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Second Consumer Markets Scoreboard

PART 1

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Second Consumer Markets Scoreboard

PART 1

22 January 2009

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1. TOP-LEVEL INDICATORS TO SCREEN CONSUMER MARKETS

The Consumer Markets Scoreboard was developed as a tool to help monitor markets from a consumer perspective. In this first section it screens the broad performance of markets across the economy against a range of key indicators: prices, complaints, switching, safety, and satisfaction. This will indicate which markets are at risk of not functioning well in terms of economic and social outcomes for consumers and where intervention may be needed. These sectors will be analysed further through in-depth market studies.

1.1 Complaints

Consumer complaints are a key indicator of markets failing to deliver against consumers' expectations. A public consultation was held in 2008 on developing a harmonised methodology for classifying and reporting consumer complaints across the EU. Harmonised complaints data would provide useful information for policy-makers, regulators and consumer organisations at European, national and local level. This was confirmed in the more than one hundred responses to the public consultation. Around 50% of respondents support the introduction of a voluntary reporting and classification system while around 30% favour an obligatory system¹.

An expert group has been set up to provide advice and assistance in developing the harmonised methodology. The Commission plans to propose a harmonised methodology for classifying consumer complaints addressed to third parties² to be used on a voluntary basis in 2009.

In addition, the Commission asked members of the Consumer Policy Network — consumer policy authorities in the EU and the EFTA countries — to provide data on consumer complaints collected by third parties (national authorities, regulators, consumer organisations, alternative dispute resolution bodies etc.) for the second Scoreboard.

The countries collect and classify consumer complaints differently, owing to differences in policy, legal and organisational structures. Yet despite these differences it is still possible to bring all data together, at least at a very aggregate level, since the goods and services on offer around the EU are fairly similar and most countries classify consumer complaints sectorally. It is also striking how widespread is the collection of consumer complaints by public authorities.

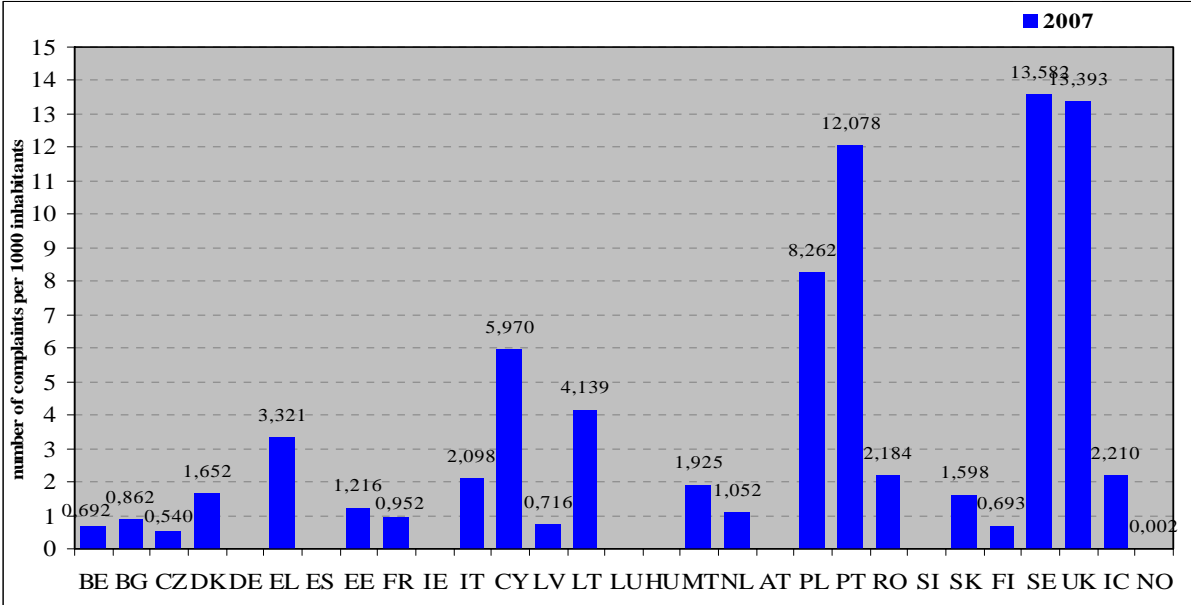
Figure 1 presents the complaints data as provided by consumer policy authorities. It presents only a partial view of the whole picture of complaints addressed to third parties, since the responses varied considerably as to their degree of completeness. Despite these limitations, the data can serve as a good starting point for data collection on consumer complaints in future years. Even though the data does not permit definitive conclusions, it points towards some general tendencies.

¹ All individual responses are published on the DG SANCO website, accompanied by a synopsis paper - http://ec.europa.eu/consumers/consultations/consultations_en.htm.

² Third-party consumer complaints collection bodies. These can be public authorities, ministries, self-regulatory bodies, consumer non-governmental organisations, trade associations, trade associations, alternative dispute resolution bodies, and other similar bodies. They **do not** include businesses receiving complaints.

On a relative scale, Sweden and the UK come top in terms of the number of complaints addressed to third parties. This should not be interpreted as meaning that Sweden and the UK have two of the most malfunctioning consumer markets. The result is probably due to the fact that consumers in those two countries are well informed and empowered, as confirmed by the evidence presented in Part 3 of the Scoreboard. Also, well established and known complaints bodies exist in the two countries and very thorough and complete data were provided.

Figure 1: Cross-country comparison of consumer complaints addressed to third parties

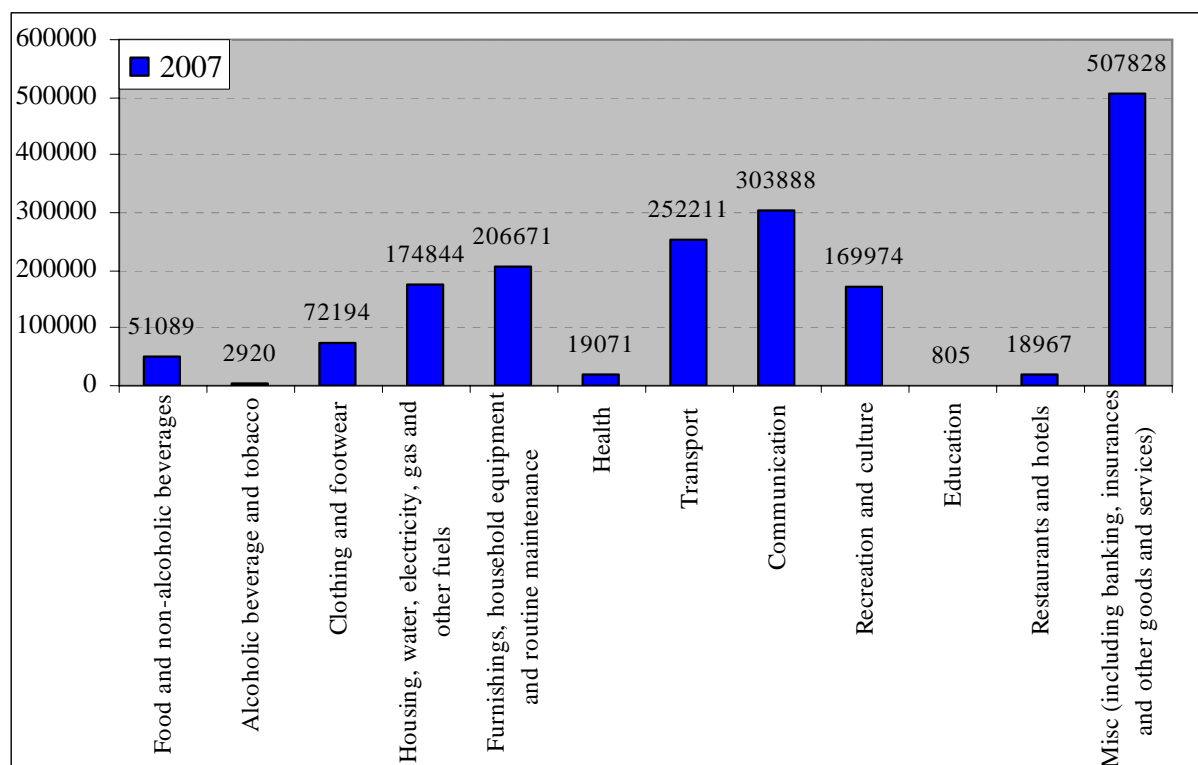


Source: Member States and EFTA authorities

Figure 2 presents the data provided by national consumer authorities on consumer complaints addressed to third parties at an aggregate sectoral level, under the main headings of the COICOP³ classification . The category ‘miscellaneous goods and services’ includes banking services and insurance as well as a number of other goods and services.

³ Classification Of Individual CONsumption by Purpose.

Figure 2: Consumer complaints addressed to third parties COICOP. Main headings



Source: Member States and EFTA authorities

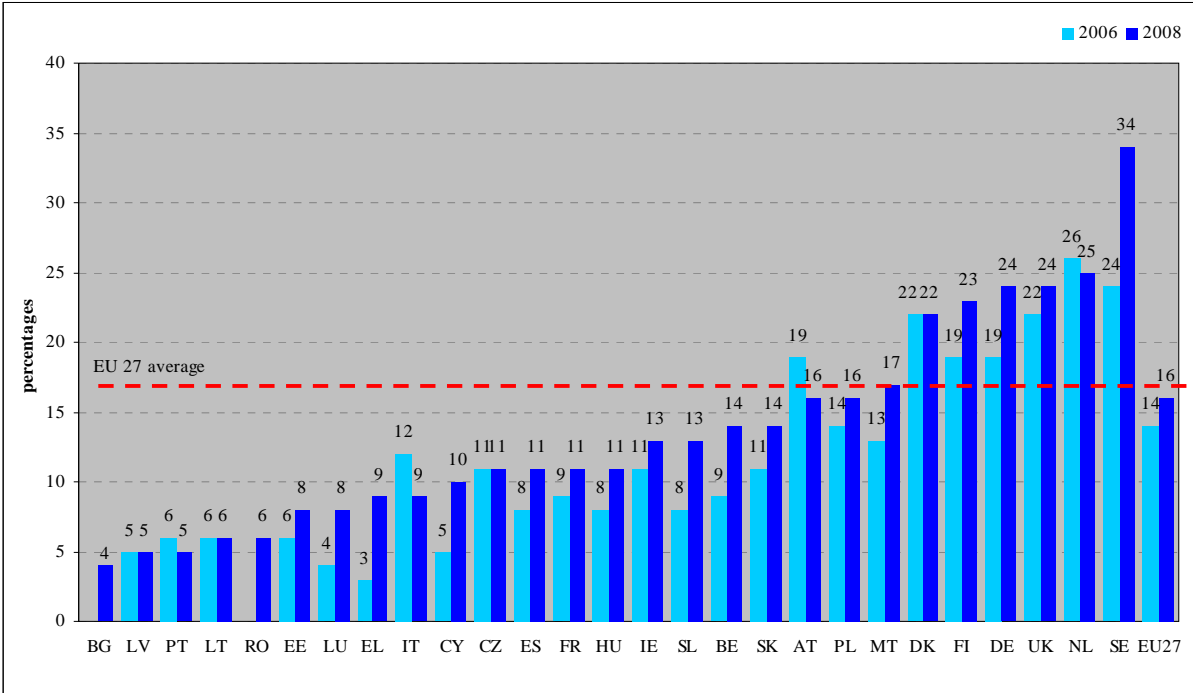
Despite the admittedly significant limitations of the data, it is reasonable to conclude that consumers report more problems in sectors associated with transport, communication (telephony and postal services) and miscellaneous goods and services (including insurance and banking services). The current data do not permit conclusions about the specific nature of the problems or possible market malfunctioning. That would be achieved only by the widespread use of the proposed harmonised methodology. The evident potential that exists for harmonising complaints data underlines the need for progress.

In parallel with the effort to develop a harmonised ‘hard’ dataset on consumer complaints, data on consumer complaints are collected through survey studies.

As shown in Figure 3, 16% of consumers at EU-level made a formal complaint to a seller or provider in the past year. This is a slight increase (2%) from the last survey carried out two years ago, where 14% of consumers had made a formal complaint to a seller or provider.

As with the previous results, a country-level analysis suggests that consumers living in northern Europe are more likely to make a formal complaint than other Europeans. A socio-economic analysis of results confirms earlier studies showing that consumers with higher education levels tend to be more assertive and more likely to make a formal complaint. The relationship between the education level and consumer empowerment is a general observation that seems to hold over time. The data suggest that elderly consumers are less likely to make a complaint: 19% of consumers in the age groups 25-39 and 40-55 made a formal complaint in the past year compared with 11% for the age group of 55 and over.

Figure 3: Percentage of consumers who have made any kind of formal complaint by writing, by telephone or in person, to a seller/provider about a problem they encountered



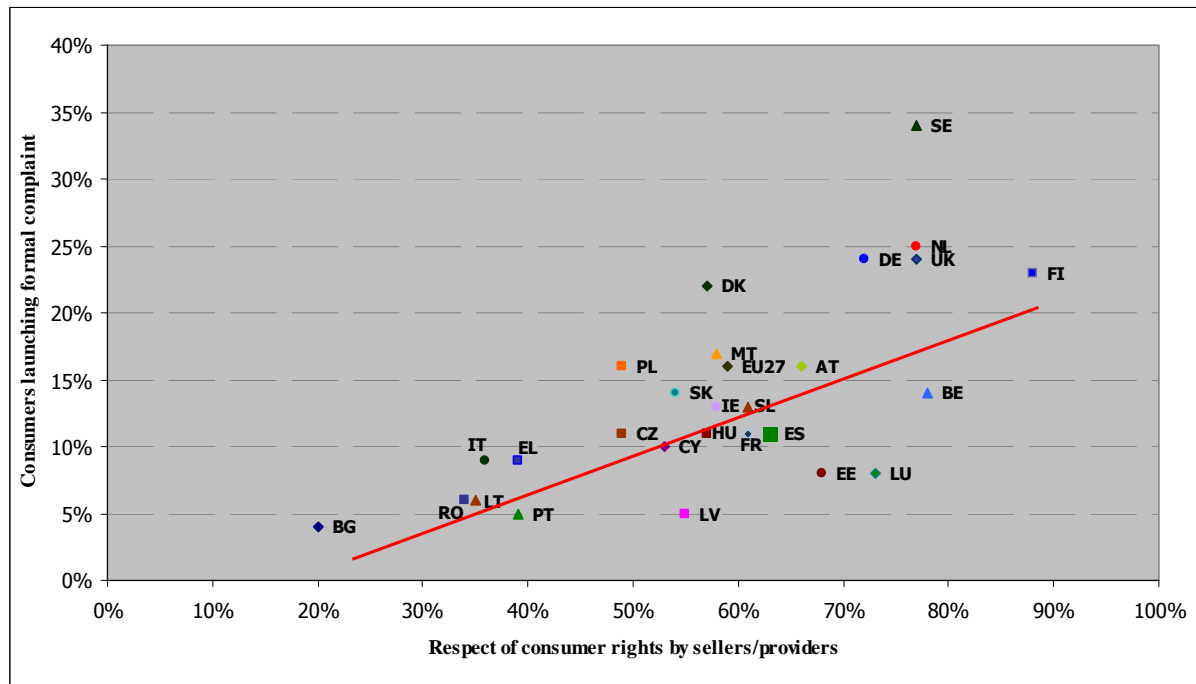
Source: Special Eurobarometer 298 — Consumer protection in the internal market, 2008 & Special Eurobarometer 252 — Consumer protection in the internal market, 2006⁴

The majority of Member States have seen an increase in the number of consumers making formal complaints. The countries that have seen a small decrease in the number of consumers making complaints are the Netherlands (-1%), Austria (-3%), Italy (-3%) and Portugal (-1%).

Figure 4 shows the relationship between complaints and consumers’ opinions as to whether businesses respect their consumer rights. The survey data suggest that when consumers are more confident that businesses respect their rights, they are more likely to make a complaint.

⁴ All Eurobarometers and surveys mentioned in the Scoreboard can be found under 'more facts and figures' on http://ec.europa.eu/consumers/strategy/facts_en.htm.

Figure 4: Consumer complaints and respect of consumer rights



Source: EB 298

Findings on consumers' satisfaction with the handling of their complaints shows that around half (51%) of European consumers who made a formal complaint were satisfied with the way their complaints were dealt with by businesses, while 47% were not satisfied.

Were you satisfied or not with the way your complaint (s) was (were) dealt with by the seller/provider?			
	Satisfied	Not satisfied	Don't know / other
2006	54%	41%	3%
2008	51%	47%	2%

The Commission has also carried out a study on consumer satisfaction⁵ covering eight goods markets: new motor vehicles, fruit and vegetables, meat, non-alcoholic beverages, information communication technology equipment, clothing and footwear, electrical household equipment and entertainment and leisure goods. Figure 41 in the satisfaction section 1.3 presents results from this study together with results from a previous study⁶ carried out in 2006 and covering eleven service sectors. Consumers seem to experience more problems in services rather than goods markets.

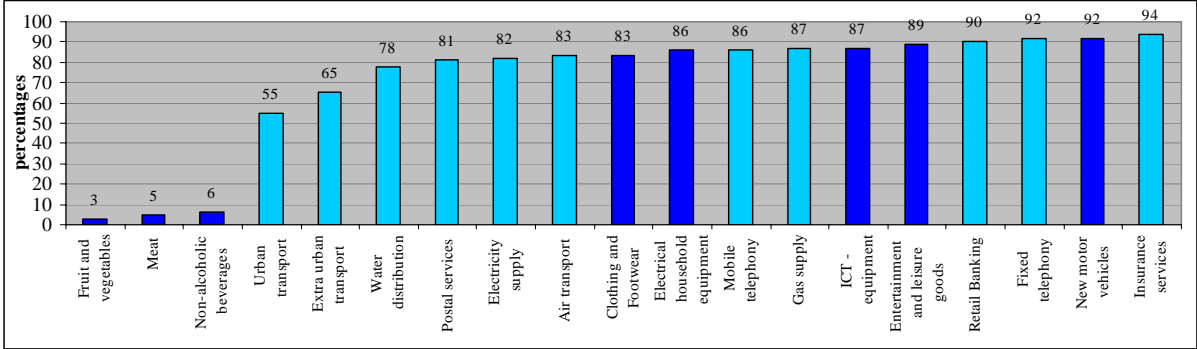
The satisfaction study also gathered data on the percentage of consumers who made either an enquiry or a complaint to a business about a problem they faced. Most enquiries and complaints take place in the market of new motor vehicles (92%) followed by entertainment

⁵ IPSOS Consumer Satisfaction Survey 2008.

⁶ IPSOS Consumer Satisfaction Survey 2006.

and leisure goods (88%), information and communication technologies equipment (87%) and electrical household equipment (86%). Some of these are simply information requests and enquiries, whereas others are complaints.

Figure 5: Percentage of consumers making an enquiry or complaint to sellers and providers about a problem they encountered



Source: IPSOS Consumer Satisfaction Surveys 2008 and 2006

It is interesting to note that despite the fact that 'fruit and vegetables' is perceived as the second most problematic goods sector (in terms of consumers experiencing problems) and that it is the goods sector with the lowest overall satisfaction, it is the lowest sector on enquiries and complaints. This is a classic case of a sector where the aggregate consumer detriment is relatively high, yet since the individual detriment is low (fruit and vegetables are of relatively low monetary value) consumers are less likely to make an enquiry or a complaint. The majority (83%) of problems in this sector have to do with the quality of the products sold.

The same seems to apply to some services markets: despite the fact that extra-urban and urban transport are the two most problematic sectors in terms of problems and the lowest sectors in terms of satisfaction, they are the service sectors where we find the lowest percentages of consumers making enquiries or complaints.

1.2 Prices

In order to monitor consumer outcomes in the single market properly, it is important to take account of price levels for different products. Price levels show the degree of integration reached by the single European market in different sectors, but they depend on the differences in demand or cost structure across Member States.

A high degree of divergence in price level may be an important sign of an underlying market malfunctioning and lack of integration of the internal market. However before assessing any market malfunctioning and lack of price convergence, it should be noted that countries that joined the single market recently are still in a catch-up phase, so their prices may differ greatly from those of older Member States.

Eurostat has worked with the national statistical authorities during 2008 in a research project to build a dataset of prices of comparable and representative products. The intention is that with time a sufficient number of products prices will be collected on a regular basis to allow

an assessment of price divergence and fragmentation in retail markets. Within the 2008 Eurostat research project, prices were collected for 91 products of which 66 (58 goods and 8 services) were deemed sufficiently comparable for use within this screening exercise.

The 66 products analysed belong to seven COICOP categories: Food & non alcoholic beverages; Alcoholic beverages & tobacco; Clothing & footwear; Household appliances; Recreation & culture; Other services. Price data on cars, energy, bank fees and telecommunications are available from other sources.

It must be stressed that the data on indicative prices for the 66 products was collected as a research project and is experimental. The data come from the collection regularly undertaken for the calculation of Harmonised Indices of Consumer Prices which aim at evaluating the evolution of prices over time, and not comparing price levels between countries. The products included within the same general product description are thus not necessarily fully comparable. In different countries different products may be selected, for example, those which are most typical for the individual country, and the products selected may therefore be of different quality, for different brands or collected in different types of outlets⁷.

