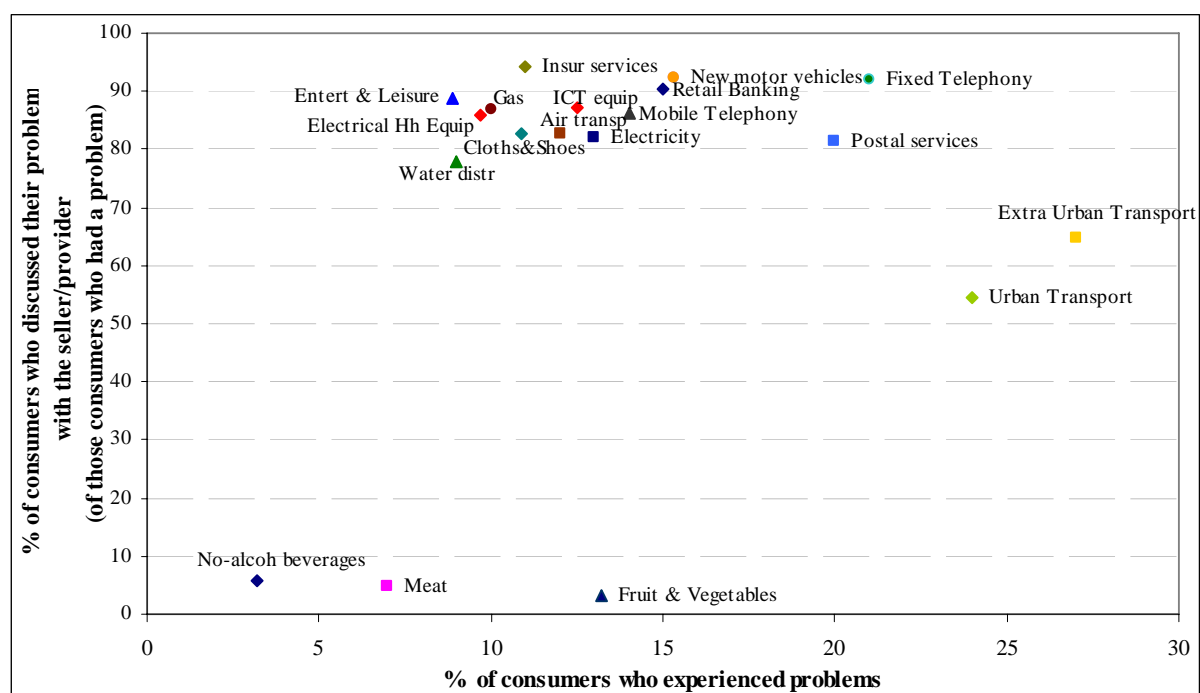
Source: Member States and EEA authorities

15. While complaints data are important to detect malfunctioning, the absence of complaints does not always mean that there are no problems. Figure 2 shows that in some markets consumers have a low tendency to complain even though they experience problems, for example, in bus and rail and some food markets such as fruit and vegetables.

⁶ All individual responses are published on the DG SANCO website, accompanied by a synopsis paper - http://ec.europa.eu/consumers/consultations/consultations_en.htm.

⁷ Classification Of Individual Consumption by Purpose.

Figure 2: Consumers reporting they experienced problems and made enquiries or complaints, 19 goods and services markets



Source: IPSOS consumer satisfaction surveys 2006 and 2008

16. Prices are among consumers' main concerns and a major determinant of their welfare. Undue price divergence may be an indication of market malfunctioning and fragmentation. While price differences may reflect differences in costs or living standards, consumer preferences, taxes, tradability or non-tradability of products, they may also be a sign of internal market fragmentation or malfunctioning.
17. Price data are available for a limited number of goods and services only⁸. Observed price differences between countries are often linked to differences in expenditure levels⁹. But there are some products for which observed price differences do not relate to expenditure levels. These products are: some high-tech products (DVD players and blank CDs), some food products (coffee, natural yoghurt, olive oil, ice cream, orange juice, black tea, jam, tinned tuna), washing machine powder, bank fees, and broadband access. It should be noted however that some of the price data are research data collected by Eurostat that must be considered experimental at this stage.
18. The available data are not yet sufficient to monitor the internal market properly; there is a need to increase the number of prices of products and services monitored and to

