



COMMISSION OF THE EUROPEAN COMMUNITIES

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COMMUNICATION FROM THE COMMISSION

**Monitoring consumer outcomes in the single market: the Consumer Markets
Scoreboard**

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(Text with EEA relevance)

1. INTRODUCTION

1. One of the main conclusions of the Commission's communication on the single market review is that the market has to be more responsive to the expectations and concerns of citizens and more able to adjust to the challenges of globalisation. In the face of these challenges more attention needs to be paid to the final outcomes affecting EU citizens and not just to the legal tools. Policies need to be more evidence-based and outcome-oriented. Better monitoring and evaluation of outcomes for citizens is a priority for the Commission to move to the next stage of the single market. While better monitoring is important because it will help drive better policymaking and regulation, it is also essential in itself as a way of demonstrating to citizens that their concerns are taken into account.
2. It is in their role as consumers that most of our citizens experience the single market on a daily basis. Their consumer experience therefore influences their views on the single market and the EU as a whole. Better outcomes for consumers are the ultimate goal of all single market policies and the litmus test for their success. In an increasingly consumer-oriented, globalised economy, a single market that responds more efficiently to consumer demands also helps to deliver an innovative and competitive economy.
3. The single market is not exclusively an economic project. It also safeguards certain social standards. Similarly, consumer interests cannot be exclusively defined in terms of economic efficiency. Citizens expect single market policy to deliver socially acceptable outcomes, sometimes at the expense of economic efficiency. For example, concern for human health, the environment and safety means that consumer products are strictly regulated. There is also a consensus that affordable access to certain essential commercially provided services, vital for economic and social inclusion, should be guaranteed to all, wherever they live. The concept of 'market malfunctioning' should therefore be understood in the Scoreboard context as covering both inefficient allocation of resources and a failure to deliver these outcomes.
4. Evidence on the performance of the single market for consumers is however largely absent at present. Developing the indicators to better monitor this demand-side aspect of the single market is, therefore, key to the new Commission approach. The Scoreboard will contribute to the general monitoring exercise by trying to detect those cases where signs of market malfunctioning are linked to unsatisfactory conditions of the consumer environment. The data gathered will not only help deliver

a better consumer policy, but will feed through to all policies that affect consumers, ensuring the better integration of consumer interests into all EU policies.

2. WHY MONITORING CONSUMER OUTCOMES IN THE SINGLE MARKET MATTERS

5. Consumer markets are complex systems where supply and demand meet and the behaviour of producers, service providers, retailers and consumers is constantly changing in a process of feedback. The most innovative companies see consumers as one of the richest sources of new ideas.
6. The economic performance of consumer markets is no longer seen as a simple product of the supply-side efficiency of economic operators, even if this is essential to positive consumer outcomes. Effective competition policy and occasional supply-side regulation are necessary but not sufficient to guarantee efficient and highly performing markets. Efficient and responsive consumer markets across the economy are key drivers of competitiveness and citizens' welfare. They need empowered consumers able to make informed choices and quickly reward efficient operators. Markets where consumers are confused, misled, have no access, or have little choice will be less competitive and generate more consumer detriment, at a cost to the efficiency of the overall economy.
7. The Single Market Review has recognised the need to deliver more benefits for consumers and to renew efforts to stimulate integration and greater efficiency. The Commission's consumer policy strategy¹ made this an objective over the period 2007-2013.
8. This Scoreboard is the fruit of consultation with stakeholders and Member States. A public consultation generated more than sixty responses from national authorities, European Consumer Centres, NGOs, industry and individuals. The majority of respondents are supportive of the Scoreboard².

3. THE CONSUMER MARKETS SCOREBOARD

9. The challenge is to develop indicators showing where consumer markets may be failing consumers and where the Commission's attention should be focused. Indicators should show where markets are failing to maximise economic outcomes for consumers and also where they are failing to deliver the key social outcomes.
10. A clear distinction should be drawn between the screening and analysis phases of monitoring. In the screening phase, there is a need to identify which markets risk failing consumers. Given the vast number of indicators that could be collected for all consumer markets, a limited number that capture the main characteristics are needed for screening purposes.

¹ COM(2007) 99, 13.3.2007.