The factors influencing price differences include consumer preferences, quality, the level of tax and excise duty (e.g. the 25% VAT rate in Denmark raises prices). Goods may also differ in their degree of tradability (higher for goods, lower for services). For less tradable and thus mostly locally produced goods substantial price differences may be caused by differences in labour and distribution costs, etc.

For these reasons, conclusions about market malfunctioning can not be drawn on this set of data. Although no conclusions can be drawn, an indicative analysis has been undertaken in order to demonstrate how this screening will be done in future, when sufficient good quality data are available. Below the method of analysis that will be used in the third edition of the Scoreboard, with more harmonised data is described.

The analysis looks primarily at the degree of price differentiation across countries as a measure of market integration. To take account of local costs and purchasing power, which have an influence on national price levels, the degree of correlation⁸ between price levels and levels of actual individual consumption⁹ per inhabitant were calculated for each Member State in addition to the price divergence for each individual product.

In Figure 6, price divergence expressed as coefficients of price variation is plotted against coefficients of correlation between prices and actual individual consumption for 58 goods, petrol and cars which are all considered as tradable goods¹⁰. A high, positive correlation of prices with consumption means that prices are higher in richer countries and vice versa. The graph displays four different quadrants. The bottom right quadrant shows goods with

⁷ The full description of the research project is available under the link

<http://epp.eurostat.ec.europa.eu/pls/portal/url/ITEM/61118A870AD56D08E0440003BA9322F9>

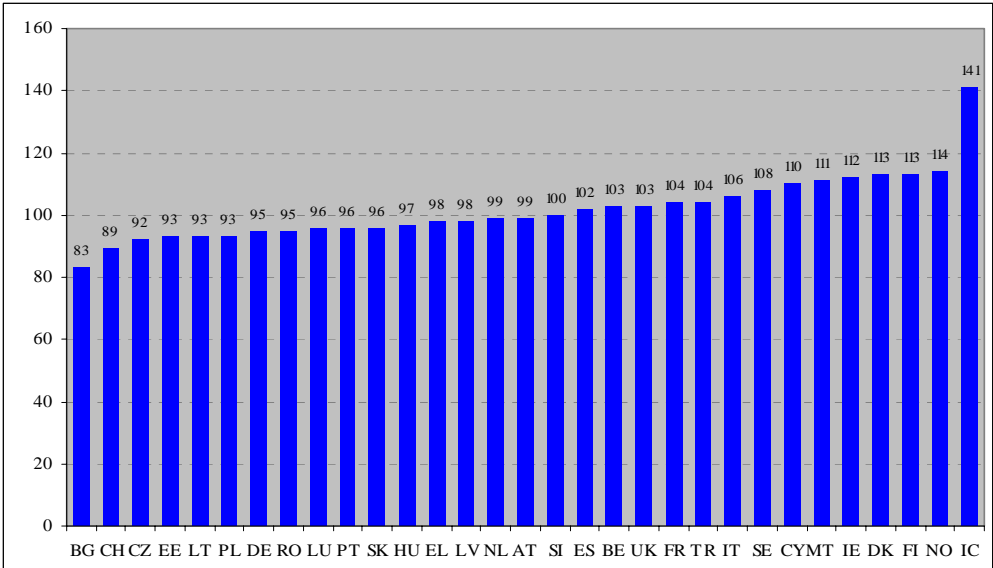
⁸ Spearman correlation coefficient was applied as a measure of similarity of ordering calculated on the two variables. It may be close to 1 if orderings are similar (e.g. prices are higher for richer countries), or close to -1 if orderings are reversed (e.g. prices are higher in poorer countries).

⁹ Actual individual consumption is the total of individual goods and services consumed by households, and financed from both private and public sources.

¹⁰ The graph has been divided into 4 quadrants with respect to the median of the coefficient of price variation, which is 0.296051 and the value of 0.4 for correlation, which is here considered as threshold value to discriminate between high and low correlation.

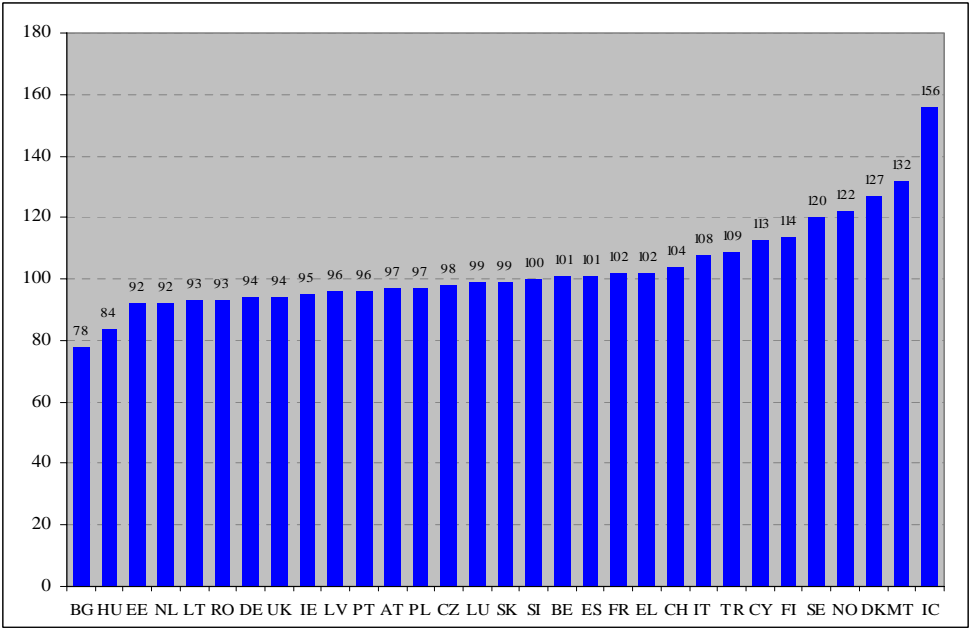
In addition to this data, recent Eurostat data on Purchasing Power Parity price levels for 2007 for two groups of goods – consumer electronics and household appliances¹³ - exist. They are presented below. The data are for groups of goods and are thus not directly comparable with table 1 which shows prices of individual goods. As data for groups are averages of those for individual goods, the degree of variation is lower. As could be expected, the prices of these groups of goods, that are highly tradable, are also highly convergent.

Figure 7: Indices of price levels of consumer electronics, EU-27=100



Source: Eurostat Statistics in Focus, No 63/2008

Figure 8: Indices of price levels of household appliances, EU-27=100

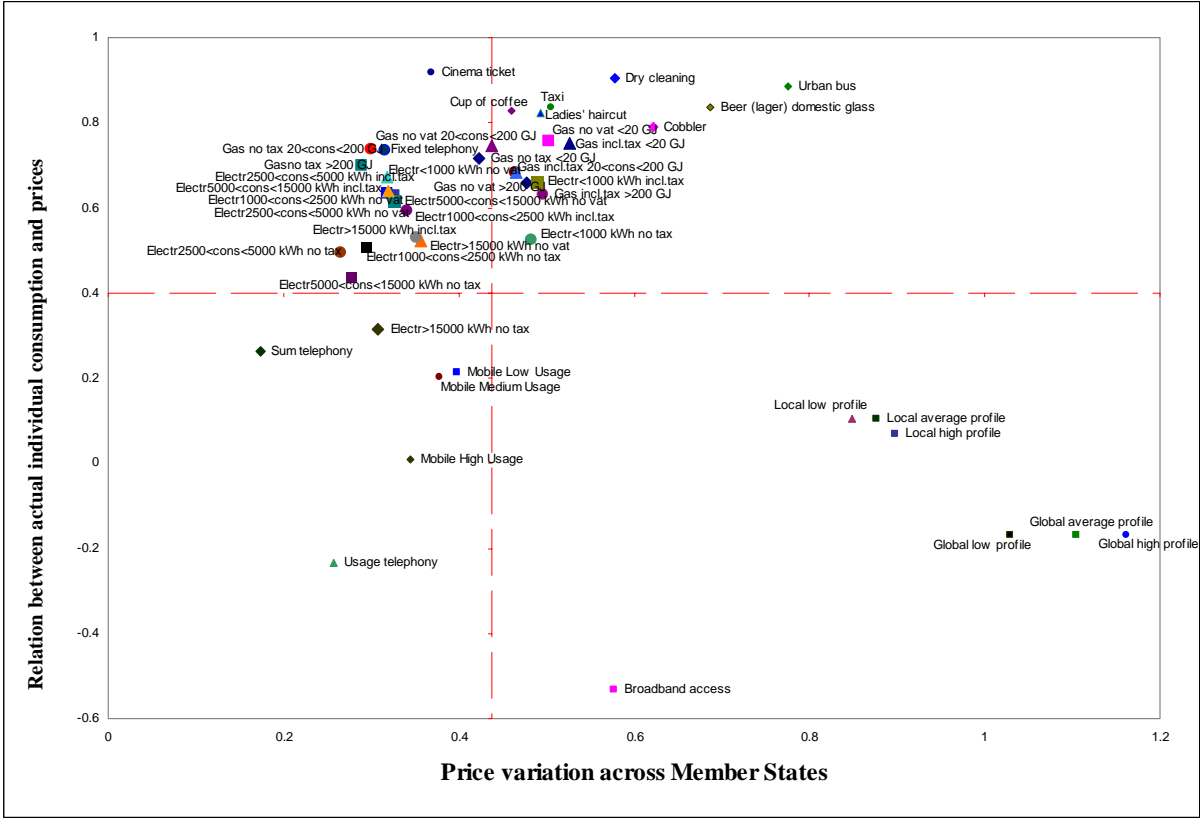


Source: Eurostat Statistics in Focus, No 63/2008

¹³ Eurostat Statistics in Focus, No 63/2008

Price data for services (telecommunications, bank fees, gas and electricity) are available from Eurostat collections or from other Commission services. Figure 9 shows the relationship between coefficients of price variation and coefficients of correlation between prices and actual individual consumption.¹⁴ The critical quadrant is again the bottom right quadrant, since for these products there are substantial price differences without correlation to the level of consumption. Two services falling in this potentially problematic region are broadband access and the bank fees (fees both for global and local profiles¹⁵).

Figure 9: Price variation and relation between actual individual consumption and prices, services sector (telecommunications, bank services, gas, electricity, and other services)



Sources: Eurostat and Report on the Single Electronic Communication Market, 2007, 13th Progress Report, European Commission, SANCO compilation

Telecommunications: fixed voice and internet telephony charges

The telecommunications sector is experiencing rapid changes due to higher competition between service providers, increasing product substitutability of fixed telephones with mobile phones and the spread of packages including voice over Internet telephony (VoIP). Usage

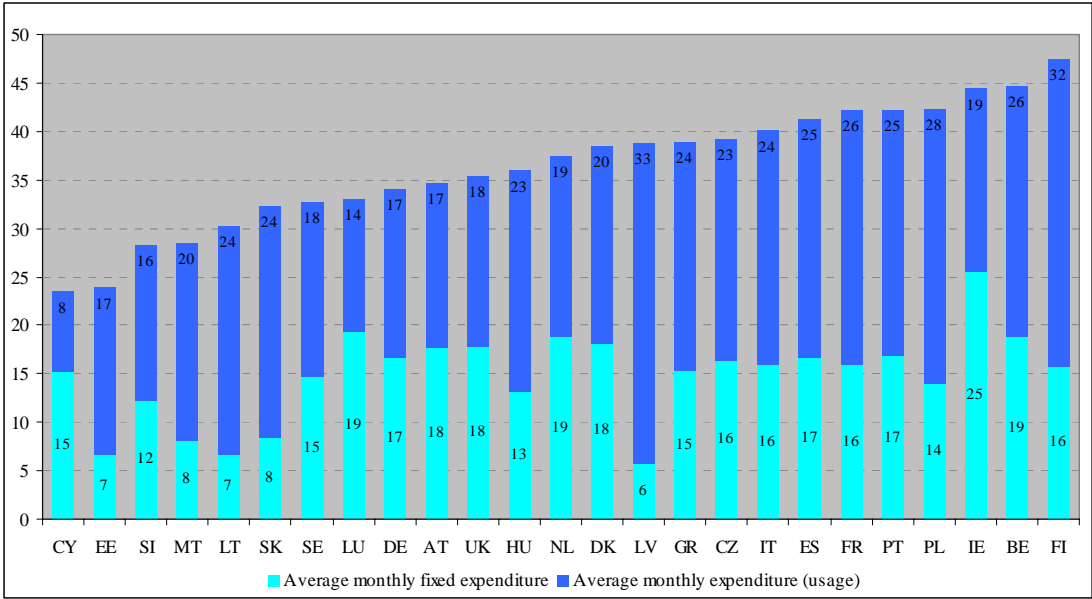
¹⁴ The graph has been divided into 4 quadrants with respect to the median of the coefficient of price variation, which is 0.43819 and the value of 0.4 for correlation, which is here considered as threshold value to discriminate between high and low correlation.

¹⁵ The average local profile refers to numbers of different bank transactions the average local customer executes and pays. The low profile structure contains a number of transactions reduced by 25% (compared with the average), while the high profile has numbers of transactions increased by 25%. The average global profile is a mean of local average profiles of all the countries covered, and the low and high global profiles are constructed similarly to the local profiles. The source of the data on the number of bank transactions is the ECB.

patterns of services also vary significantly between Member States (e.g. fixed telephony is hardly used any more in some countries and broadband has very low take up in others). It is important to look at charges across all services when comparing between Member States.

The best available price indicator to analyse **fixed** voice telephony tariffs is given by the average monthly expenditure of a standard residential European consumer for a basket of services including both fixed and usage charges¹⁶. The two figures below refer to prices of fixed telephony communication respectively in September 2006 and 2007. The basket of services is the same for both years and it includes fixed national calls, international calls, and calls to mobile networks. In particular, fixed charges include the annual line rental charge plus the charge for the installation of a new line¹⁷. The mean fixed expenditure for the standard basket for the Member States in question has decreased slightly from 14,83€ in 2006 to 14,67€ in 2007 whereas at the same time the mean usage expenditure for the standard basket of services for the Member States has increased from 21,60€ in 2006 to 21,90€ So the evidence points to a shift from lower fixed charges towards higher usage ones. Moreover the Europe-wide mean of fixed voice telephony charges (sum of fixed and usage tariffs) has increased from 36,43€ in 2006 to 36,57€ in 2007.

Figure10: Standard prices of fixed voice telephony in 2006. Average monthly expenditure, fixed and standard usage for a fixed basket of services – in euro.

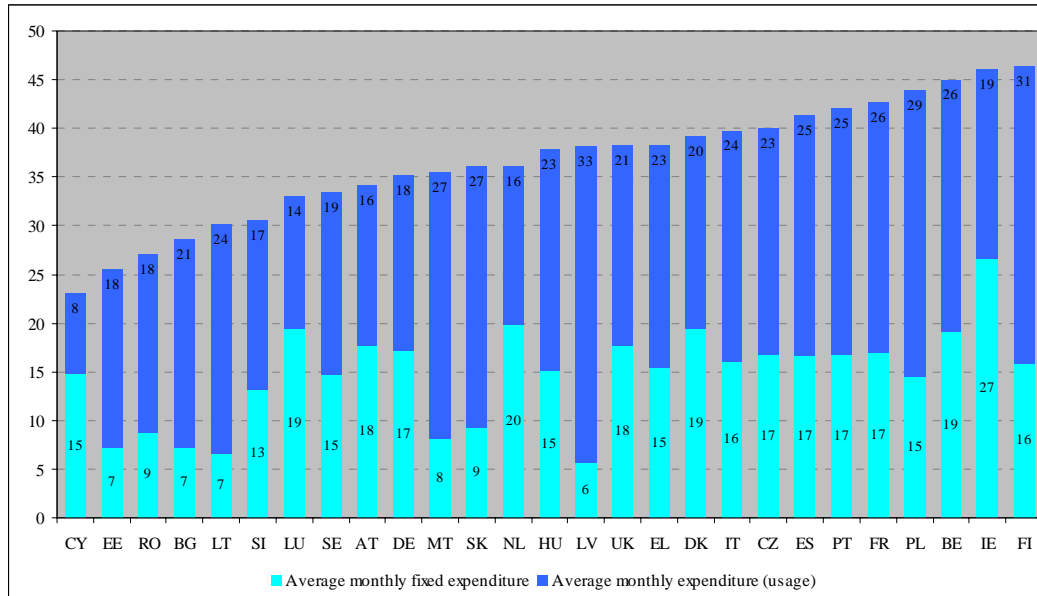


Source: Report on the Single Electronic Communication Market, 2007, 13th Progress Report, European Commission

¹⁶ "Towards a Single European Telecoms Market", 13th Progress Report, March 2008, European Commission. The standard basket of services was elaborated by OECD.

¹⁷ Fixed charges for residential users include VAT.

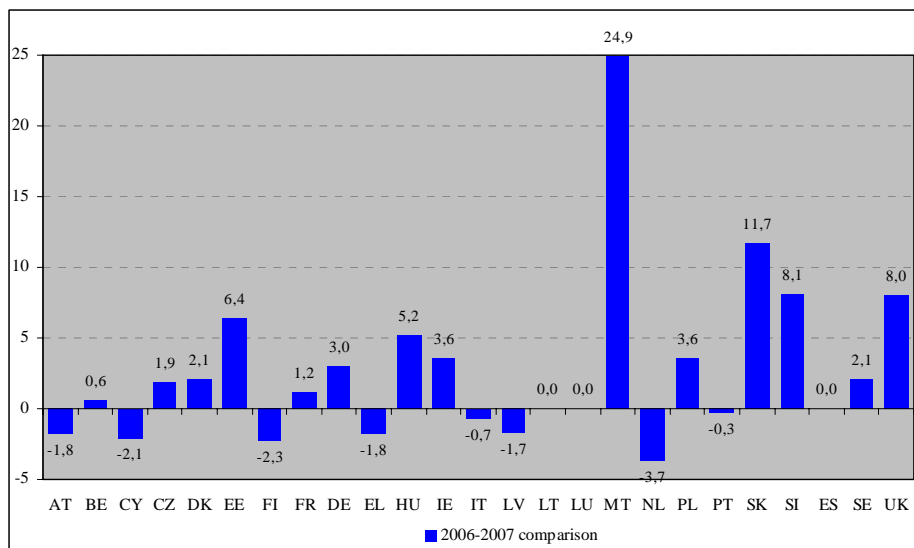
Figure 11: Standard prices of fixed voice telephony in 2007. Average monthly expenditure, fixed and standard usage for a fixed basket of services – in euro.



Source: Report on the Single Electronic Communication Market, 2007, 13th Progress Report, European Commission

Figure 12 shows the percentage changes in average total (fixed plus usage) monthly expenditure for each Member State. Three countries show no price change (Spain, Luxembourg and Lithuania) whereas thirteen countries have an increase and the remaining eight a decrease¹⁸. Moreover percentages of increase are usually much higher than percentages of decrease.

Figure 12: Percentage changes in average total (fixed plus standard usage) monthly expenditure for a fixed basket of services

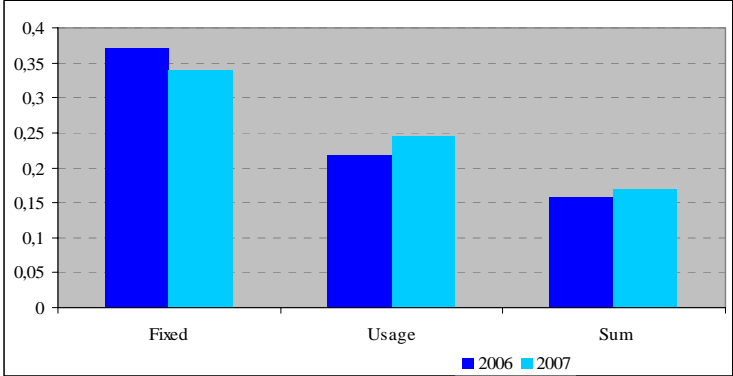


Source: Report on the Single Electronic Communication Market, 2007, 13th Progress Report, European Commission - Data based on the standard price list. Special discounts and price packages not considered

¹⁸ No data available for Bulgaria and Romania.

Looking at the coefficients of price variation, Figure 13 below suggests that for fixed charges price convergence is improving (even if the variation is still high) whereas for usage and overall charges the degree of price variation across Member States is increasing.

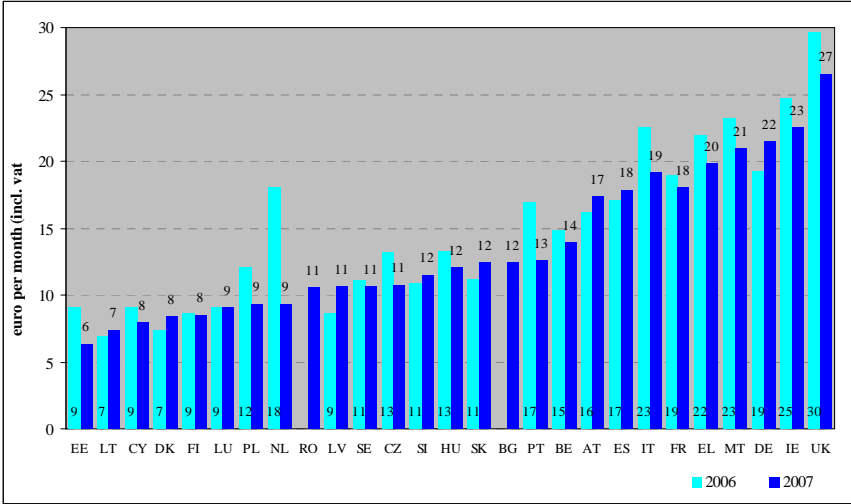
Figure 13: Coefficients of price variation in 2006 and 2007 for average monthly expenditure; fixed, standard usage and total for a fixed basket of services



Source: Report on the Single Electronic Communication Market, 2007, 13th Progress Report, European Commission

For **mobile** networks, prices are presented for three different types of basket according to the level of usage¹⁹ and they refer to the average of the two most prominent operators in each country (as to the number of subscribers). The following tables show mobile charges (euro per month including VAT) for 2006 and 2007 for the 27 Member States. Netherlands, Italy and Austria show a substantial reduction in mobile charges between 2006 and 2007.