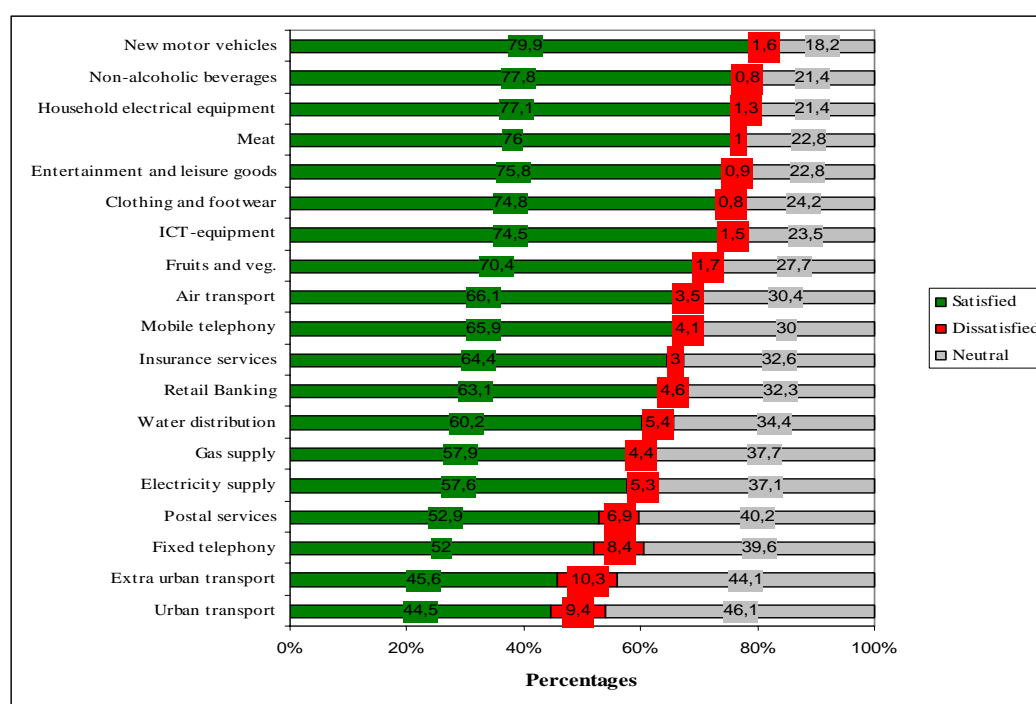
⁸ Indicative prices of sixty-six products and services were collected in an experimental research project carried out by Eurostat and national statistical offices of twenty-three Member States, Switzerland, Iceland and Norway. Prices of cars, telecommunications, energy and bank accounts are also available from various sources.

⁹ The expenditure level is used here as a proxy of actual individual consumption which is the total of individual goods and services consumed by households and financed from both public and private sources. The results of the price calculation are described in Section 1.2 of the Staff Working Paper accompanying this Communication.

improve data quality, in particular the comparability and the market representativity of price data. For example, there are almost no data on professional services even though the one study¹⁰ conducted by the Commission show significant price variations between countries. Transparent price data will also demonstrate that the day-to-day concerns of citizens are being addressed. The Commission will work with national statistical offices to collect and publish prices in future years for a significant number of products across the Member States.