² A synthesis of the responses can be found at http://ec.europa.eu/consumers/consultations/consultations_en.htm

11. The analysis phase requires additional, sector-specific data and research. The in-depth analysis aims at understanding if and why these markets are failing consumers. It should seek to identify whether failure is attributable to a lack of competition, distortion of consumer choice, lack of transparent and complete information, poor sectoral regulation, internal market fragmentation, or a combination of some or all of these. The policy instrument best suited to address the problems in a market will depend on these causes. For example, competition policy for abuse of dominant position, sectoral regulation to abolish certain barriers to entry into a market, consumer policy to ensure transparency of information, or a combination of instruments.
12. Giving greater attention to monitoring consumer markets therefore has a threefold value. First, although problems arise at the wholesale and retail level, citizens experience market malfunctioning at the retail level. Second, market malfunctioning through the distortion of consumer choice damages overall competitiveness because of the negative impact on the efficient allocation of resources. Third, given the place of final consumption in the value added chain, market malfunctioning at the retail stage may also indicate a lack of competition or other malfunctioning further up the chain.
13. The Scoreboard is one of the first fruits of a general market monitoring exercise launched by the Single Market Review. This market monitoring exercise also has two stages: a screening stage and an in-depth analysis phase. The first phase aims to identify the sectors that are the most important for growth, job creation, household consumption and adjustment within the Single Market and where there are signs of market malfunctioning. However, due to the lack of suitable data only one consumer indicator was used in the exercise. As new consumer data becomes available through the Scoreboard, the methodology used for sector screening will be adapted to better reflect the consumer dimension. The second phase involves a market-based investigation of the sectors identified in the screening stage. When a consumer market is selected for an investigation, it will also include analysis from a consumer perspective.
14. The first Consumer Markets Scoreboard sets out the indicators needed for screening consumer markets and the institutional framework in which markets and consumers operate. Complete, harmonised and comparable data on consumer outcomes are largely absent. This first Scoreboard presents existing data and suggests ways of filling the extensive gaps.

4. STRUCTURE AND KEY INDICATORS OF THE SCOREBOARD

15. The elaboration of an EU-level Scoreboard poses particular challenges that do not exist for national scoreboards but also presents certain advantages. In addition to monitoring different consumer markets, the scoreboard assesses the integration of the EU consumer market and benchmarks the national consumer environment. A number of indicators such as redress and enforcement systems, consumer empowerment, transparency of information, or barriers to cross-border trade are relevant at a horizontal rather than at sectoral level. The Scoreboard reflects this complex mosaic by analysing the single market in three dimensions.

16. The first looks at the broad performance of **consumer markets across the economy**. As well as identifying problem sectors for further analysis, this dimension will help benchmark performance across the EU. The indicators will be structured according to the COICOP (Classification of Individual Consumption According to Purpose) statistical methodology.
17. The second dimension is the **degree of integration of the retail internal market**, in light of the Commission's strategic consumer policy objective of making consumers and retailers as confident shopping cross-border as in their home countries by 2013.
18. The third dimension is the consumer environment in the **27 national markets** in terms of enforcement, information, education, and redress. These indicators benchmark Member States' consumer policy systems and institutions.
19. The functioning of markets from a consumer perspective cannot be captured in a single indicator but depends on the interaction of a number of variables. The market structure and the institutional and competitive environment are main determinants of market outcome. However the degree to which consumer choice is affected by the behaviour of economic operators, also affects outcomes. The **ability of consumers** to understand the choices available in the market affects the successful functioning of the market, even if the operators are transparent and truthful. Assessing complex products such as life insurance or high technology equipment may require professional advice.
20. These variables will be measured through a mixture of 'hard' and 'soft' data. Neither of those paints the full picture. While hard data captures some aspects of market functioning, soft data are necessary to capture consumers' experience and perceptions of market function and confidence, which in turn affect operators' behaviour.

4.1. Screening consumer markets

21. The main characteristics of consumer markets can be captured through five main indicators, each of which has certain strengths and weaknesses. The combination of indicators helps to mitigate their weaknesses and provide a robust picture. Evidence of problems in two or more indicators should be sufficient to justify further analysis. The five indicators – complaints, price levels, satisfaction, switching and safety – are set out below. Further explanation and illustrative data are presented in the Annex.

4.1.1. Complaints

22. Data on consumer complaints have been described as the 'gold standard' of indicators of consumer market function and are used in several Member States and third countries as a key indicator. The willingness to complain varies between countries and sectors depending on traditions in consumer protection and perceptions of the likelihood of success, so complaint levels need to be interpreted in conjunction with other indicators. A comprehensive and comparable picture of complaints across all product and service sectors and across the EU would provide a powerful tool. A consultation document will be published in 2008 seeking the views of all complaint handling bodies in the EU on the way to move towards a more harmonised system of complaint classification.