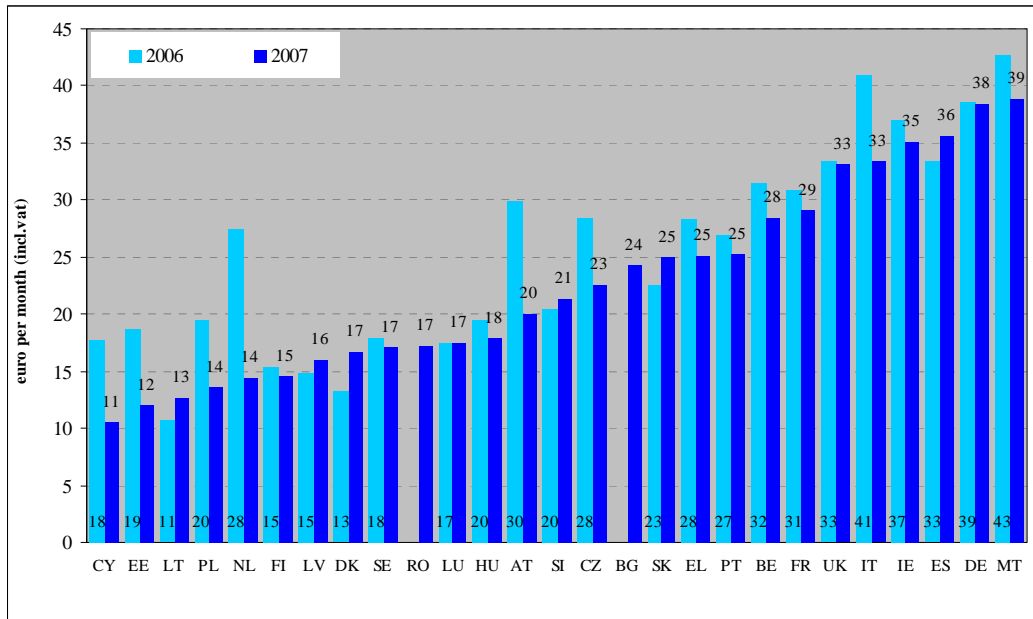
Figure 14: Mobile charges for a low usage basket for EU27, 2006 2007



Source: Report on the Single Electronic Communication Market, 2007, 13th Progress Report, European Commission

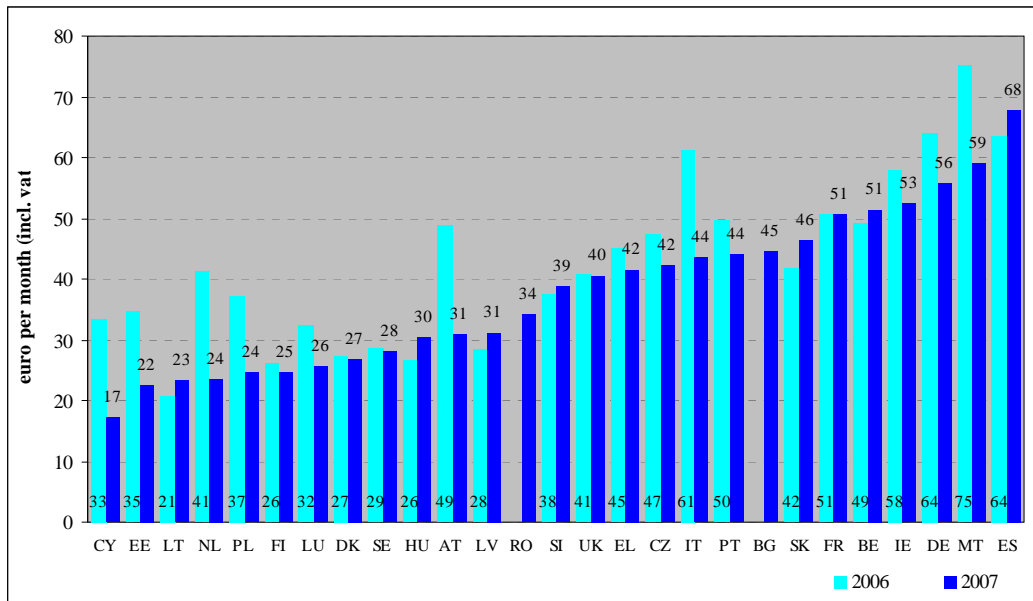
¹⁹ Low usage basket: 30 outgoing calls/month + 33 SMS messages; 22% of calls are to fixed line phones, 70% to mobile phones, 8% to voicemail.
 Medium usage basket: 65 outgoing calls/month + 50 SMS messages; 21% of calls are to fixed line phones, 72% to mobile phones, 7% to voicemail.
 High usage basket: 140 outgoing calls/month + 55 SMS messages; 20% of calls are to fixed line phones, 73% to mobile phones, 7% to voicemail.

Figure 15: Mobile charges for a medium usage basket for EU27, 2006 2007



Source: Report on the Single Electronic Communication Market, 2007, 13th Progress Report, European Commission

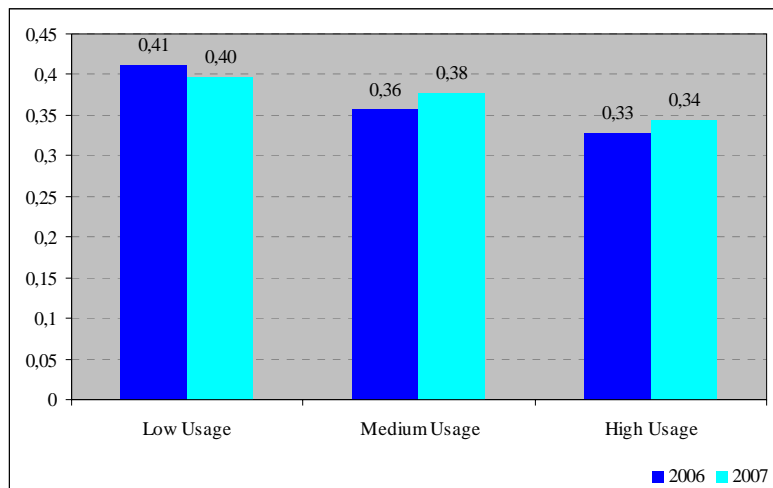
Figure 16: Mobile charges for a high usage basket for EU27, 2006 2007



Source: Report on the Single Electronic Communication Market, 2007, 13th Progress Report, European Commission

Even though average prices in the single market have fallen from 2006 to 2007 for all the three baskets, the following figure suggests that since last year the degree of price divergence across countries has decreased only for the low usage basket whereas variation in charges has increased for the medium and high usage ones.

Figure 17: Coefficients of price variation in 2006 and 2007 for mobile charges according to usage level,

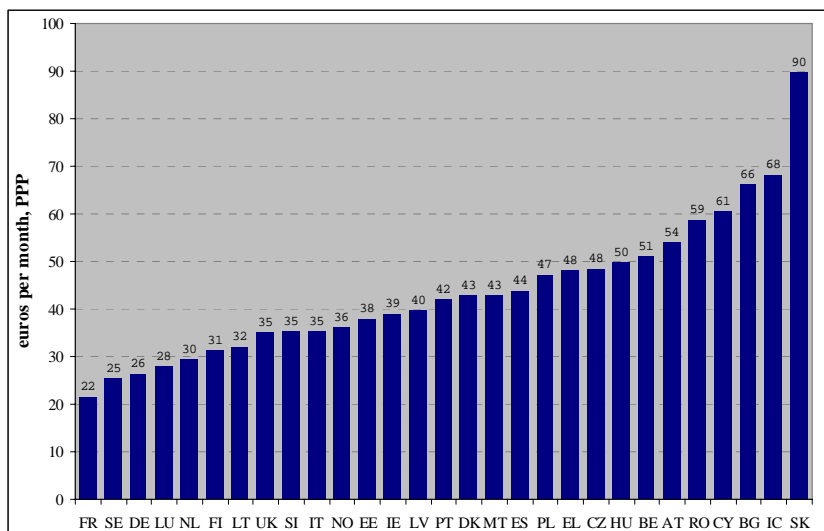


Source: Report on the Single Electronic Communication Market, 2007, 13th Progress Report, European Commission

Broadband access prices data²⁰ refer to a median price of products with downstream speed of between 2048 and 4096 Kpbs where available. The standard criteria used are a 10GB volume of data downloadable and a 20 hours/month usage for time metered offers²¹.

Figure 18 shows broadband access prices per month for EU-27 Member States plus Norway and Iceland in the second semester of 2007, converted to Euro according to PPP-based exchange rates. Evidence shows higher prices for new Member States.

Figure 18: Broadband access prices per month, 27 Member States, Iceland and Norway, 2nd semester 2007, Euros PPP



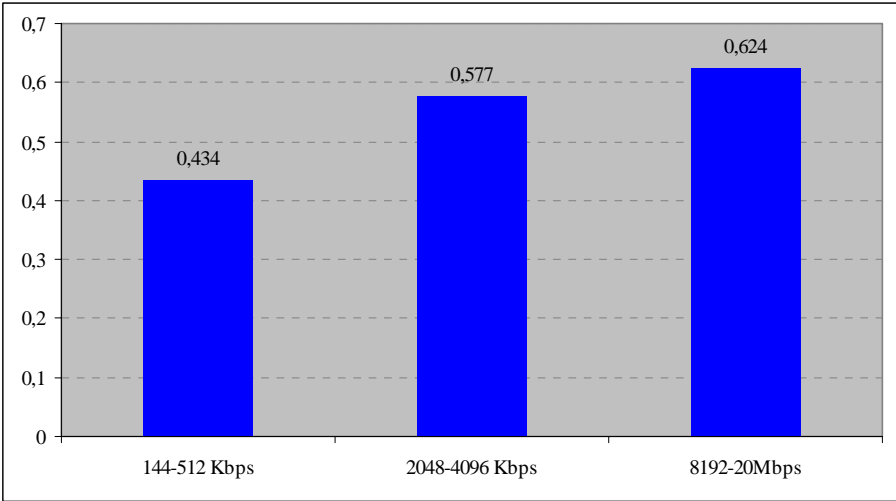
Source: EC Services. Data for FR refer to 144-512 kbps, CY to 512-1024 kbps, DE, IT, LU, PT, MT and SE to 1024-2048 kbps, IC to 4096-8192 kbps

²⁰ DG INFSO (not published yet)

²¹ Standard offers for 'internet access only' products are used in this analysis. Offers bundling other services such as fixed voice or television are not included.

Looking at price differentiation, Figure 19 suggests that as the downstream speed offered increases, so do the price differences between countries.

Figure 19: Coefficients of price variation of broadband access by downstream speed baskets



Source: EC Services.

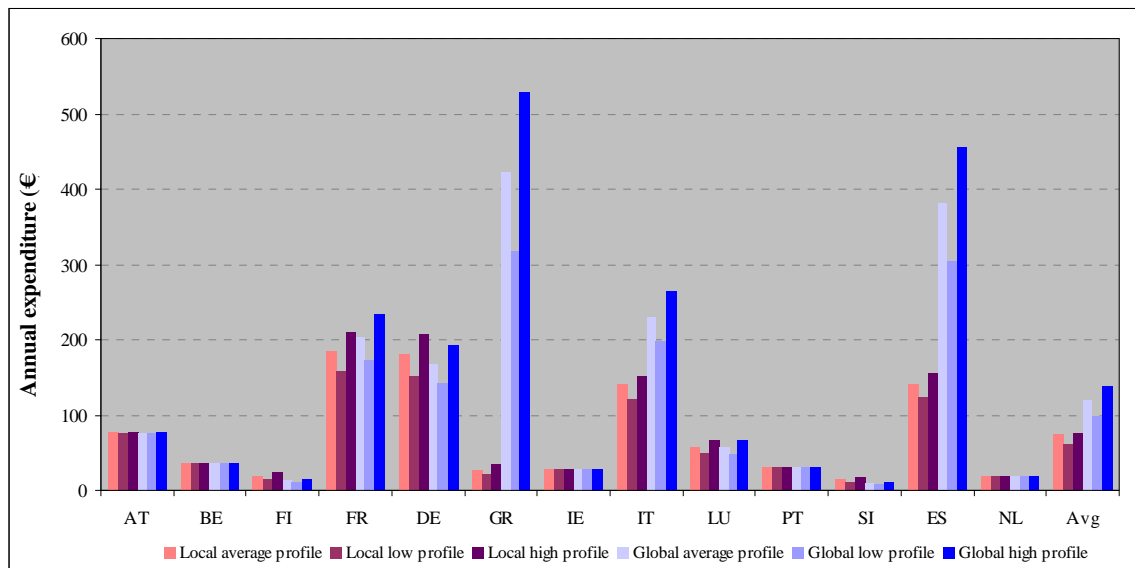
Banking

Data on **bank fees**²² cover three different types of profile (low, average and high) according to a local or a global scale. Bank fees are composed of the prices of accounts, packages, credit transfers, direct debits, debit cards, credit cards, ATM cash withdrawals and internet banking

The price of banking is based on local and global profiles. The two profiles are calculated in a similar manner. The prices of services related to current accounts, for each bank where data is available, are multiplied by the number of operations performed during a year. By weighting these results with the market share of the bank and then adding together all the banks from the same country the local profiles are obtained. The annual number of operations used in the local profiles is based on ECB data and reflects the usage patterns in each country. The calculation for the global profile is different in that it uses a particular number of annual operations for all countries. This number is an average of all national values. The low and high profile subtypes have a 25% variation in the number of annual operations. Figure 20 shows bank fees (prices of different consumption profiles) by country according to the type of profile selected.

²² Data have been collected for the Commission by the Consumer Policy Evaluation Consortium in the study 'Preparing the monitoring of the impact of the Single Euro Payment Area (SEPA) on consumers' and refer to 2007.

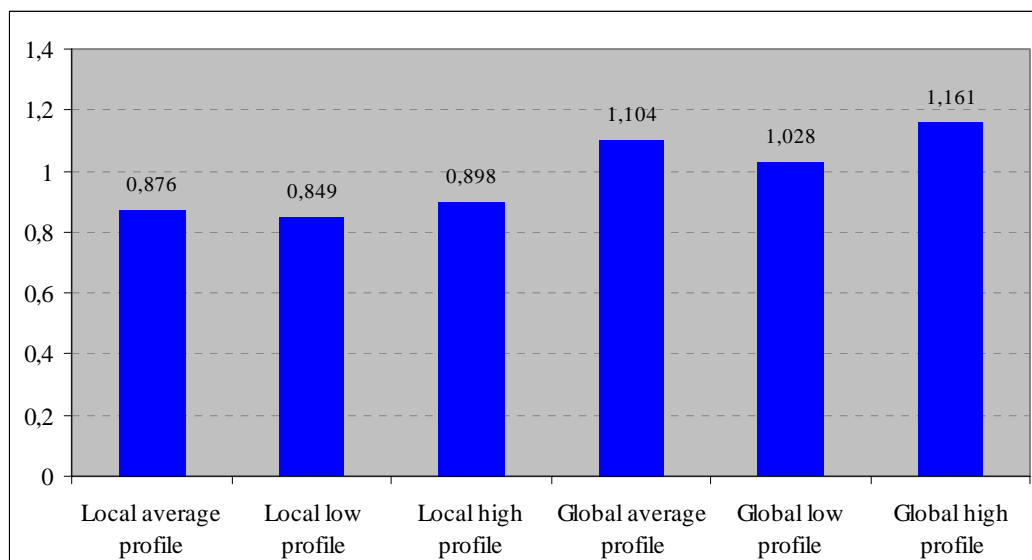
Figure 20: Bank fees according to profile typology



Source: Study – Preparing the monitoring of the impact of SEPA on consumers

The degree of price differentiation by profile is displayed in Figure 21. It is relatively high compared to other services such as telecommunication and energy. There is no major variation in coefficients between different types of profile. It should be noted, however, that price divergence is generally higher for global profiles, which are calculated on the basis of the same number of transactions for all the countries. This implies that for global profiles, high coefficients of price variation can only be due to different levels of national bank fees. On the other hand, when looking at local profiles, lower coefficients of price variation reflect the fact that bank fees are to some degree adjusted to local needs and part of the price divergence is explained by the different use of bank services.

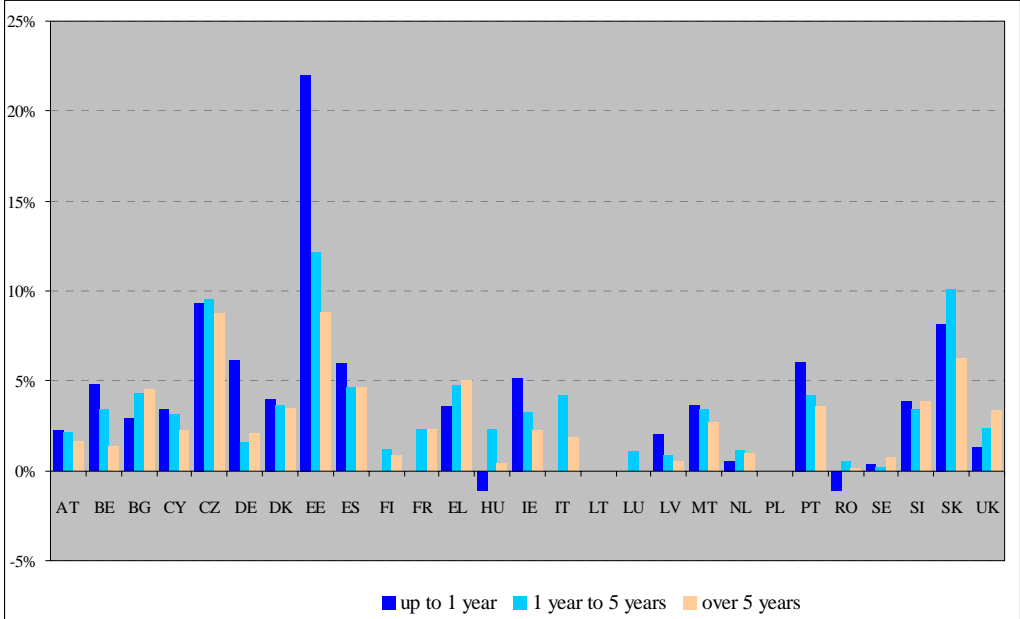
Figure 21: Coefficients of price variation in 2007 for bank fees according to the type of profile considered.



Source: Study – Preparing the monitoring of the impact of SEPA on consumers

With regard to the banking sector, data is also available on the average nominal **interest rates** by maturity^{23 24}. In order to analyse and compare these rates, an adjustment for different interest rates of respective central banks is needed because these influence the interest rates applied by individual banks. Figure 22 shows the adjusted interest rates on consumer credit by country. Adjusted interest rate means that the original average interest rates on consumer credit have been recalculated in terms of variation from the respective central bank official interest rate²⁵. For this reason, it may happen that adjusted interest rates be negative, as for Romania and Hungary in up to 1 year adjusted interest rates. In these countries central banks apply very high interest rates (7.5%).

Figure 22: Adjusted average interest rates on consumer credit (by maturity: up to 1 year, from 1 to 5 years and over 5 years) across countries, percentages.



Source: EU Consumer Credit Markets. Mini Scoreboard, 2008

Note: Data not available for Lithuania and Poland.

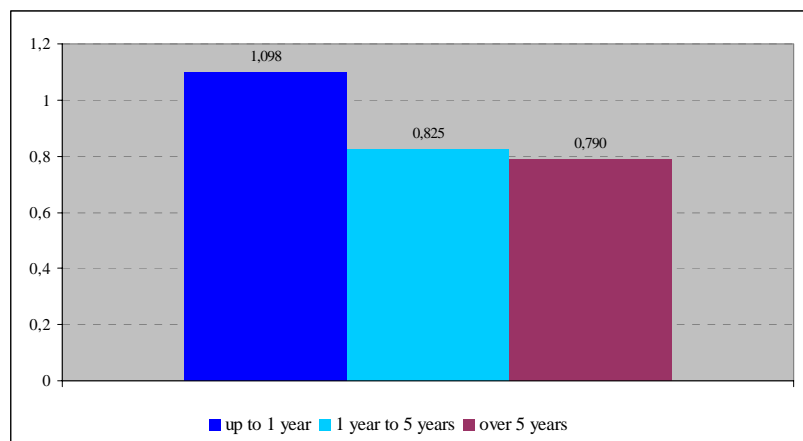
The graph above reveals high differentiation. In fact looking at coefficients of variation of adjusted interest rates, it can be noted that although the divergence prevails between Member States, there seems to be more convergence in interest rates as maturity gets longer. Variation of interest rates is slightly lower for the Member States belonging to the euro area.