19. Consumer satisfaction levels capture consumers' perceptions of choice, comparability of prices and quality, transparency, trust and confidence. Figure 3 shows overall satisfaction with nineteen markets from data gathered in 2006 for services and 2008 for goods. The figure shows that consumers are consistently less satisfied with the services than with the goods markets. This may reflect the greater complexity in the contractual relations and delivery of services compared to goods, where the value can be assessed before making the purchasing decision. The overall low satisfaction with bus and rail transport is influenced by the fact that consumers experience many problems and are not satisfied with prices, the ease of purchase and customer mindedness. Differences between Member States are considerably larger than those between markets.

Figure 3: Overall satisfaction/dissatisfaction with 19 services and goods markets



Source: IPSOS Consumer Satisfaction Surveys, 2006 and 2008

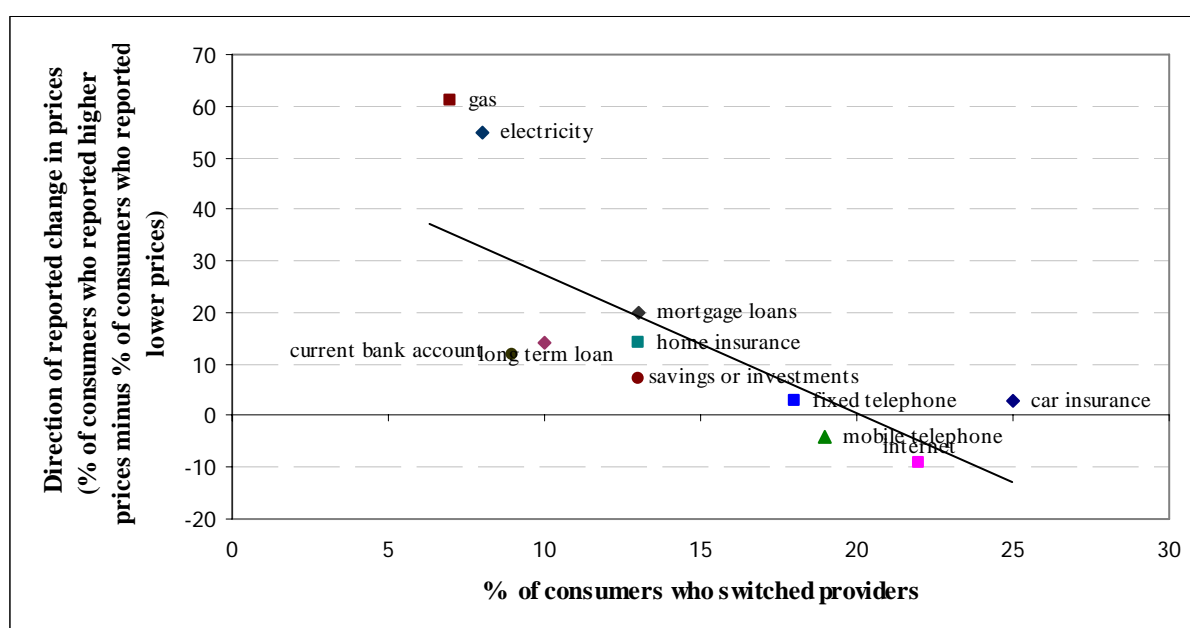
20. In future Scoreboards, the satisfaction survey will be extended to cover all the main consumer markets in order to give a comparable (same-year) assessment.
21. The ability to switch providers is an essential dimension of competition in a market economy. Switching exerts a positive effect only when its costs in terms of money,

¹⁰ COMP/2006/D3/003 – Conveyancing Services Markets, December 2007.

time, and effort are sufficiently low compared to the price of the service. Consumers can also only chose the best offer if they are able to understand and compare offers.

22. Figure 4 shows the switching rates and reported net price changes for selected markets¹¹. Third-party liability *car insurance* was the service where most consumers switched: a quarter of all policy holders changed providers during the past two years. Next were telecommunication services: internet (22%), mobile phone (19%) and fixed-line telephone services (18%). On average, only 11% of users of retail banking services changed providers or products during the past two years; those most likely to change were the holders of mortgage and investment products (both 13%), while only 9% changed their existing accounts and 10% their long-term credit arrangement. Energy was the sector least likely to switch: 7% switched gas supplier and 8% electricity provider.