4.1.2. *Price levels*

23. Price levels are of great concern to consumers. It is therefore important to monitor the price levels of different products and how they evolve. If the price level of a given product is higher than a benchmark, then the reasons behind should be examined. Higher prices can be due to differences in demand or cost structure. Price levels can also signal a less efficient market from the point of view of consumers due to the regulatory framework or the competitive environment. It is therefore important to examine this indicator in conjunction with the other indicators used in the scoreboard to understand the source of different price levels. Further work is needed with national statistical agencies to develop comparable and representative price data and see if adaptation to existing statistical regulation is needed. The need for these data has been identified in the Single Market Review. At present comparable price data is almost entirely missing with some limited exceptions (cars, food, etc.).

4.1.3. *Satisfaction*

24. Certain vital aspects of market function such as quality, choice, transparency, and after-sales service are difficult to measure objectively. Consumer perceptions of these variables offer the best way of monitoring these outcomes. Drawing on well established consumer satisfaction measuring techniques developed by business, a robust methodology has been devised to provide a composite index of consumer satisfaction. The methodology has been tested in eleven services of general interest which are comparable over time and across the services. Over time the more important consumer markets should be covered.

4.1.4. *Switching*

25. Consumer switching is an important indicator both of the choice consumers have and of their ability to exercise this choice (depending on transparency of the market, obstacles to switching, etc.). The willingness of consumers to switch is critical to the success of liberalisation of network services. Data on switching attitudes exist through surveys on EU-level for a limited number of services of general interest and in certain Member States. Future work will concentrate on extending indicators to other key services and examining also switching costs and perceptions of the ease of switching.

4.1.5. *Safety*

26. Safety of consumer products and services is an important outcome indicator. The current available data on the safety of consumer products and services, measured through accidents and injuries evidence as well as through notification of dangerous products systems, is inadequate. The data on injuries and accidents need improvement in terms of geographical coverage and comparability whereas the notifications data need additional information (e.g. on market share, volume of inspections, etc.) to allow for proper assessments.

4.2. **Assessing the integration of the retail internal market**

27. These indicators seek to assess the level of integration of the Internal Market. Integration can be captured through the presence of non-national retailers, cross-

border foreign direct investment and cross-border retail trade. Figures on intra-EU trade do not distinguish between wholesale and retail trade. Therefore hard data on the real level of cross-border sales is missing. Proxies for this statistic may be available from payments systems. In the interim, survey data on cross-border trade reported by consumers and business should be tracked regularly to provide evidence.

28. Consumer and retailer attitudes to cross-border selling and buying are also important for monitoring perceptions and measuring progress towards the goal of boosting confidence in cross-border buying and selling. Price data collected to monitor consumer markets will also allow the use of price dispersion as an indicator of the level of integration of the market.
29. Data on the problems encountered by cross-border shoppers are also important. Figures from the European Consumer Centres (ECC) network and the network of Consumer Protection Cooperation (CPC) enforcement agencies showing the level of cross-border information requests, complaints, disputes and enforcement cases are presented.

4.3. **Benchmarking the consumer environment in the Member States**

30. Benchmarks are needed to understand the consumer environment at national level because it is important for the functioning of national markets and for an integrated EU market. The Single Market Review identified **enforcement** as a major priority. The quality of enforcement regimes is a crucial indicator of the health of national markets, whether from a safety or economic perspective. Indicators of compliance and of trust in enforcement agencies capture one element. Enforcement inputs and outputs (inspectors, inspections carried out) provide other indicators. Similarly consumer **redress** (through the courts and alternative dispute resolution bodies) should be measured according to consumer perceptions and hard data on cases taken. While data exists on consumer perceptions, more data need to be collected in collaboration with the Member States.
31. Independent **consumer organisations** have a key role to play in ensuring that markets function effectively, through comparative testing of products and identification of market malfunctioning. Indicators of the strength of the national consumer movement in terms of resources and the trust placed in them by consumers are therefore important.
32. Indicators of consumer **empowerment**, notably the levels of consumer education, information, understanding, consumer literacy/skills, awareness and assertiveness are important to understanding different national markets and identifying where best practice exists. Relatively little EU-wide comparable data exists in this area at present.

4.4. **Analysis phase studies**

33. The five indicators of consumer markets will provide much information about how a particular market is working. Analysis phase market studies will however need to collect all relevant data with a view to better understanding the causes of market malfunctioning. The data collected to assess integration of the internal market and to

benchmark national policies should also help to explain why specific markets are not functioning well.