²³ Interest rates that resident monetary financial institutions (MFIs, i.e. "credit institutions") apply to euro-denominated deposits and loans by households and non-financial corporations which are residents of the euro area.

²⁴ Source of data is the EU Consumer Credit Markets. Mini Scoreboard, 2008.

²⁵ The formula used to adjust the original interest rate for each country is $\left[\frac{(1+i)}{(1+i^*)} - 1 \right]$ where i, is the average interest rate on consumer credit and i*, the respective central bank official interest rate for the corresponding period.

Figure 23: Coefficients of price variation for adjusted average interest rates by maturity on consumer outstanding credit

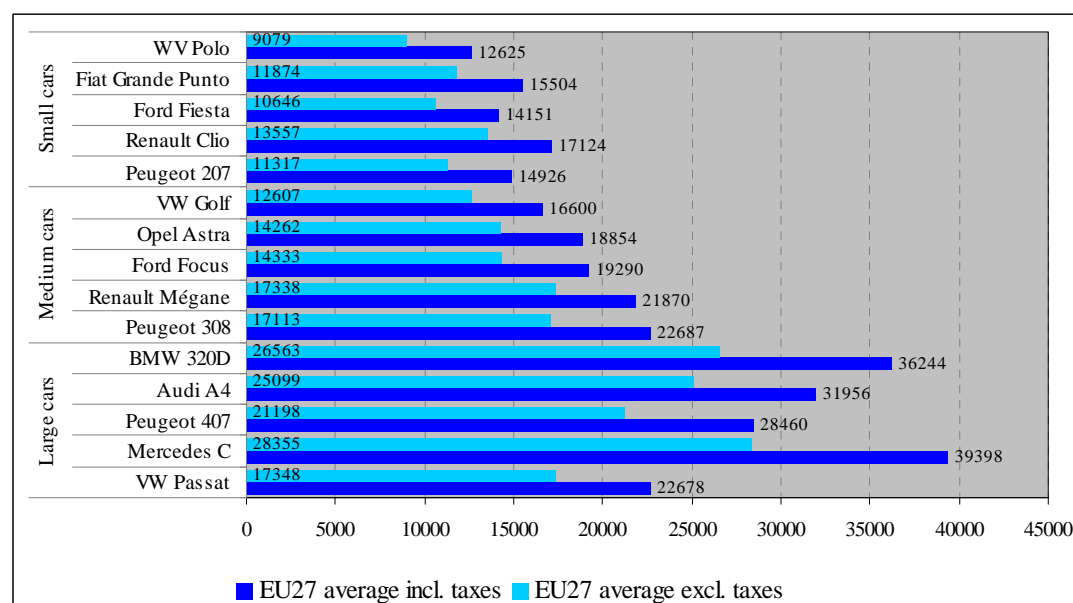


Source: EU Consumer Credit Markets. Mini Scoreboard, 2008

Cars

Data on car prices are available for January 2008 for a range of 15 different models of vehicles both including and excluding taxes²⁶. In particular, the models were divided according to the category they belong to (large, medium, and small cars – classification of the Report quoted). Figure 24 shows average prices for EU-27 before and after taxes. The spread between the two prices is bigger for large cars with an average percentage difference between the prices of 25% compared to 23.8% and 24.2% for medium and small category ones.

Figure24: Average price of cars for EU-27 including and excluding taxes, Euros.

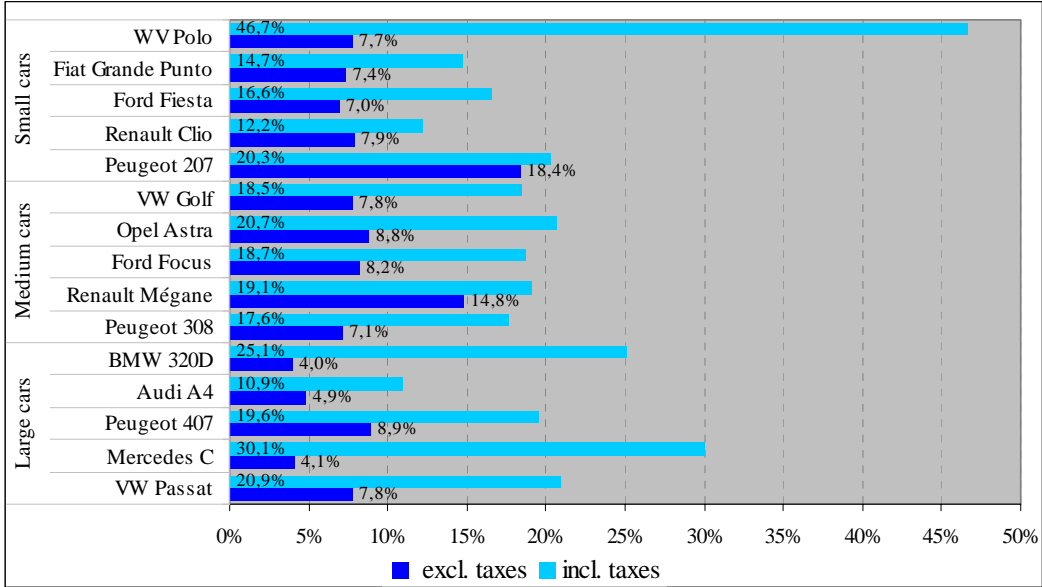


Source: Car prices within the European Union

²⁶ Source of data is the publication "Car prices within the European Union at 1/01/08" of DG COMP, April 2008

When one looks at the coefficients of price variation, the variation across countries is mainly due to taxes, suggesting a strong impact of governments on prices differentials. The only cases where this difference is somewhat less are two of the fifteen models analysed (Peugeot 207 and Renault Mégane). The average coefficient of price variation including taxes is around 21% whereas that excluding taxes is around 8%. This implies that most of the price differences that consumers face are due to national taxation policies.

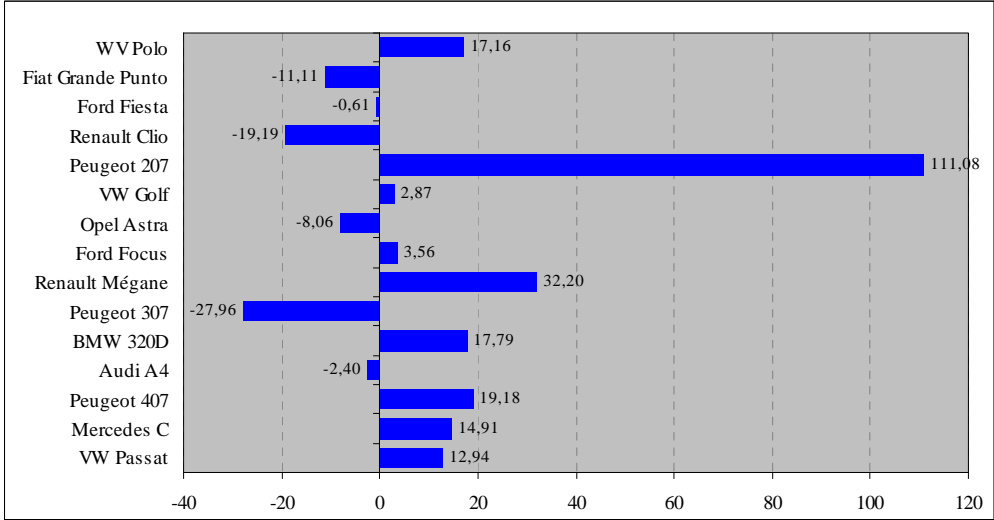
Figure 25: Coefficients of price variation for price of cars, percentages.



Source: Car prices within the European Union

However, Figure 26 shows the percentage change in the coefficient of variation between 2007 and 2008 for pre-tax car prices. The majority of the cars analysed show an increase in pre-tax price differentiation, which is not a good signal for the functioning of the single market. Pre-tax prices of cars failed to converge over the last year.

Figure26: Percentage change in the coefficient of pre-taxes price variation, 2007-2008



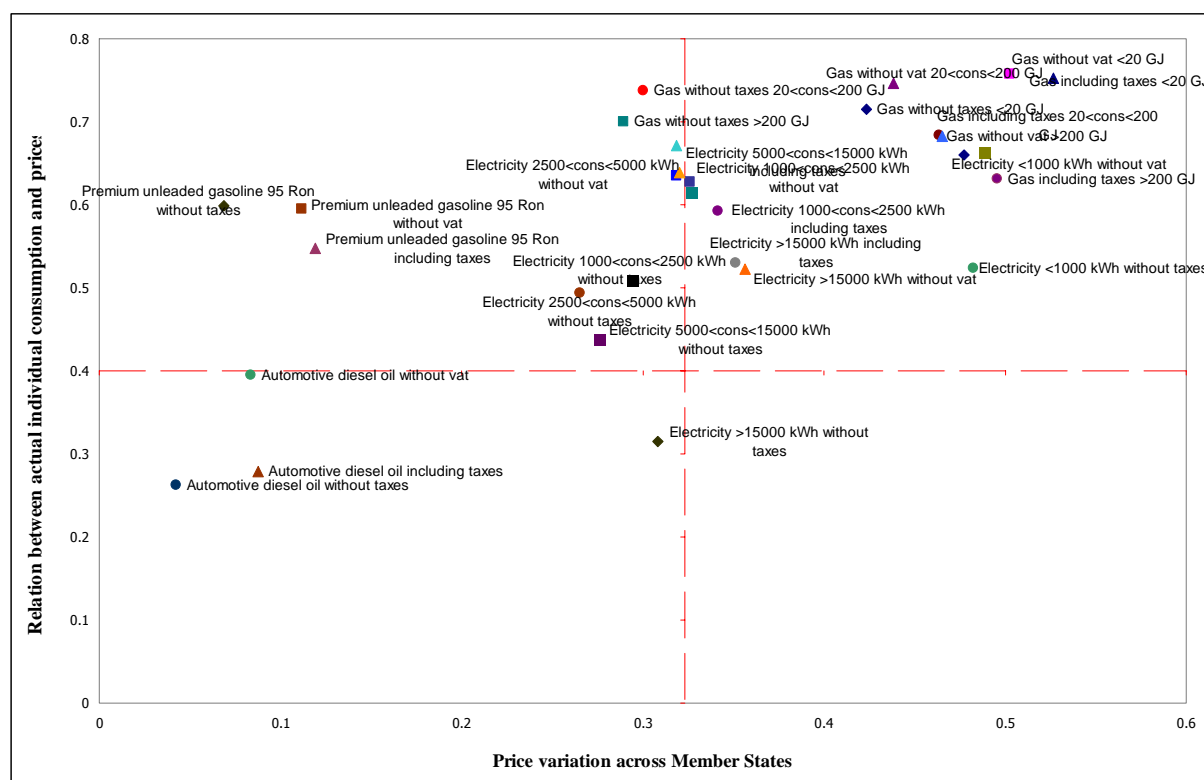
Source: Car prices within the European Union

Energy

The energy sector in Europe is characterised by high levels of market concentration and vertical integration at national level, largely preserving national incumbents' market power and making market entry more difficult for new players. As a result, in many a national market the energy sector does not deliver the full benefits from liberalisation to consumers in terms of secure, competitively priced and sustainable energy²⁷.

To take account of country consumption levels, the correlation between prices and actual individual consumption for all Member States are analysed. In Figure 27 coefficients of price variation are plotted against coefficients of correlation between prices and average individual consumption for gas, electricity and petrol.²⁸ As before, the interesting quadrant is the bottom right one since products that appear in this quadrant show a high degree of price variation across the Member States but a low correlation with consumption: this quadrant can therefore be used to identify products for which there are substantial price differences without corresponding consumption patterns. None of the 30 products analysed is in this quadrant.

Figure 27: Price variation relation between actual individual consumption and prices, energy sector (gas, electricity and petrol products)



Source: Eurostat, SANCO compilation

→ Electricity

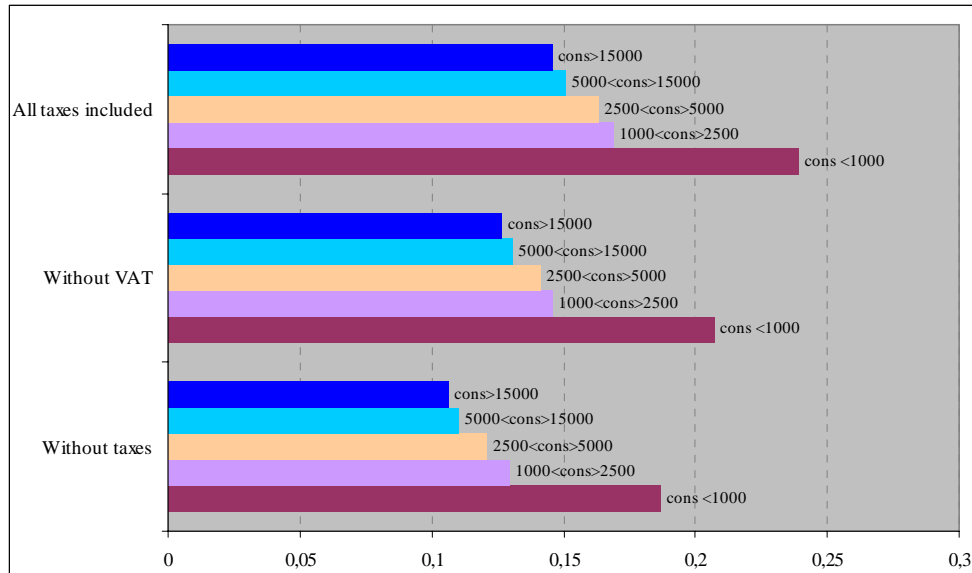
Prices for electricity depend on the level of consumption. The figure below shows the patterns for prices (including and excluding taxes) according to the consumption level for EU-27 plus

²⁷ Commission final report on the energy sector competition inquiry, 10th January 2007.

²⁸ The graph has been divided into 4 quadrants with respect to the median of the coefficient of price variation, which is 0.323 and the value of 0.4 for correlation, which is here considered as threshold value to discriminate between high and low correlation.

Norway. As expected, prices are higher – before and after taxation – for smaller levels of consumption.

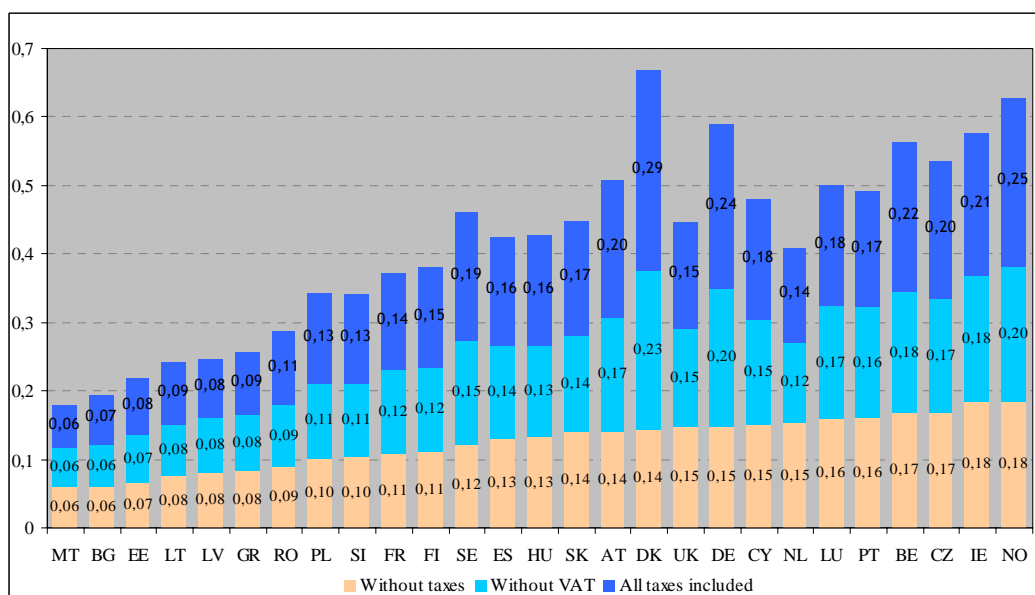
Figure 28: Electricity prices according to consumption levels for EU-27 plus Norway, first semester 2008, Euros per Kilowatt/hour



Source: Eurostat

Looking in more detail at electricity prices for consumption between 1000 and 2500 kWh, Figure 29 shows cross-country differences between prices including and excluding taxes. It illustrates how the impact of taxation changes patterns across countries. Denmark and Germany are striking examples of countries where taxation results in respectively the second and the third highest electricity prices.

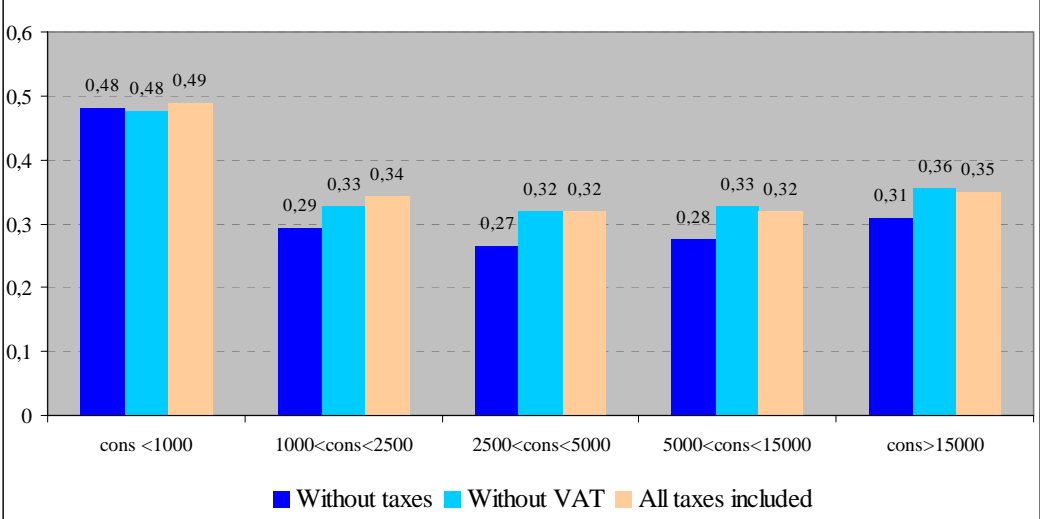
Figure 29: Comparison of electricity prices for consumption between 1000 and 2500 kWh across EU Member States plus Norway, first semester 2008, Euros



Source: Eurostat

Looking at the coefficient of price variation for all different electricity prices according to consumption levels, Figure 30 suggests that taxation does not significantly affect the price differences between countries. It also shows that price variation seems to be much higher for consumption levels below 1000kWh.

Figure 30: Coefficients of price variation for electricity according to consumption levels

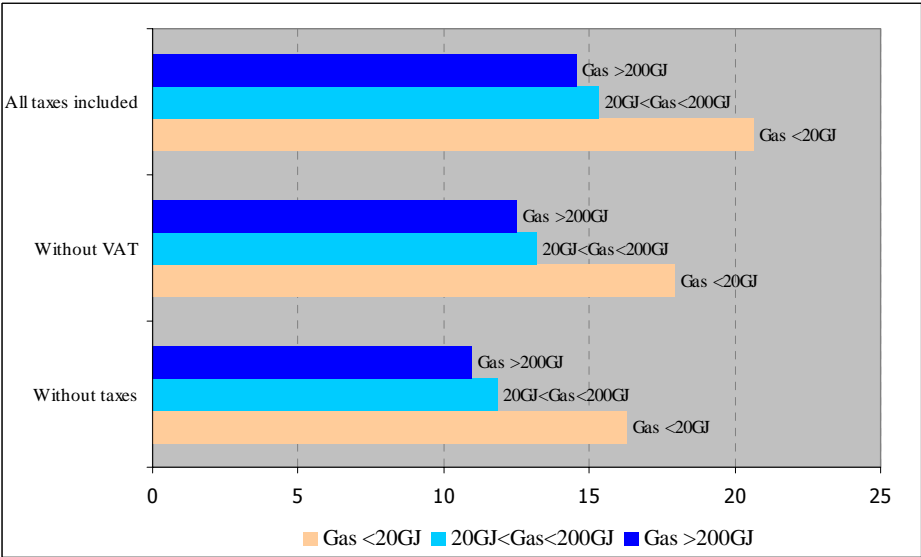


Source: Eurostat, SANCO compilation

→ Gas

As for electricity, prices for gas depend on the level of consumption. The figure below shows the patterns for prices (including and excluding taxes) according to the level of consumptions for the EU-27. As expected, prices are higher – before and after taxation – for smaller levels of consumption.