Figure 4: Market mobility and price developments, by service area



Source: Flash Eurobarometer 243 — Consumers' views on switching service providers

23. The majority of consumers who switched reported financial benefits from the process. More importantly, in markets with higher switching, consumers as a whole are less likely to report price increases (Figure 4). Consumers empowered by switching help to improve the outcomes for all consumers.
24. Ensuring that consumer goods and services are safe is a priority of consumer policy. A survey¹² showed that consumer confidence in product safety is generally high. Almost half of all consumers think that only a small number of products are unsafe and a further 17% think that essentially all products are safe. On the other hand, 18% of consumers think that a significant number of products are unsafe. In Member

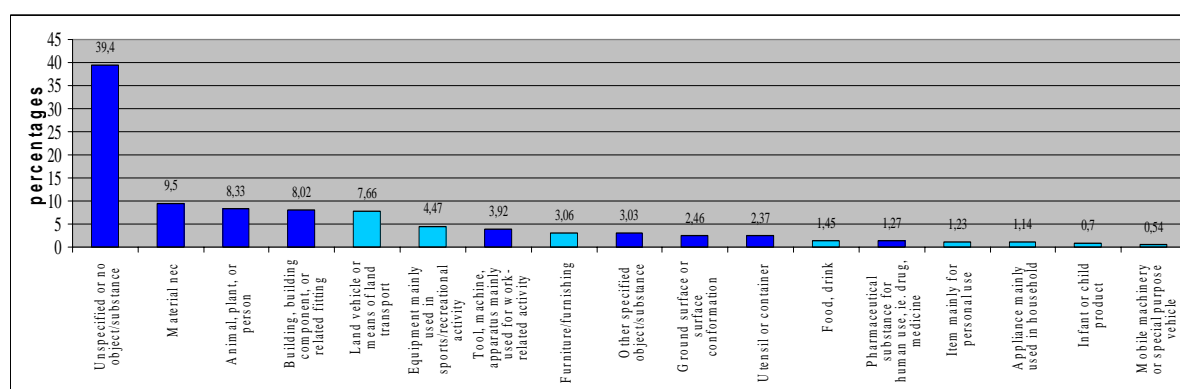
¹¹ Flash Eurobarometer 243 — Consumers' views on switching providers.

¹² Special Eurobarometer 298 — Consumer protection in the internal market, 2008.

States where consumers' perceptions of safety are positive, retailers' perceptions¹³ also tend to be. The differences between Member States are significant, however.

25. Sixteen Member States are currently collecting injury and accident data through a common system, the Injury Database (IDB). Figure 5 shows the degree to which different product categories are involved in accidents in ten Member States (product categories that account for less than 0.5% are not displayed). Among consumer products, the categories 'land vehicle or means of land transport' and 'equipment mainly used in sports / recreational activity' rank highest. The actual percentages are, however, rather small (7.7% and 4.5% respectively, because of the large share of unspecified products).

Figure 5: Injuries by product involved in the accident — aggregated average for 10 Member States