34. Where the scoreboard reveals evidence of problems common to markets, this may call for horizontal analysis across different markets. Similarly, analysis of the indicators along national lines may help national authorities or consumer organisations identify specific problems in their country and carry out further analysis.
35. Examples of issues to study in more detail in the analysis phase include:
 - Consumer empowerment. Given that the ability of consumers to understand the choices available to them varies according to the nature of the market, research into how consumers understand the products on offer may be needed.
 - Consumer detriment. Research into the ability of consumers to make effective choices may be needed.
 - Developments in the relationship between import prices and consumption prices.
 - Legislative indicators where regulation provides for specific consumer outcomes.
 - Compliance levels – measured through enforcement 'sweeps' and other tools.
 - Quality – Such data tends to be market specific but captures important qualities not covered by satisfaction and safety, such as the degree of innovation, health and the environment.
 - Access and affordability – particularly pertinent for essential services.
 - Interoperability – the ability of a system or a product to work with other systems or products without special effort on the part of the consumer.

4.5. Further development of the Scoreboard

36. Given the absence of so many data in this first Scoreboard, its full potential cannot yet be presented. In time, the complete Scoreboard will enable the Commission to:
 - Identify which markets are malfunctioning in terms of consumer outcomes and need further in-depth market analysis. This analysis could generate policy specific recommendations (competition policy, consumer policy, sectoral regulation, etc.).
 - Show which horizontal consumer issues need further analysis, especially in terms of European and/or national consumer legislation.
 - Show progress towards the Commission's consumer policy goals of an integrated retail internal market with confident consumers.

- Allow benchmarking of Member States' performance across the national consumer environment.

5. CONCLUSIONS

37. The Consumer Scoreboard complements the general market monitoring exercise developed by the Commission within the context of the Single Market Review. It can contribute to further develop the consumer dimension within the general market monitoring exercise.
38. This first scoreboard is embryonic. The available data for the indicators is inadequate: most of the indicators are only available for a very limited number of sectors and the data are not always available for all Member States, nor are they always comparable.
39. The majority of the tables and graphs presented in the first scoreboard are based on data gathered in the consumer policy field through surveys or through collaboration with stakeholders in Member States. There tends to be a lack of data on consumer outcomes in relation to other EU policies that affect consumers, with the exception of areas where EU policies overlap with markets, for example, telecommunications price data and data on transport safety.
40. The current data are too limited – in particular with regard to the number of sectors – to give an indication as to which markets are functioning better than others. For this reason the first scoreboard is presented by indicator rather than by sector. While the first Scoreboard focuses mainly on services, future scoreboards will cover more goods markets.
41. The EU retail internal market is far from being integrated. European consumers still tend to buy goods or order services in their own country. Though there are a number of structural barriers such as language or consumer protection law, these do not have the same negative impact in all countries. As one might expect, consumers in small, central countries tend to buy more from foreign suppliers than consumers in peripheral countries.
42. The consumer environment differs substantially and with regard to many aspects across Member States. Trust in the national consumer protection system, in the national authorities dealing with consumer affairs, in independent consumer organisations, or in providers to protect consumers' rights varies from 30% to over 80% across Europe. Dispute resolution is thought to be easier in some countries than in others. There are also important differences with respect to the level of understanding of information, or the amount of public funding consumer organisations receive.
43. Above all, this first scoreboard shows the need to collect new data sets and evidence for future scoreboards. This gathering of data will be carried out in collaboration with interested stakeholders in Member States such as consumer authorities, industry bodies, consumer associations and statistical offices. Special attention will be given to collecting data for all 27 Member States, including Bulgaria and Romania which are often missing from the current data. Immediate follow-up activities will focus on:

- Comparable price data for a substantial number of products in cooperation with Eurostat and national statistical offices.
 - Developing a methodology to classify complaints in a more harmonised manner across Member States.
 - Adapting the satisfaction methodology and carrying out satisfaction studies in additional sectors.
 - Further developing the indicators and integrating the scoreboard into the market monitoring exercise and the Single Market Scoreboard. The future Internal Market Scoreboard will provide indicators on economic performance, competition, market integration, innovation, and more generally on citizens' benefits.
44. The shift in policymaking away from an instrument-led approach to an outcome-led approach with a focus on consumer outcomes is ambitious and calls for an important change in the work of policymakers. The programme outlined above will require a considerable effort on the part of policymakers and stakeholders. The prize is both better, simpler regulation and markets which better deliver what citizens want.