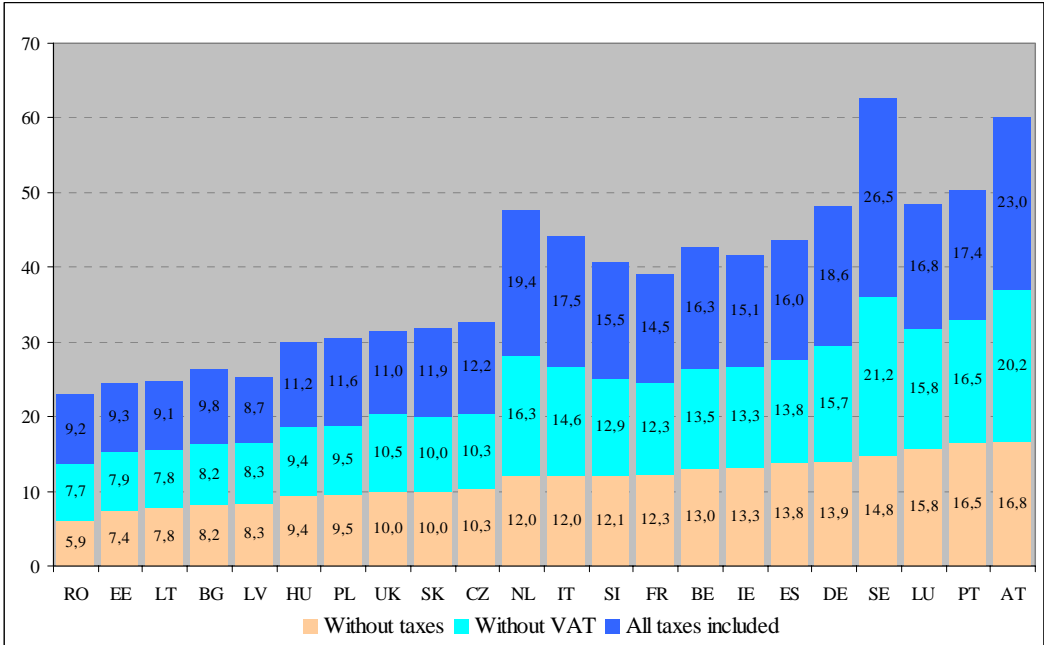
Figure 31: Gas prices according to consumption levels for EU-27, Euros per Giga joules –first semester 2008



Source: Eurostat

Looking in more detail at gas prices for consumption between 20 and 200 GJ, figure 32 shows cross-country differences between prices including and excluding taxes. The figure shows how the impact of taxation changes pattern across countries. In Denmark and Sweden taxation results in respectively the first and the second highest gas prices.

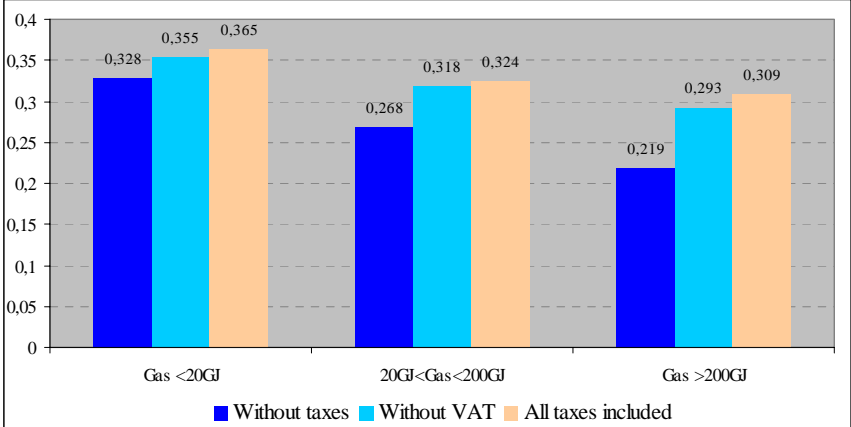
Figure 32: Comparison of gas prices for consumption between 20 and 200 GJ across EU-27, Euros- first semester 2008



Source: Eurostat

Figure 33 shows coefficients of price variation for all different gas prices according to consumption levels. The evidence suggests that taxation affects gas prices slightly more than electricity prices. However, it does not significantly affect the price differences between countries. Moreover, price variation seems to be fairly similar for the different consumption levels.

Figure 33: Coefficients of price variation for gas according to consumption levels

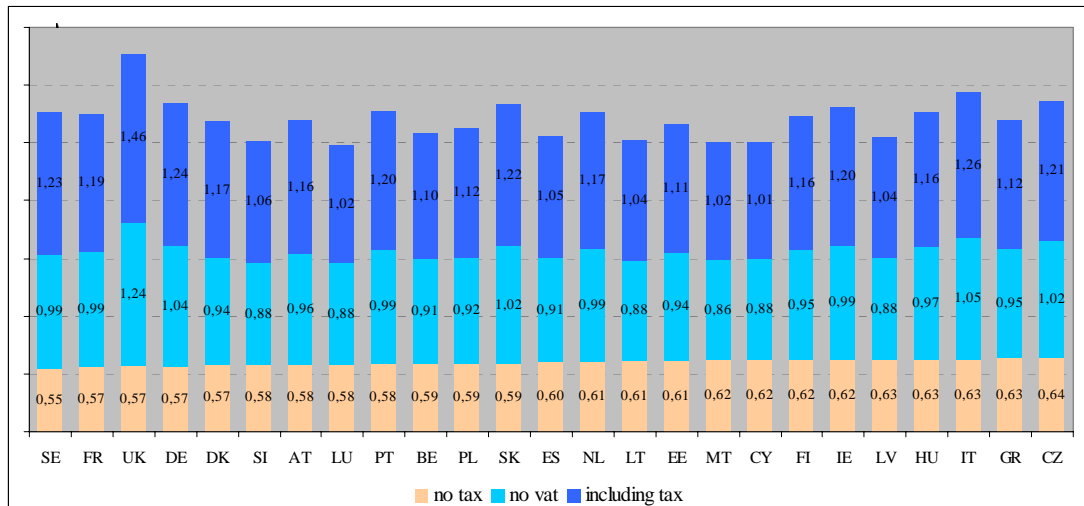


Source: Eurostat, SANCO compilation

→ *Petrol*

For petrol prices data are available for 25 countries (EU-27 minus Bulgaria and Romania) and for two products: Premium unleaded gasoline and 95 Ron and Automotive Diesel Oil. For both products, prices are shown including taxes, excluding VAT and excluding all taxes. Figure 34 shows price patterns between Member States. The variation of pre-tax prices seems to be very low.

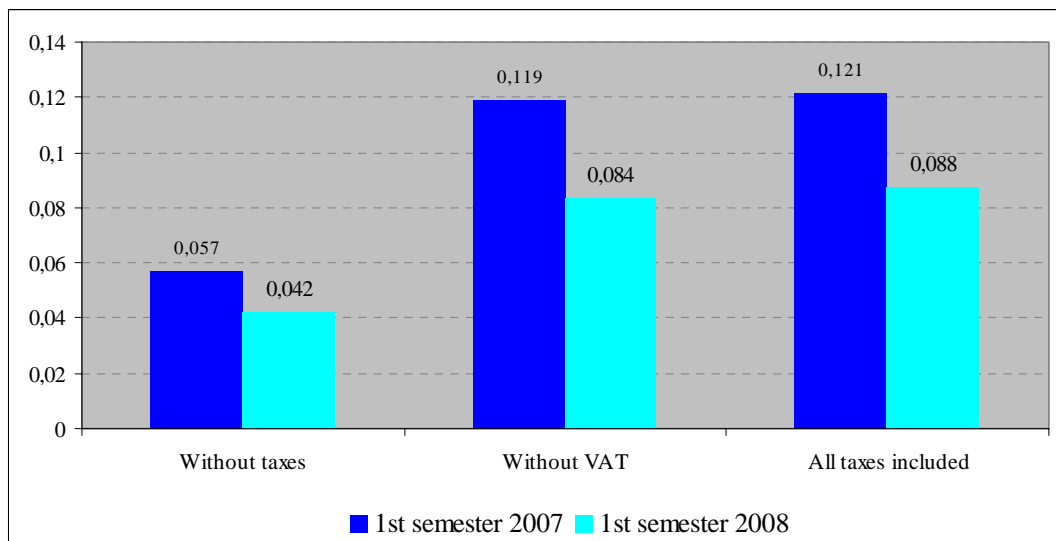
Figure 34: Comparison of automotive diesel oil prices across Member States, Euros per litre first semester 2008



Source: Eurostat

Whereas petrol prices have generally increased, Figure 35 shows that coefficients of automotive oil price variation for the first semester of 2008 are lower than those for the first semester of 2007. Moreover taxation seems to have an important impact on increasing price divergences between Member States.

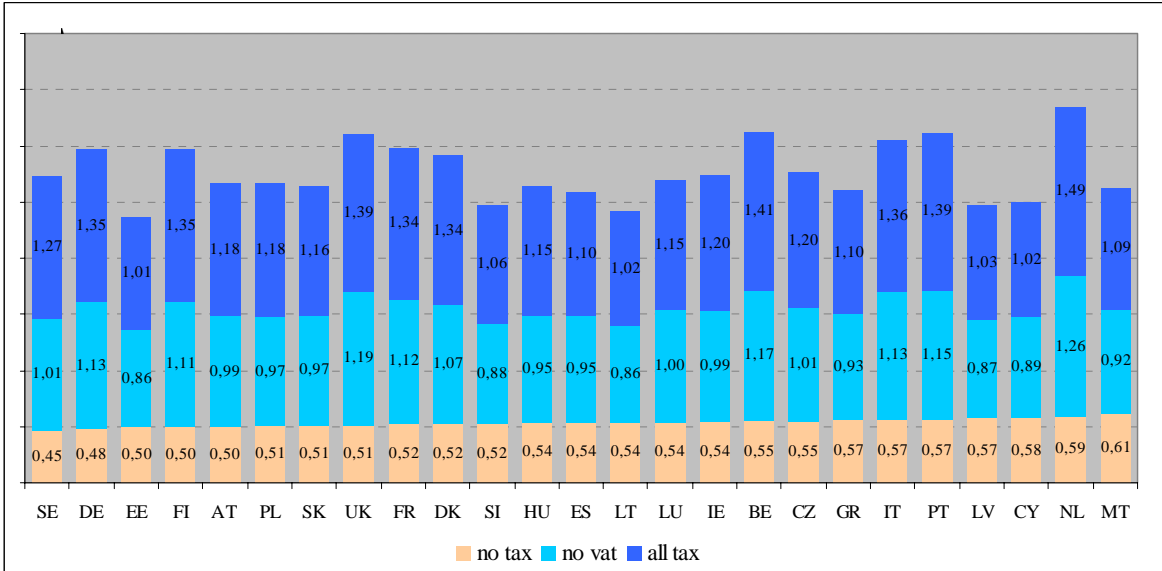
Figure 35: Coefficients of price variation for automotive diesel oil, 1st semester 2007 and 2nd semester 2008



Source: Eurostat, SANCO compilation

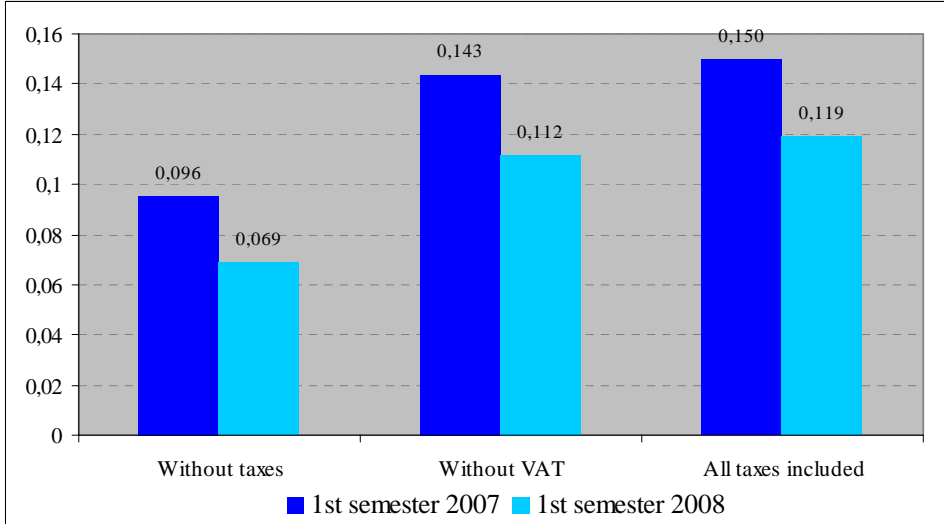
Figure 36 shows similar patterns for petrol prices for Premium unleaded gasoline, 95 Ron as for automotive oil prices. As before, 2008 coefficients of price variation have decreased as compared to 2007, but the impact of taxation is still evident in determining price differences between Member States.

Figure 36: Comparison of premium unleaded gasoline, 95 Ron prices across Member States, Euros per litre first semester 2008



Source: Eurostat

Figure 37: Coefficients of price variation for premium unleaded gasoline, 95 Ron, 1st semester 2007 and 1st semester 2008

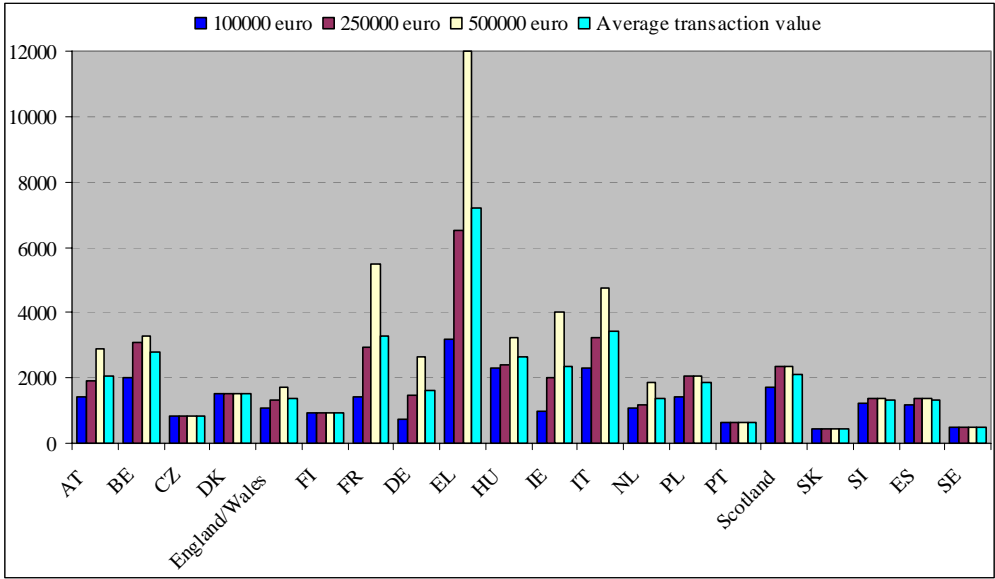


Source: Eurostat

Conveyance fees

The level of conveyancing fees (for legal services associated with buying and selling property) reveal high degree of differentiation between the Member States.

Figure 38: Legal fees for conveyances



Source: Conveyancing Services Market, for DG COMP, December 2007

The principal reason of differentiation is the kind of regulatory model of conveyance a given country belongs to. Prices are lower in the countries with a lower degree of regulation of the profession (deregulated notary system, or lawyer system, or the Scandinavian system of licensed real estate agents). They are higher in the countries with Latin notary systems (the systems reflecting public office characterisation of notary activities, as e.g. in Spain, Portugal, France, Italy, Belgium, Germany, Poland). Among Latin notary countries, the new Member States, with lower level of wages, have lower fees. Higher fees do not seem to be connected to higher quality of the service.

Table 2 Absolute legal fees by country for different transaction values and average house price (including 70% mortgage)

Country	100000 euro	250000 euro	500000 euro	Average price of house	Estimated fee for average house	Fee as a % of average house price
Austria	1400	1900	2900	150000	1567	1,04
Belgium	1987	3081	3304	167000	2475	1,48
Czech Republic	850	850	850	100000	850	0,85
Denmark	1513	1513	1513	221743	1513	0,68
England/Wales	1060	1345	1700	297750	1413	0,47
Finland	930	930	930	123756	930	0,75
France	1423	2949	5493	226630	2711	1,2
Germany	738	1459	2627	130863	886	0,68
Greece	3190	6490	11990	130000	3850	2,96
Hungary	2280	2380	3210	100000	1728	1,73
Ireland	1000	2000	4000	303310	2426	0,8
Italy	2319	3245	4745	129532	2501	1,93
The Netherlands	1056	1153	1849	202000	1122	0,56
Poland	1430	2050	2050	100000	677	0,68
Portugal	616	616	616	100000	510	0,51
Scotland	1735	2328	2328	193860	1624	0,84
Slovakia	420	420	420	100000	420	0,42
Slovenia	1204	1377	1377	100000	810	0,81
Spain	1194	1364	1364	172630	1038	0,6
Sweden	500	500	500	147500	500	0,34
Average	1802	2671	2671	159829	1478	0,92

Source: Conveyancing Services Market, for DG COMP, December 2007

1.3 Satisfaction

Consumer satisfaction is an important indicator in understanding how well or poorly markets are delivering for consumers. Consumer satisfaction is a main driver for the functioning of the internal market as well as the European economy as a whole — conversely low satisfaction with a market can have a detrimental effect on both.

Besides the overall satisfaction of consumers with their retailers and the market as such there are more specific indicators that can give further insight into why a particular market might not be delivering fully to its consumers. Of particular importance are the perceptions of choice, transparency/comparability, trust/confidence and the perceptions of detrimental experiences from the consumer side. The correlation between overall satisfaction and the separate indicators surveyed enables us to assess the relative importance of different subsets of consumer satisfaction that together make up overall satisfaction²⁹.

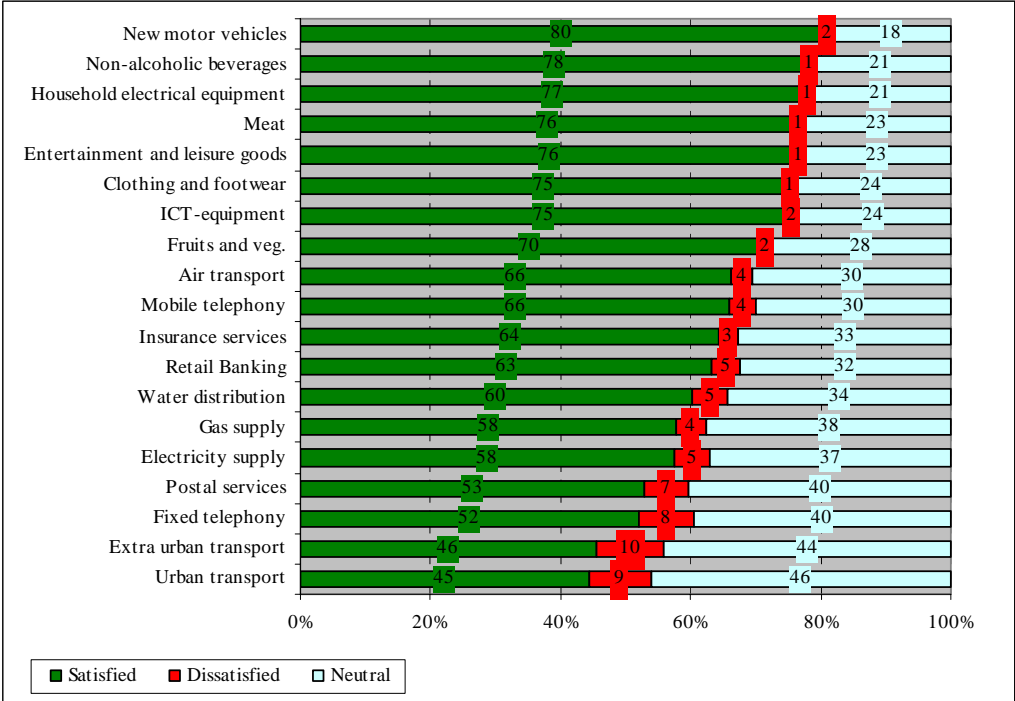
Initial results show that consumer satisfaction in the markets surveyed so far is relatively high — though this varies widely between Member States and also to some extent between different distribution channels.

²⁹ IPSOS Consumer Satisfaction Surveys 2006 and 2008.

Consumer satisfaction surveys were held in 2006 (covering 11 markets of general interest)³⁰ and in 2008 (covering 8 goods markets)³¹. Where the questions in the two surveys are comparable, the outcome is shown in the same figure; otherwise the results of the latest survey are presented.

Figure 39 shows overall satisfaction with 19 services and goods markets through data which are gathered in two different time periods: 2006 for services and 2008 for goods. The figure shows a clear split in consumer satisfaction between the markets for services and the markets for goods. Consumers consistently rate the services markets less satisfactorily than the goods markets (note that all services markets received lower scores than all goods markets). It is, however, not surprising that goods are perceived more positively than services. This may reflect the relative (in)convenience, complexity and intangibility of services compared to goods, whose value can be assessed before deciding to buy.