Source: IDB — All injuries in Europe

Part 2 — Tracking progress of retail market integration

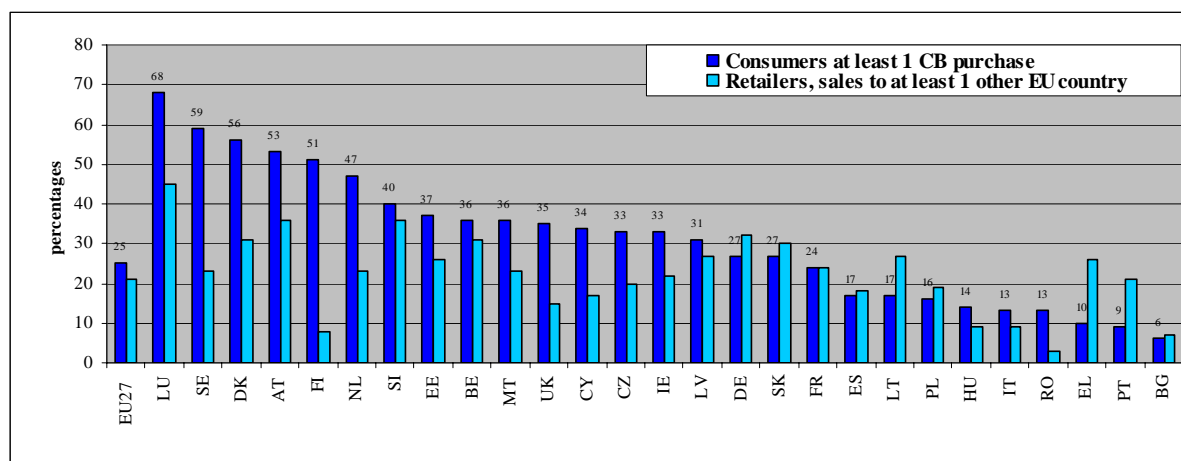
26. The completion of the retail internal market is an essential feature to meet Europe's economic challenges and deliver tangible benefits for citizens. A well-functioning internal market should offer consumers a wider choice of products, the best possible prices and, at the same time, a high level of consumer protection.
27. The picture of cross-border retail trade is mixed. A quarter of European consumers have made a cross-border purchase in the past year (about the same as in 2006). Seventy-five percent¹⁴ of retailers sell only to consumers in their own country (slightly more than in 2006). Although the proportion of consumers shopping cross-border has not increased, a growing number of consumers feel confident about shopping cross-border. Average expenditure on cross-border purchases is considerable (€737 per person per year). The proportion of retailers' revenue made up by cross-border sales is 10 to 17% depending on the sales channel, which is similar to 2006. Harmonised regulation across the EU could be one way to encourage retailers to sell cross-border. With such regulation, almost one out of two reports to be willing to sell cross-border, compared with 20% that currently sell cross-border. Clearly there is potential to increase the levels of cross-border trade in the near future if the obstacles can be identified and removed.

¹³ Flash Eurobarometer 224 — Business attitudes towards cross-border sales and consumer protection, 2008.

¹⁴ Excluding cross-border sales in shops.

28. Figure 6 shows that the prevalence of cross-border activity still varies significantly across the EU. In most countries where many consumers shop cross-border, many retailers also sell cross-border, and vice versa. The fact that most retailers only sell to consumers in their own country, and that just 7% sell to six or more European countries, is reflected in the fact that 8% of consumers who have shopped cross-border at some point had difficulties when they tried to buy goods or services in another EU country because they did not live in that country. On average, retailers sell cross-border to only 1.3 EU countries.

Figure 6: Consumers purchasing and retailers selling cross-border



Sources: Special Eurobarometer 298, Consumer protection in the Internal Market, June 2008 & Special Eurobarometer 205, Consumer protection in the internal market, March 2006

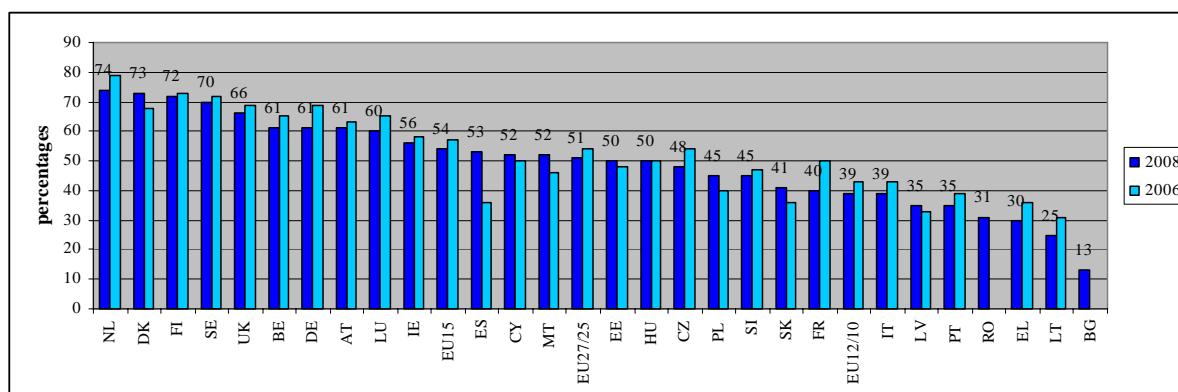
29. E-commerce is becoming more widespread, but cross-border e-commerce is not developing as quickly as the domestic side. Thirty-three percent of consumers have shopped online in the past year, compared to 27% in 2006. This growth is not reflected in the figure for cross-border shopping over the internet, which is stable (6% in 2006 and 7% in 2008). A separate report on e-commerce set out in more detail the current state of online retail in the EU.

Part 3 — Benchmarking national consumer policies

30. Effective national consumer policies and institutions are essential to the functioning of the internal market. Benchmarking outcomes across the EU helps identify best practice and boosts confidence and trust among operators, consumers and authorities that there is a level playing field. Free circulation of safe products and the protection of consumers from rogue traders both depend on the effectiveness of enforcement and market surveillance in all Member States. Empowered consumers are key to the efficient functioning of markets, as they reward suppliers that operate fairly and respond best to consumers’ needs.
31. The percentage of consumers who feel adequately protected by existing measures varies considerably between Member States and was lower in 2008 than in 2006 in most countries. About half of Europeans are confident that existing measures protect consumers well. At present, consumers seem to experience difficulties when trying to solve a problem or when seeking **redress**. About half of European consumers who made a complaint were not satisfied with the way their complaint was dealt with.

Only four in ten consumers find it easy to resolve disputes with sellers and providers through alternative dispute resolution and only three in ten find it easy to resolve disputes through courts.

Figure 7: Percentage of consumers who feel adequately protected by existing measures



Sources: *Special Eurobarometer 298, Consumer Protection in the Internal Market, June 2008* & *Special Eurobarometer 205, Consumer Protection in the Internal Market, March 2006*

32. The evidence gathered shows that enforcement and empowerment across the EU are far from uniform and that most countries have strong and weak points. However, care is needed at this stage when interpreting the figures. In order to better understand these data, the Commission intends to carry out a major survey of empowerment in 2010.

4. Next steps

33. A market monitoring tool like the Consumer Markets Scoreboard helps the Commission identify where markets are failing consumers and complements the broad market monitoring exercise. The second edition identifies some of the weak points in the single market but also emphasises the need for further effort to deliver solid data so the Commission has timely and telling market information upon which it can act.

34. Collaboration with Member States will be key to further developing the evidence base needed. Comparing consumer outcomes between countries and benchmarking the consumer environment at national level are an important part of delivering an internal market that works for consumers. National evidence on complaints, prices and enforcement will bring greater transparency and clarity to the debate about how the internal market is functioning, and demonstrate best practice. The Commission will work with national experts in Member States committees, working groups and with national statistical offices and consumer organisations.

35. Action points for 2009 include:

- A market study on the retail electricity market.
- A chapter on online geographical market segmentation in the retail market study which will analyse the problems consumers have when shopping online across borders.

- A communication on enforcement which will set out a global strategy to ensure the effective enforcement of the consumer acquis.
- Development of a regular collection of average prices of comparable consumer products and services by Eurostat and the national statistical offices.
- Development of a voluntary harmonised methodology to classify consumer complaints.
- Work to develop appropriate indicators to measure enforcement and empowerment with national stakeholders.