Figure 39: Overall satisfaction/dissatisfaction with 19 services and goods markets



Source: IPSOS Consumer Satisfaction Survey, 2007 and 2008

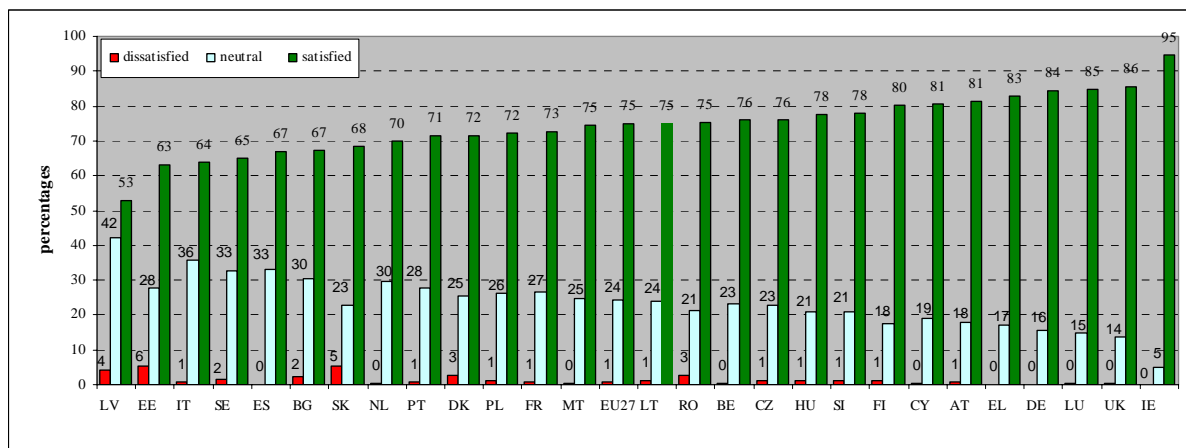
Q: Overall how satisfied are you with your (insert service) supplier? Overall to what extent are you satisfied with (insert retailer) when it comes to buying (insert good)?

It should be noted that differences between Member States are considerably larger than between aggregate markets. Figure 40 shows an example of a market, namely clothing and footwear, for which country differences are particularly significant.. Almost all respondents (95%) in Ireland were overall satisfied with this market whilst this was true for only just over half (53%) of respondents in Latvia. On average, for the EU-27, three out of four consumers are satisfied with their clothing and footwear retailers.

³⁰ Gas supply, electricity supply, water distribution, fixed telephony, mobile telephony, urban transport, extra-urban transport, air transport, postal services, retail banking and insurance services.

³¹ Non-alcoholic beverages, fruit and vegetables, meat, information and communication equipment, household electrical equipment, entertainment and leisure goods, clothing and footwear as well as new motor vehicles.

Figure 40: Overall satisfaction/dissatisfaction with retailers in the clothing and footwear market



Source: IPSOS Consumer Satisfaction Survey 2008

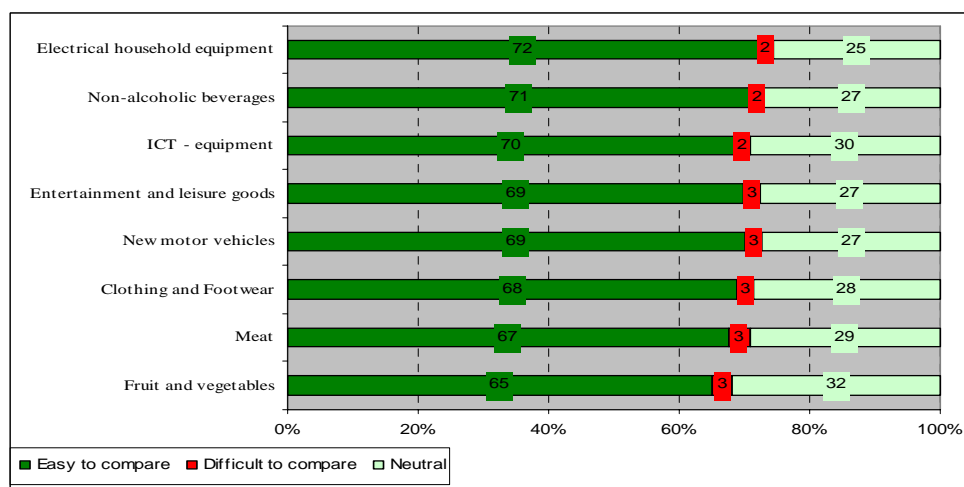
Q: Overall to what extent are you satisfied with (insert retailer) when it comes to buying clothing and footwear?

Four examples of satisfaction indicators across markets

Consumer satisfaction includes a significant number of related indicators that, when combined, can provide a better understanding of the markets. As examples of particularly relevant indicators, the figures for comparability of prices, comparability of quality, the extent of consumer-reported problems, and consumer assessments of the choice of retailers available give a good insight into satisfaction.

As can be seen from Figure 41 there are no major differences in the perceived price comparability across the markets surveyed. This also reflects a relative high satisfaction with price transparency (which was also surveyed in the satisfaction survey). Consumers believe that their ability to compare prices is quite good and consistently so across the markets surveyed. When comparing the quality of the goods the differences are somewhat larger.

Figure 41: Consumer perception of price comparability.

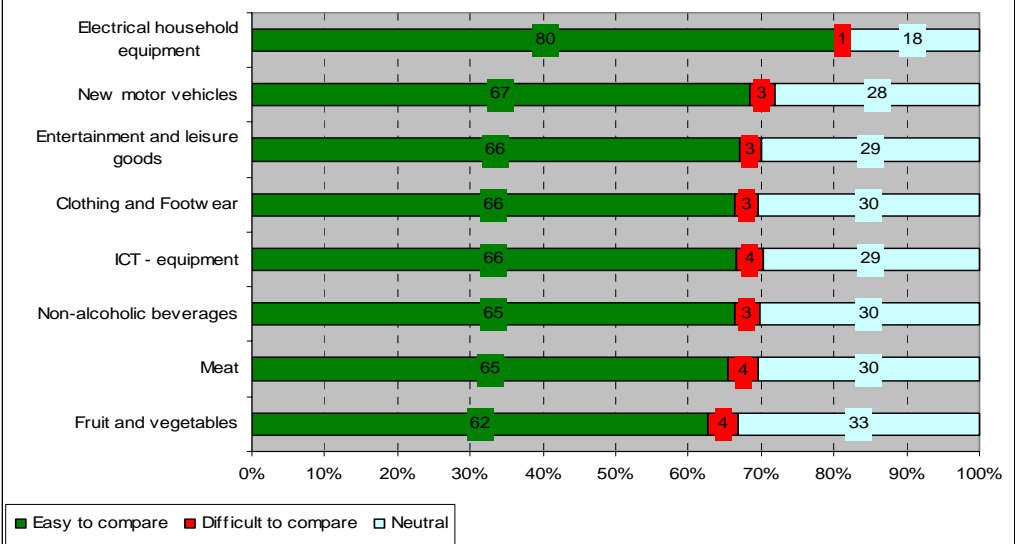


Source: IPSOS Consumer Satisfaction Survey 2008

Q: Agreement with statement: You can easily compare prices of products at (retailer) when buying (insert good).

Although four out of five respondents thought it was easy to compare the quality of household electrical equipment, only about three out of five thought this was the case when buying fruit and vegetables. The number of respondents who actually found it difficult to compare is low for all the markets surveyed.

Figure 42: Consumer perception of comparability of quality

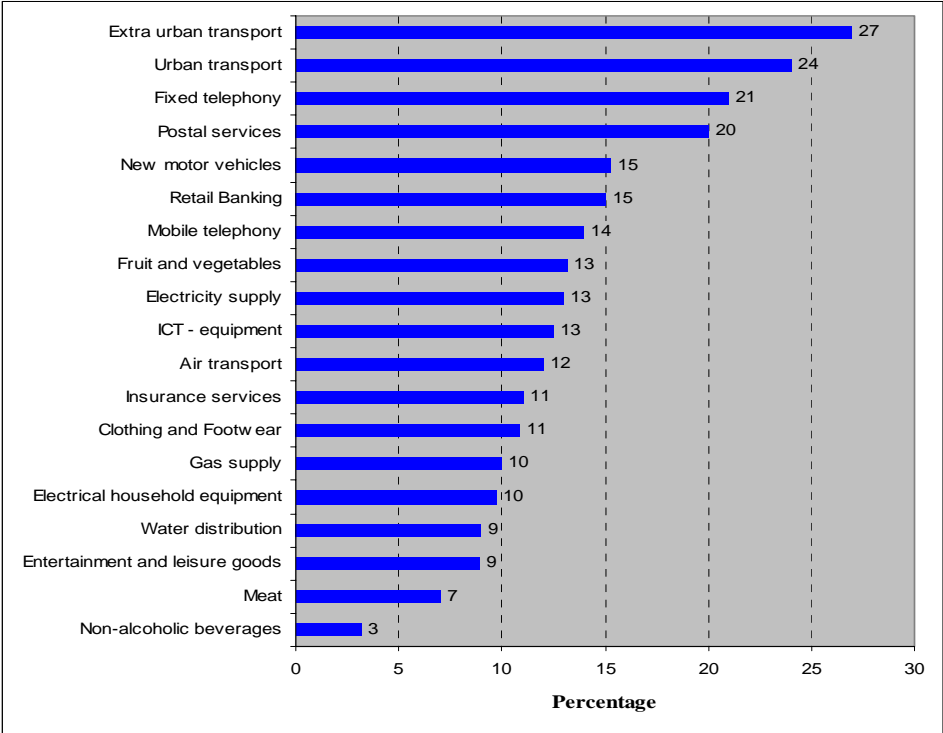


Source: IPSOS Consumer Satisfaction Survey 2008

Q: Agreement with statement: You can easily compare the quality of products at (insert retailer) when buying (insert good).

There are considerable differences in the number of problems consumers experience when buying different goods. As reflected in the overall satisfaction rates, the services markets seem to face relatively larger challenges (with an average of 16% experiencing problems compared to 10% for the goods markets). The markets for new motor vehicles, ICT equipment, and fruit and vegetables seem to be relatively more prone to problems than the average goods market. The markets for water distribution, gas supply and air transport are below the average for services markets when it comes to consumer problems. Four services markets — urban and extra-urban transport, fixed telephony and postal services — stand out with a considerably higher number of problems experienced.

Figure 43: Percentage of consumers experiencing problems with their retailer / supplier

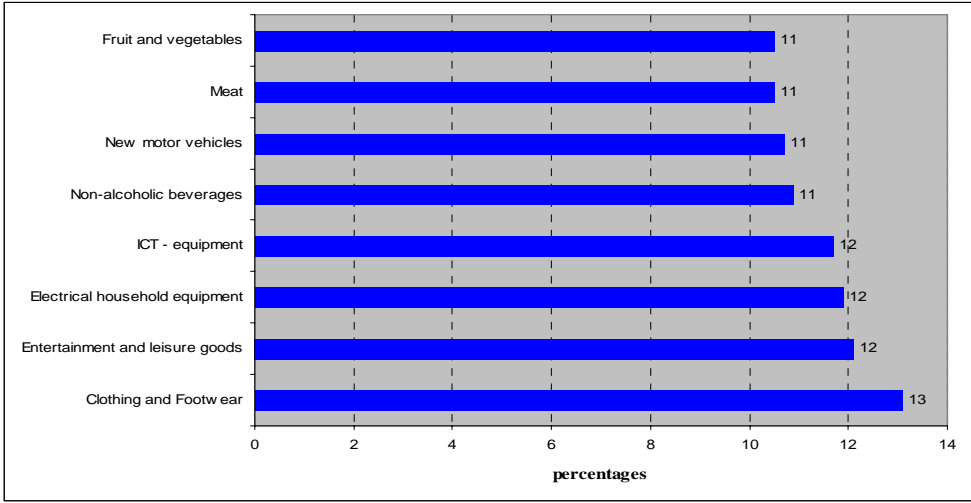


IPSOS Consumer Satisfaction Survey, 2007 and 2008 (please note that the data are from two different time periods — 2006 for services and 2008 for products)

Q: How many problems have you experienced in the past 12 months with (retailer/supplier name)?

As can be seen from Figure 44 the differences are not great in terms of ‘available convenient alternatives’ between the goods markets surveyed. However a considerable number of consumers in all these markets state that they do not have convenient alternatives to the retailer they currently use.

Figure 44: Consumers who would like to buy their goods from another provider but have no convenient alternatives



IPSOS Consumer Satisfaction Survey 2008

Q: Agreement with statement: In the following 12 months you would like to buy (insert good) from another retailer but there are no convenient alternatives.

In future Scoreboards, the screening of markets will be extended to cover more markets in order to give a comparable (same-year) assessment of markets, and thus better overall indications of which markets are more at risk of not functioning well for consumers and need further in-depth analysis.

1.4 Switching

A Flash Eurobarometer³² was carried out in 2008 in order to investigate the experience consumers have with switching providers in four specific service areas: retail banking, insurance, energy and telecommunications.

The ability to switch providers is one of the essential features of the market economy that allows consumers to constantly search for the best deal. This ability affects the offers proposed by providers, because they need to cater ever more closely for the needs of customers or risk losing them to the competition. Switching has this impact only if its costs are sufficiently low compared to the price of the service involved.

Consumers can only select the most competitive offer in the market if their switching ability is not hindered by search costs, delays, taxes and other factors that make up the switching costs. If these are significant, especially in relation to the price of the service, some consumers will be deterred from switching their service provider.

The survey initially identified the users of eleven service areas within the four specific service areas. It then inquired about consumers’ experiences in switching providers and assessed the difficulties that they encountered in making such a move and potential mechanisms for

³² Flash Eurobarometer 243 — Consumers’ views on switching service providers, July 2008.

facilitating the process. The data that are relevant in the context of the Scoreboard refer primarily to the comparability of offers and the switching rates observed.

Comparability of offers

In many sectors of a modern economy consumers have the opportunity to choose between a variety of competing offers. One assumes that this, sometimes vast, array of choices will allow consumers to select the offer that best fits their needs. However, there are sectors where consumers have difficulties understanding the offer from just one market supplier, and comparing offers from multiple providers is an even more complex challenge.

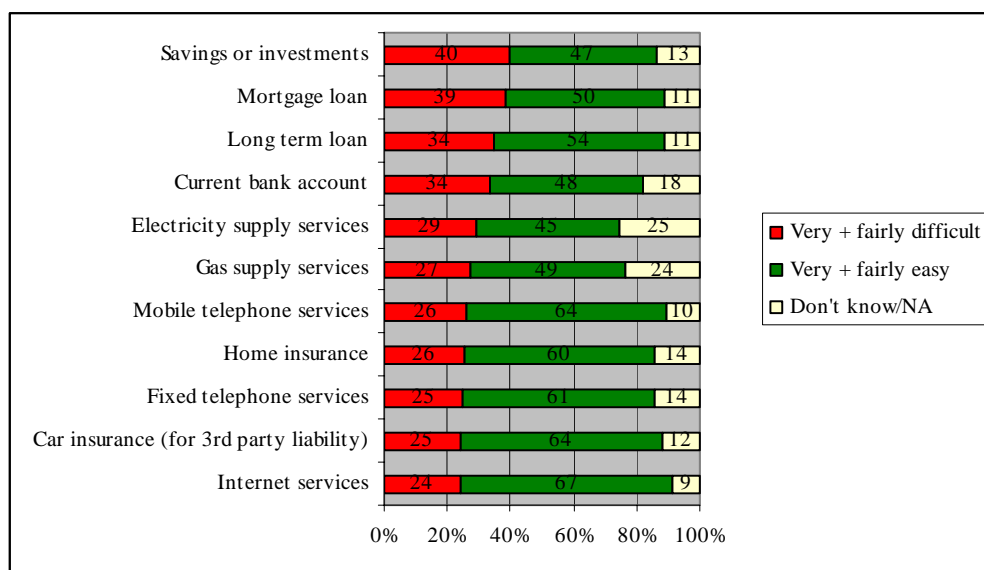
One of the objectives of this Eurobarometer survey was to identify the problems consumers have when processing information.

In the survey, a significant proportion of European consumers reported some sort of problem when comparing offers from various suppliers. Difficulties with comparing offers were most widely reported in the retail **banking services** sector. On average, over a third (37%) of respondents indicated that they had a problem comparing offers from different providers; for savings/investment products and mortgages in particular, about four out of ten consumers indicated that the offers were difficult to compare. The offers from **telecom** providers and the offers for car and home **insurance** were the easiest to evaluate: on average, just a quarter of respondents reported difficulties and the five individual services from those two sectors were in the top five positions when it came to ranking the degree to which the offers were understandable.

The ‘ease of understanding’ ranking was topped by the offers from Internet³³ service providers. They were considered to be the easiest type of offer to compare (regarded as such by two-thirds — 67% — of EU consumers), followed by offers for third-party liability car insurance and mobile phone services (both 64%).

³³ ‘Internet users’ are assumed to be those who subscribe to a broadband Internet service (i.e. dial-up customers have been excluded).

Figure 45: Comparability of offers



Source: EB 243

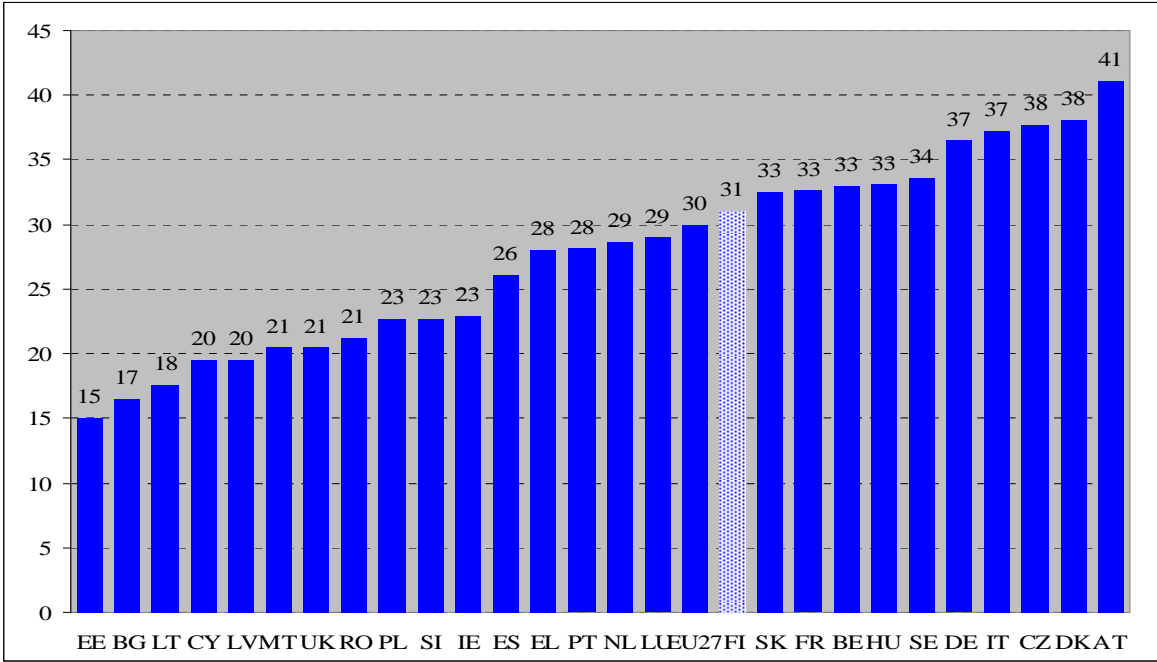
Q: In general, how easy do you think it is to compare offers from different (insert the appropriate service provider)?

The issue of **energy** providers introduces a further element into the analysis. Between one-fifth and a quarter of citizens did not — or could not — provide an opinion on the comparability of offers. Of course, for all other services we have a segment of respondents (usually about 10%) that were not sure how comparable the offers of various providers or products were. This may have been because some of the services that people use are relatively old and they do not have sufficient knowledge about the current situation, or how easy they were to compare. It may also be that the consumers have never attempted to compare offers from different suppliers. In the energy sector, a large proportion of citizens also thought that no alternative providers existed (see later in this section) and that the question about the comparability of offers was therefore not relevant.

Overall, 28% of Europeans thought that the offers from energy providers were difficult to compare; the difference between gas (27%) and electricity (29%) was minimal.

Looking at the replies combined for all service areas, Austrian consumers are most likely to indicate that the providers' offers are (very or fairly) difficult to compare; the average for all services is 41%. The average was also high in Denmark, the Czech Republic (both 38%), Italy and Germany (both 37%). Estonian consumers are least likely to confirm that offers are difficult to compare, however the relatively low proportion does not mean that many of them find offers easy to compare.

Figure 46: Difficulty to compare offers — aggregated average for all services



% very difficult + % fairly difficult shown – base: users of the particular service

Source: EB 243

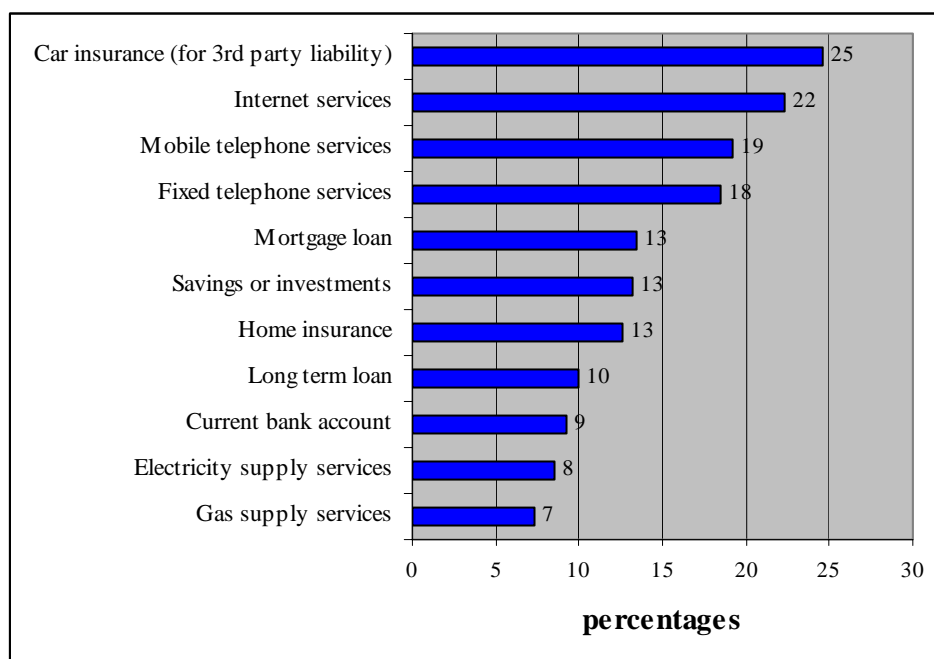
Q: In general, how easy do you think it is to compare offers from different (insert the appropriate service provider)?

Consumers switching providers

Switching rates together with the other indicators can reveal which sectors of the economy risk failing for consumers. The following shows the switching rates reported by the consumers that took part in the Eurobarometer survey.

Third-party liability *car insurance* was the service where most consumers switched providers: a quarter of all policy holders changed providers during the past two years in the EU. Next in the list were the telecom services: Internet (22%), mobile phone (19%) and fixed-line telephone services (18%). This made the telecom sector the most prone to provider switching, with an average rate of 20%.

Figure 47: Percentage of consumers who switched service providers



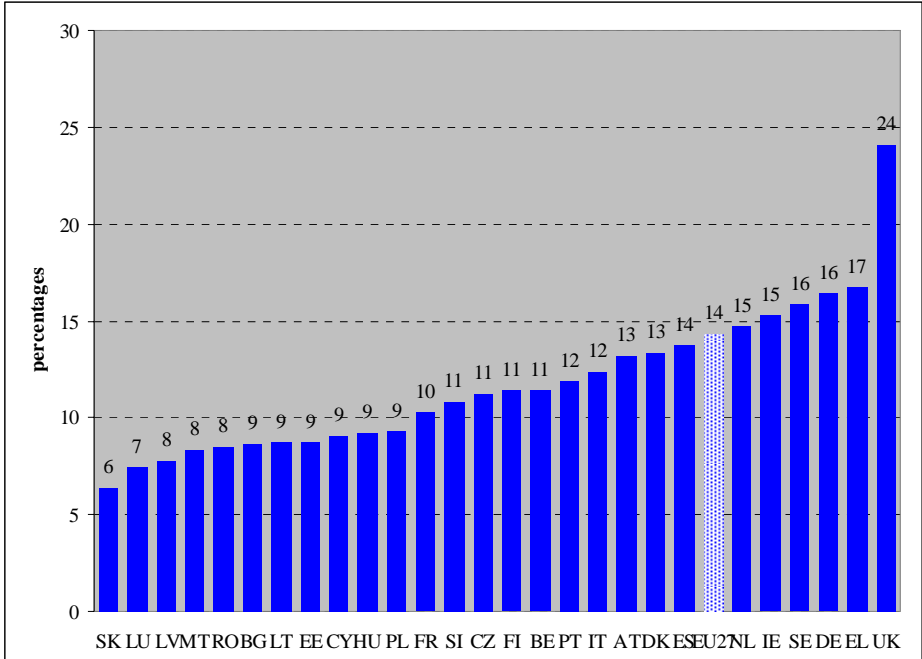
Source: EB 243

Q: Have you tried to switch (insert the appropriate service provider) in the last two years? 'switched and it was easy' + 'switched and it was difficult'

On average, 11% of users of retail banking services changed providers or products during the past two years; the 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 where EU respondents were the least likely to switch: 7% switched their gas supplier (including LPG) and 8% changed their electricity provider.

Most consumers *did not switch services because they did not want to*: about 70-80% said they did not switch because they were not interested in a change or cited other reasons not related to the difficulties of switching. However, some people were deterred from switching by the amount of effort needed to complete the task. It is also important to note that, despite a lack of interest in switching, the majority of consumers who switch benefit financially from the process and the percentage of consumers who switch is closely correlated with better deals offered to consumers. If we look at the average for all services investigated, the switching rate is highest in the UK (24%). For all other Member States figures range between 6% (Slovakia) and 17% (Greece).

Figure 48: Percentage of consumers who switched service providers — aggregated average for all services



Source: EB 243

Q: Have you tried to switch (insert the appropriate service provider) in the last two years? ‘% switched and it was easy’ + ‘% switched but it was difficult’

Adding those who were discouraged from changing by the perceived difficulties to those who actually tried to change providers, a group that was *interested in switching* was created. For this group, Figure 49 shows the proportions of those who were able to switch *easily*, those who were able to switch *with difficulties*, those who tried but *gave up* and those who *did not even try* because of the perceived difficulties.

Switching was seen to be the easiest for the two insurance services that were included in this survey: 79% of those who were interested in changing car insurance (for third-party liability) said they were able to do so without difficulties and 72% of those who were thinking of changing their home insurance policy also had no problems.

Overall, just a quarter of respondents reported (deterrent or non-deterrent) difficulties connected to switching suppliers in the insurance sector. The perceived difficulties that prevent consumers from switching providers are the least influential in the car insurance sector: only 6% (of those interested in switching) said they were thinking about switching but did not try to do this, considering it too troublesome. For home insurance, this proportion was higher, at 13%.

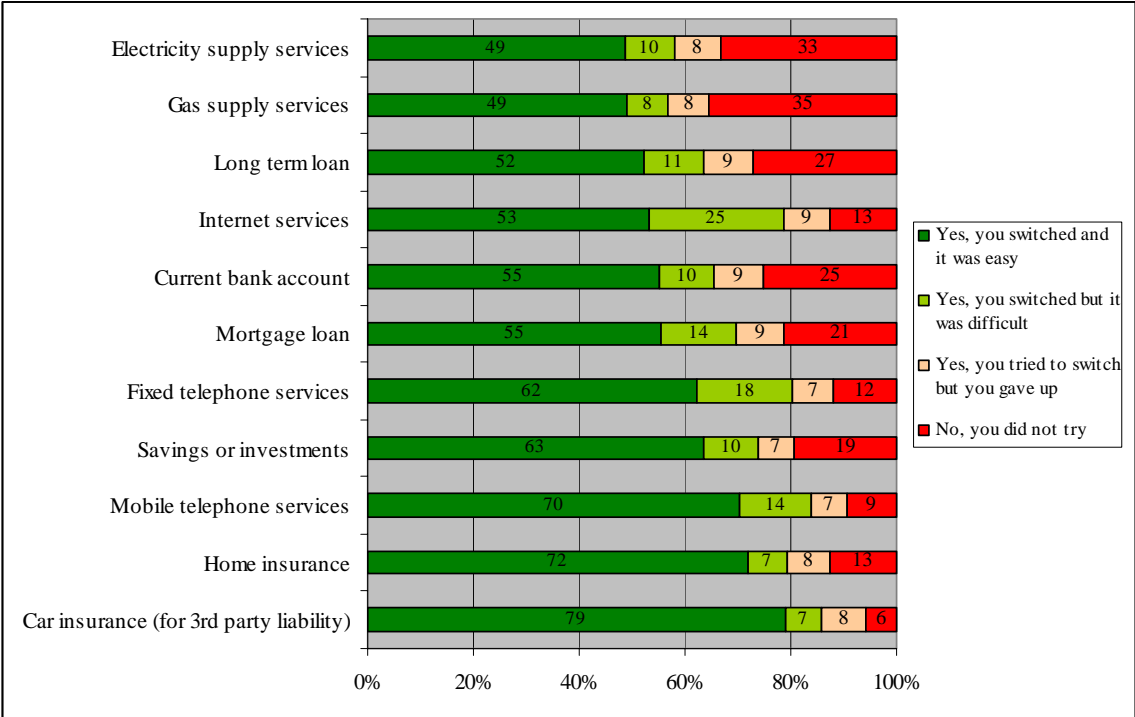
These perceived difficulties were also not so important when it came to switching **telecommunication** providers (between 9% and 13%, depending on the service), although the switching itself was more difficult. Overall, 38% of respondents using telecom products (of those interested in switching) indicated the existence of barriers. Changing mobile phone services was seen as the easiest: seven out of ten people found it to be trouble-free (70%). Switching a fixed-line telephone service was considerably more difficult (62% found it easy), but not as complicated as changing internet service providers. Only half of those interested in

making such a switch (53%) reported that the switch took place easily, whereas a quarter said the change involved difficulties.

Switching **banking services** was found to be difficult by 43% of those who did not want to stay with their current product or provider. The perceived difficulties that deter consumers from even trying to switch were stronger here: a quarter (27%) did not try to switch their long-term credit arrangements due to such difficulties; the percentage was similar for not switching current accounts, 21% for mortgages and 19% for savings/investment products, possibly due to the expected extra costs. However, those who did attempt to switch their service actually reported fewer difficulties than those who tried to do the same in the telecom sector (savings/investments: 10%, mortgages: 14%, current accounts: 10%, long-term credit arrangements: 11%).

Once again, switching **energy services** was *anticipated* to be difficult, whereas in reality the experience was not so bad. Still, according to more than half of the consumers (51%) the switching process was seen as rather difficult due to both perceived and structural barriers. In this respect, it should be noted that for many respondents the reason for not switching providers was the absence of an open market for energy supplies in their local area. This should be considered when we look at the fact that one-third of EU-27 consumers (of those who recently considered switching or had switched their provider) did not even try to switch due to anticipated obstacles (electricity 33%, gas 35%). On the other hand, for those who actually did switch providers, the process was relatively easy: only 8% (gas) and 10% (electricity) of respondents reported any difficulties in the process.

Figure 49: Ease of switching



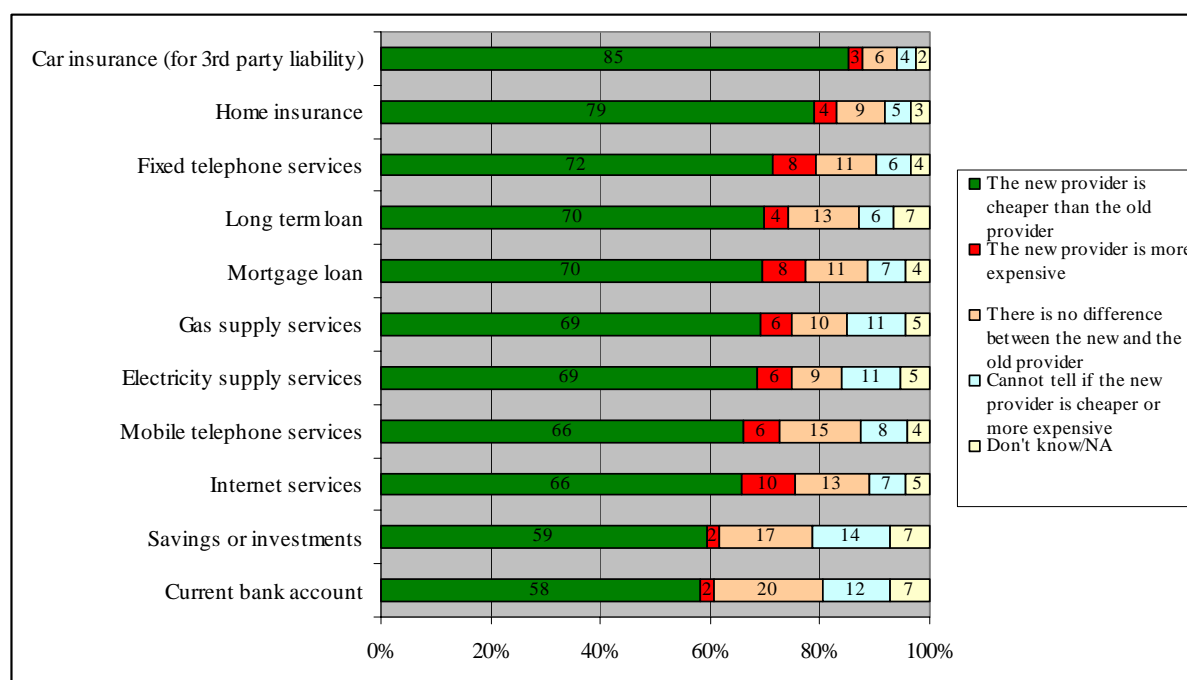
Source: EB 243

Q: Have you tried to switch your (insert the appropriate service provider) in the last two years?

Reported price levels with the new provider

The survey attempted to measure the perceived benefit obtained by consumers who switched their service providers. It focused on price, comparing the differences between the new and the old provider. Figure 50 shows an overview of the various types of service in this regard. The majority of consumers report that they obtained a better price after switching their service provider, but it should be noted that these price levels are based only on the consumers' replies.

Figure 50: Price with the new provider



Source: EB 243

Q: What was your experience of switching your (insert the appropriate provider)?

Insurance is the sector with the largest majority of consumers who benefited from a lower price with their new supplier: on average, 82% of respondents switched to a cheaper service. Looking at the sub-types, 85% of those who switched their mandatory car insurance obtained a better price with the new provider and 79% indicated the same among those who changed their home insurance policy in the past two years. Virtually nobody changed their policy to a more expensive one (car 3%, home 4%). Overall, approximately only one in ten consumers made a decision where either the new policy had the same price or they did not know if there was a difference; car 10%, home 14%).

Switching in the other sectors also brought lower prices for the majority of respondents. The price with the new provider was lower according to 69% of those who switched **energy services**, 68% of those who switched their **telecom provider** and 64% of those who replaced a **banking product**.

Only a few consumers reported switching to a more expensive service. Changing to a more expensive service was most often reported in the case of internet services: one in ten consumers who changed their product or provider changed to a more expensive one (10%).

There seem to be significant differences across Member States when aggregating the opinions of those who switched providers. Considering *all the services, on average* the German consumers are most likely to believe that the new provider is cheaper than the old provider (82%). Three quarters of those changing providers in Austria, Slovenia and the United Kingdom share the same view. At the same time, most Slovak, Bulgarian and Maltese consumers do not confirm such a benefit, as only every third consumer believes that the new provider is cheaper than the old provider.

Recent changes in price

Finally, all respondents (even those who did not switch) were asked whether or not their service provider's prices had changed in the past year, and if yes, in which direction. Hence, the figures in this section reflect perceptions with regard to price increases or decreases and not necessarily actual price changes.

A very large number of users reported price increases with **energy** suppliers, where the reports of price increases outnumbered the reports of reductions, on average, by 58 percentage points (shown as a net difference in the figure below, under 'direction of change'). The difference between gas and electricity was small compared to other services: however more people reported increased gas prices (+61) than increased electricity prices (+55). In the other services, most users reported stable prices.

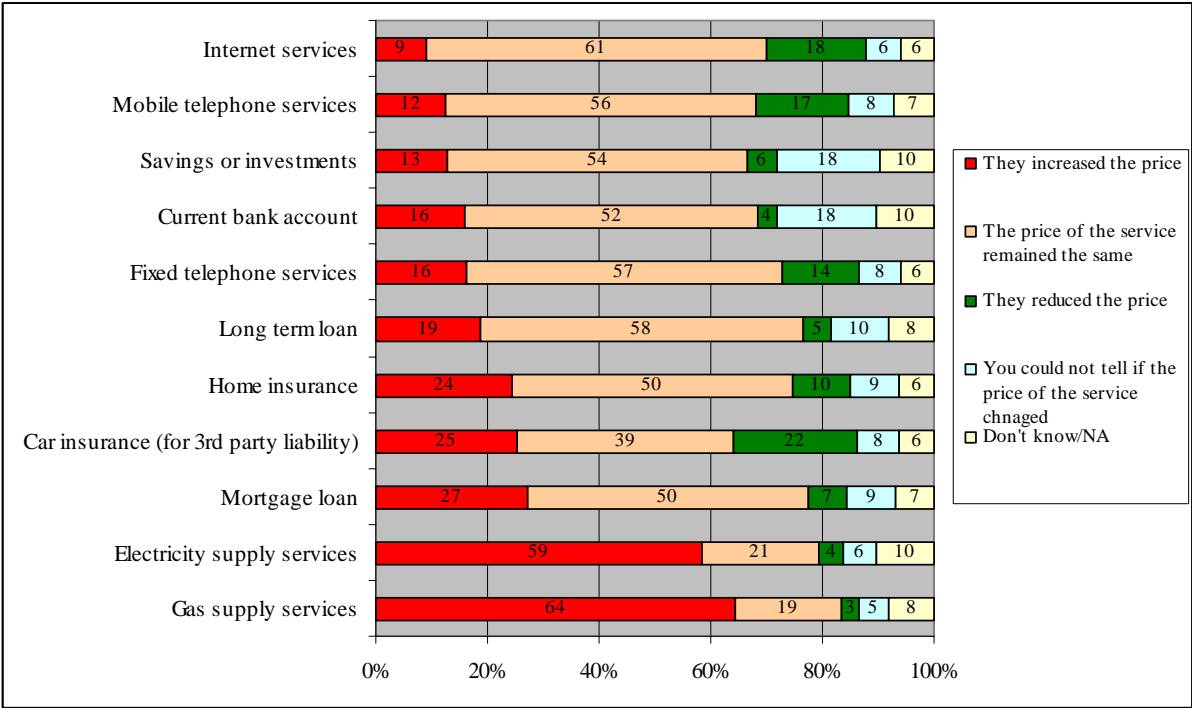
The net difference between the percentage of consumers that reported price increases and those reporting price decreases was relatively high for the consumers in the **banking** and especially the credit sector (+13 percentage points was the average for banking services). The biggest price increases (for banking services) was reported for mortgage contracts (+20) while the smallest related to savings products (+7).

The overall figure was somewhat lower in the **insurance** sector (+9) compared to banking, with a great discrepancy between the car insurance sector (where only 39% reported stable prices but almost as many reported decreases as increases, resulting in a close-to-zero net difference of +3) and the home insurance sector, where significantly more users reported price increases than reductions (+14).

The balance was negative in the telecom services sector (-4) thanks to the internet service users, who reported reduced prices more often than the opposite (-9); the pattern was similar although less pronounced with mobile phone services (-4). In turn, fixed-line telephone users were somewhat more likely to report price increases than reductions (+3).

Telecom services were among those where most users did not report any change at all. These services claimed three of the top four spots (internet services, mobile and fixed-line phones) when ranked by users according to price stability. The other service type in the top four was long-term loan arrangements, where most users indicated that prices did not change.

Figure 51: Recent change in prices (perceptions)



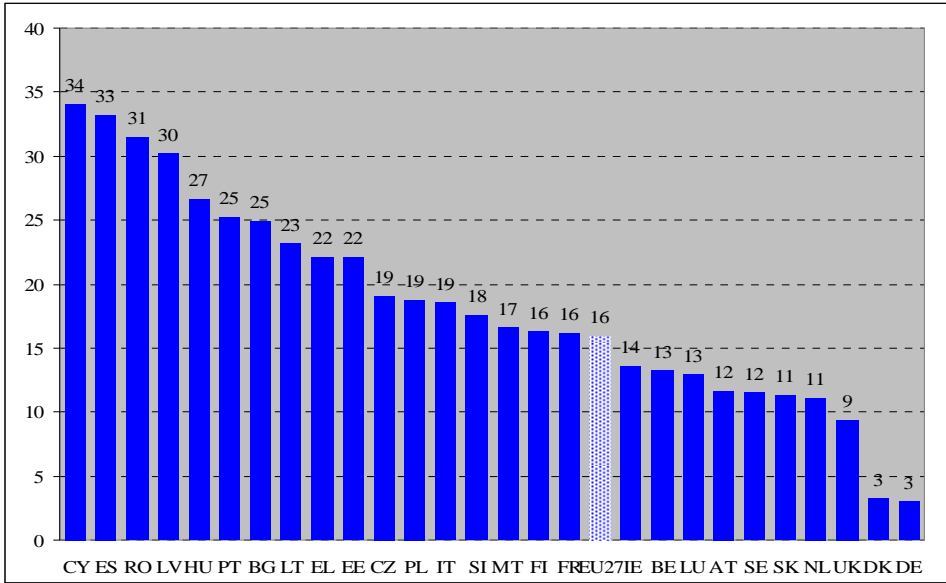
Source: EB 243

Q: Which of the following has your present (insert the appropriate service provider) done in the last twelve months?

Averaging out all service types, a great disparity across Member States can be observed. The indicator ‘direction of change’ in Figure 52 shows the net percentage-point difference between ‘increased prices’ and ‘reduced prices’, with positive figures meaning that those reporting increased prices outnumber those reporting reduced ones. Germany and Denmark are in the most favourable positions. In both countries the number of favourable and unfavourable reports (that is, price reductions and increases, respectively) were almost on balance in the average of the eleven services and product types investigated — reports of increased prices outnumbered the reported reductions by only +3 percentage points.

No other Member State was close to such balance and none provided a perception of a general lowering of price levels. On the contrary, mostly driven by the surging energy prices, the perceived direction of change is unfavourable in most Member States: especially in Cyprus (where the reports of price increases outnumbered decreases by +34 percentage points), in Spain (+33), Romania (+31) and Latvia (+30). It should be stressed that these perceptions do not necessarily reflect actual price levels or even rates of inflation, they rather show the public’s general perception of recent price trends for the services discussed in each country.

Figure 52: Direction of price change (perceptions), aggregated average across all services

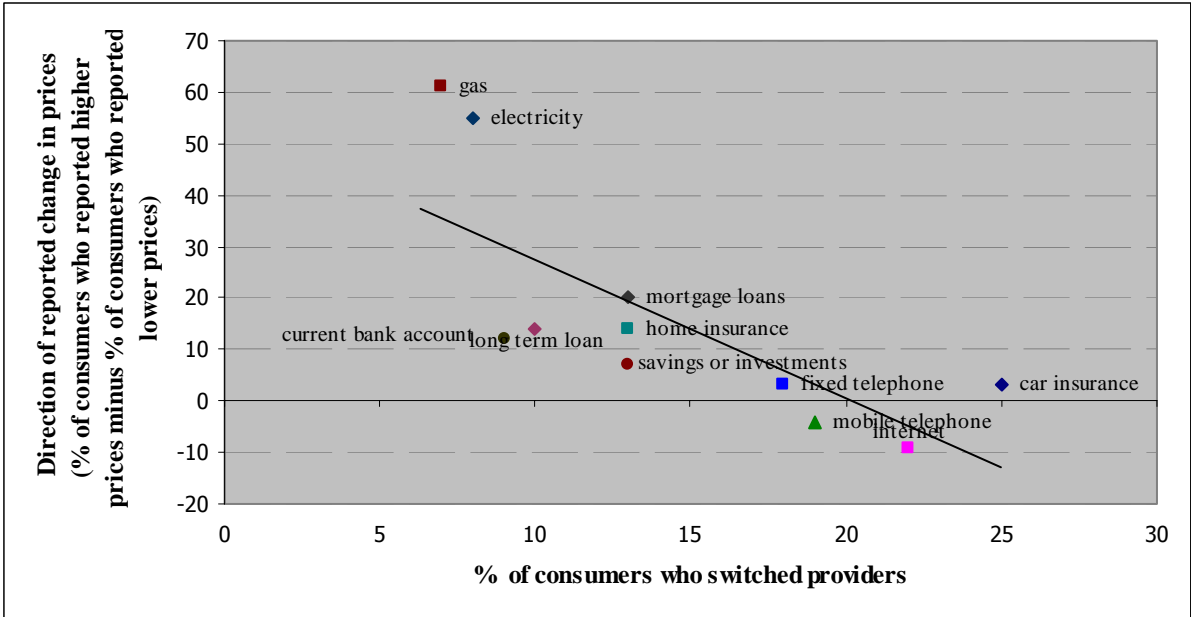


Source: EB 243

Q: Which of the following has your present (insert the appropriate service provider) done in the last 12 months?'

Figure 53 suggests that in markets with higher consumer mobility (i.e. more consumers changing providers) users are less likely to report price increases, and the overall balance of positive and negative reports is generally more favourable. The level of correlation is 0.76, which indicates quite a strong association between the percentage of switching users and (less unfavourable) price changes.

Figure 53: Relationship between market mobility and price developments, by service area



Source: EB 243

However, the same analysis at Member State level does not show the same correlation, indicating that a relationship of this type is not present in every national market of the EU.

Active consumers are able and willing to change their provider when they can find other offers in the market that give them a better deal than their current one. Through active market participation, they can do a lot to improve the outcomes for all the consumers in the market. Their actions send a clear signal to companies that they should improve their service or risk alienating consumers. Active consumers set an example, enabling other consumers to capture similar benefits.

1.5 Safety

A main priority of consumer policy is to ensure that the goods and services consumers in Europe buy and use are safe. Recent opinion polls show that safety of goods and services is indeed one of consumers’ main concerns. The two Eurobarometer surveys³⁴ looked into the product safety issue from the viewpoint of consumers and retailers.

Safety as a driver of consumer choice

To measure the extent to which safety influences consumers’ choices when purchasing a non-food item, consumers were asked about factors frequently influencing their choices. Figure 54 shows that safety came out second of the proposed factors, after price. For the EU-27 one out of two respondents mentioned safety as a factor frequently influencing their purchasing choices.

Figure 54: Drivers of consumer choice



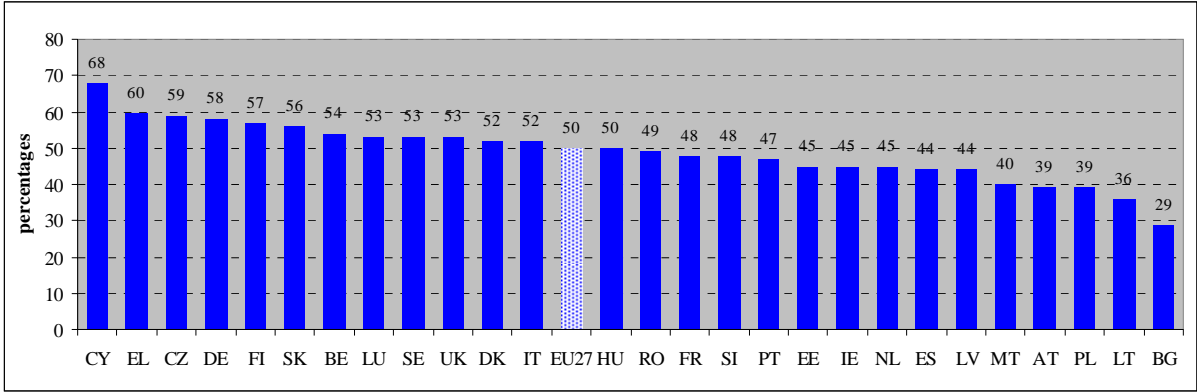
Source: EB298

Q: Thinking about non-food items that you might purchase, which of the following aspects most frequently influence your choice? (multiple answers possible)

³⁴ EB298 — Consumer protection in the internal market, June 2008 and EB224 — Business attitudes towards cross-border sales and consumer protection, September 2008.

Differences between Member States exist: safety was mentioned mostly by consumers in Cyprus (68%), Greece (60%) and the Czech Republic (59%), while only 29% of Bulgarians, 36% of Latvians, and 39% of Austrians and Polish mentioned safety as a driver of purchasing decisions. In general, respondents in old Member States are more likely to indicate safety and less likely to indicate price as a driver.

Figure 55: Safety as a driver of consumer choice



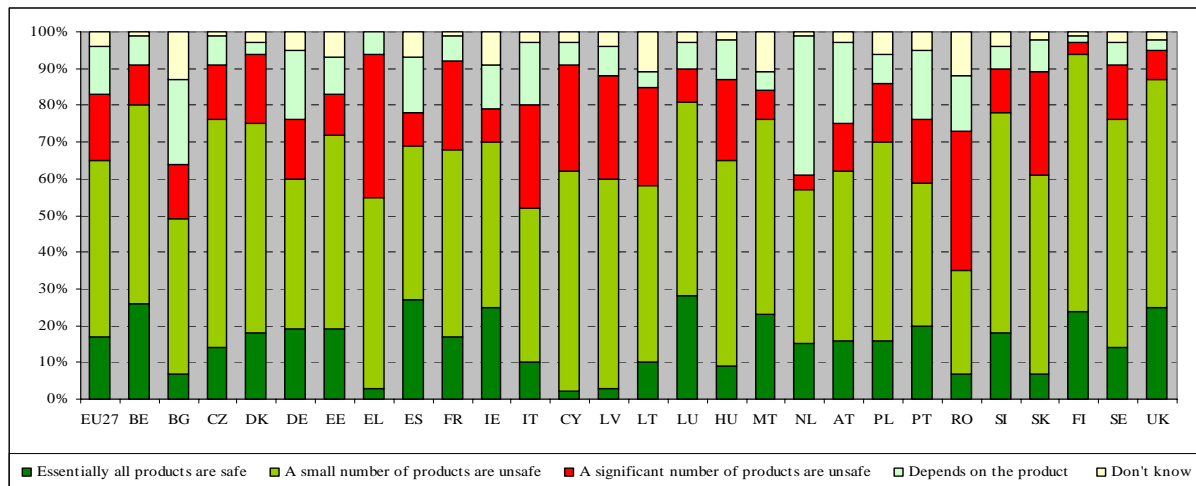
Source: EB298 — Consumer protection in the internal market

Q: Thinking about non-food items that you might purchase, which of the following aspects most frequently influence your choice? (multiple answers possible)

Perceptions of safety

The survey also looked into consumers’ perceptions of the safety of non-food consumer goods. Almost one out of two consumers (48%) thinks that a small number of non-food goods are unsafe. Eighteen percent think that a significant number of goods are unsafe, and 17% are of the opinion that essentially all products are safe. In general consumers in old Member States perceive their products as safer than consumers in new Member States. Again, country differences are significant. A relatively high number of consumers in Greece (39%), Romania (38%) and Cyprus (29%) are worried that a significant number of products are unsafe, an opinion that is shared by only 3% of Finns and 4% of Dutch. Consumers in Luxembourg (28%), Spain (27%) and Belgium (26%) are most likely to think that essentially all products are safe.

Figure 56: Consumers' perception of the safety of goods

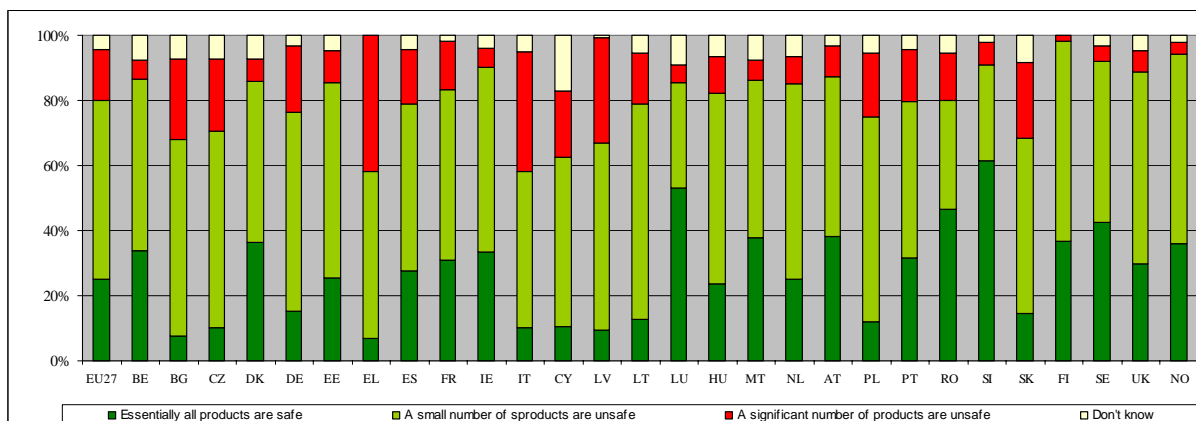


Source: EB298 — Consumer protection in the internal market

Q: Thinking of all non-food products currently on the market in (your country), do you personally think that (options as in figure)

The same question related to the safety of goods was asked to retailers. However, whereas consumers were given the option to reply that safety of goods ‘depends on the product’, this possibility was not given to retailers. This difference should be taken into account when comparing retailer and consumer figures. Overall, 55% of European retailers think that a small number of non-food goods are unsafe. Sixteen percent think that a significant number of goods are unsafe, and one out of four agrees that essentially all products on the market are safe. Greek (42%), Italian (37%) and Latvian (32%) retailers are most likely to say that a significant number of products in their country are unsafe, against only 2% of retailers in Finland. The majority of retailers in Slovenia (61%) and Luxembourg (53%) believe that essentially all products are safe, a view that is shared by only 7% of Greek and 8% of Bulgarian retailers.

Figure 57: Retailers' perception of the safety of goods

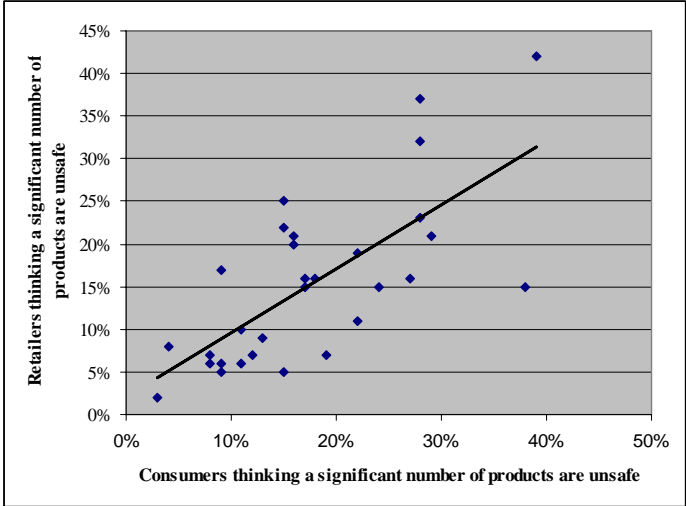


Source: Flash EB224 — Business attitudes towards cross-border sales and consumer protection

Q: Considering all non-food products currently marketed in (your country), do you personally think that (options as in figure)

To see whether consumers and retailers in a Member State have similar opinions, we have correlated, for all Member States, the percentage of consumers who think a significant number of products are unsafe and the percentage of retailers who think a significant number of products are unsafe. Figure 58 confirms the existence of such a relation (the correlation coefficient is 0.7): in Member States where consumer perceptions of product safety are positive, retailer perceptions also tend to be. Retailers are, however, in general more positive than consumers.

Figure 58: Consumers’ and Retailers’ perception of the safety of goods



Sources: EB298 & Flash EB224

Accidents and injuries due to defective products

The survey also questioned consumers about injuries due to defective products. For the EU-27, only 2% of respondents or members of their immediate family had suffered an injury or accident from a defective product in the last two years. Country figures rank between zero and four percent but because of very low incidence, these figures should be regarded as indicative only.

Additional data on accidents and injuries are available from the Injury DataBase (IDB). The IDB is a bank of European cases of injuries, collecting medical information and accident circumstances, as well as the products potentially causing the accidents. The objective of the IDB is to collect data on accidents related to consumer products in order to assist in the prevention of accidents, improve the safety of consumer products and provide information and education to consumers for safe use of products. The IDB is not a comprehensive data collection of all injuries but sample data collected by hospitals. Currently, thirteen EU countries are collecting injury and accident data for the IDB. Austria, Belgium, Cyprus, the Czech Republic, Estonia, Germany, Latvia, Malta, the Netherlands and Sweden are collecting ‘all injuries’ data, whereas Denmark, France and Portugal collect data on ‘home and leisure accidents’³⁵. The ‘all injuries’ product classification is based on the ‘International

³⁵ Data for France, Denmark and Portugal are not shown because the product categories used in ‘home and leisure accidents’ are different from the ones use by Member States reporting ‘all injuries’. However, in as far as product categories are comparable and reflect consumer products (for example food and drinks, furniture) figures from France and Denmark are similar to the ones reported by Member States using the ‘all injuries’ classification. For Portugal no product codes are available. .

Classification of External Causes', an international WHO standard classification. Product categories defined for the purpose of classifying injuries and accidents are different from the COICOP product categories generally used in the Scoreboard. Hence an important number of IDB product categories — for example animal, plant or person, fire, flame and smoke — are not relevant for the purpose of the Scoreboard as they are not consumer products. However, some categories — for example food and drinks, furniture, household appliances — are similar in both classification systems. The relevant product categories reflecting consumer products are coloured in Table 3.

Table 3: Injuries by product involved in the accident

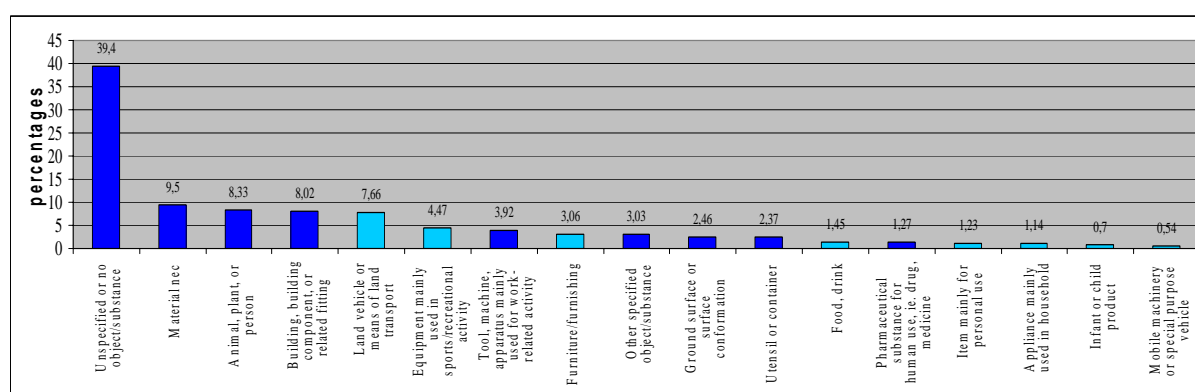
Product involved in the accident ³⁶	AT	BE	CY	CZ	EE	DE	LV	MT	NL	SE
Aircraft or means of air transport	0.2	-	-	-	-	-	0.0	-	0.0	0.0
Animal, plant, or person	15.8	18.6	7.5	14.9	39.4	18.1	16.7	9.2	3.9	13.8
Appliance mainly used in household	1.5	1.4	3.3	0.9	0.4	1.6	0.8	1.2	1.2	1.0
Building, building component, or related fitting	12.8	13.3	35.2	13.5	9.3	10.4	10.9	18.9	6.0	6.8
Equipment mainly used in sports/recreational activity	16.6	4.2	0.4	4.9	7.5	1.8	2.4	3.0	3.5	9.1
Fire, flame, smoke	-	0.2	0.4	-	0.1	-	0.7	-	0.1	0.1
Food, drink	0.5	1.8	0.2	0.2	0.2	1.8	0.5	1.2	1.4	3.0
Furniture/furnishing	6.3	7.4	3.8	3.7	2.7	4.9	2.7	3.8	2.6	4.0
Ground surface or surface formation	1.1	17.8	8.3	2.9	1.9	4.8	10.1	6.1	0.7	1.2
Hot object/substance nec	0.1	0.3	2.0	0.2	0.3	0.4	1.3	0.8	0.0	0.0
Infant or child product	2.4	1.2	1.8	1.2	0.4	3.6	0.6	0.8	0.3	1.9
Item mainly for personal use	2.4	2.1	1.1	0.3	0.3	1.1	0.2	1.2	1.2	2.3
Laboratory equipment	-	-	-	-	-	-	-	-	-	-
Land vehicle or means of land transport	11.1	9.5	8.8	7.3	4.0	13.7	6.7	9.9	6.9	10.4
Material nec	14.5	5.7	11.6	9.2	17.4	5.6	14.2	16.6	7.7	11.2
Medical/surgical device	0.1	1.4	0.1	-	-	-	-	-	0.1	0.0
Mobile machinery or special purpose vehicle	0.4	0.5	0.2	0.3	0.4	0.8	0.2	0.4	0.4	1.6
Other non-pharmaceutical chemical substance	0.2	0.5	1.3	0.1	-	2.6	0.3	1.0	0.4	0.3
Other specified object/substance	1.8	3.2	2.0	1.3	0.6	6.0	1.6	2.2	2.9	5.3
Pharmaceutical substance for human use, i.e. drug, medicine	0.1	1.0	0.9	0.1	-	0.9	0.1	0.2	1.9	0.3
Tool, machine, apparatus mainly used for work-related activity	5.5	4.5	5.2	1.8	2.6	4.2	7.1	8.3	2.7	5.3
Unspecified or no object/substance	3.4	-	-	35.5	11.4	15.0	20.2	10.9	53.3	21.0
Utensil or container	3.0	4.6	5.4	1.3	1.1	2.3	2.3	3.4	2.6	1.0
Watercraft or means of water transport	0.1	-	0.1	-	-	-	0.1	0.7	0.1	0.2
Weapon	-	0.5	0.2	0.3	-	-	0.1	0.1	0.1	0.1
In percentages	100	100	100	100	100	100	100	100	100	100
Cases (sample) n =	8 477	3 844	6 539	5 180	1 647	5 108	46 187	3 381	198 884	47 484
Data from year:	2007	2005, 2006	2006, 2007	2005, 2006	2006, 2007	2006	2005, 2006	2004, 2005, 2006	2006, 2007	2007

Source: IBD — All injuries in Europe

³⁶ Data from the Netherlands represent product causing the injury.

Despite different sample sizes and collection methods, patterns with regard to products involved in the accident are similar across Member States. Figure 59 shows the degree to which different product categories are responsible for accidents and injuries aggregated for ten Member States³⁷. Product categories that account for less than 0.5% are not displayed. Among consumer product categories, the categories ‘land vehicle or means of land transport’ and ‘equipment mainly used in sports / recreational activity’ rank highest in terms of involvement in the accident. The actual percentages are, however, rather small — 7.7% and 4.5% respectively (because of the large share of unspecified products involved in the accident).

Figure 59: Injuries by product involved in the accident — aggregated average for 10 Member States



Source: IBD — All injuries in Europe

Market surveillance in the area of safety

The outcome of market surveillance activities can provide further indications as to the safety of products on the market. There are two EU-wide rapid alert systems for the notification of dangerous consumer products holding the data currently available on notifications: RAPEX³⁸ for non-food products and RASFF³⁹ for food and feed products. Figures 60 and 61 show dangerous product notifications by different product categories. For the non-food notifications, the product categories accounting for less than 1% of notifications⁴⁰ are not displayed. Toys (31%), motor vehicles (15%) and electrical appliances (12%) top the list of serious risk notifications of non-food consumer products. In the area of food and feed products fish and crustaceans (21%), meat and meat products (13%) and fruit and vegetables (12%) are most likely to be the subject of product notifications.

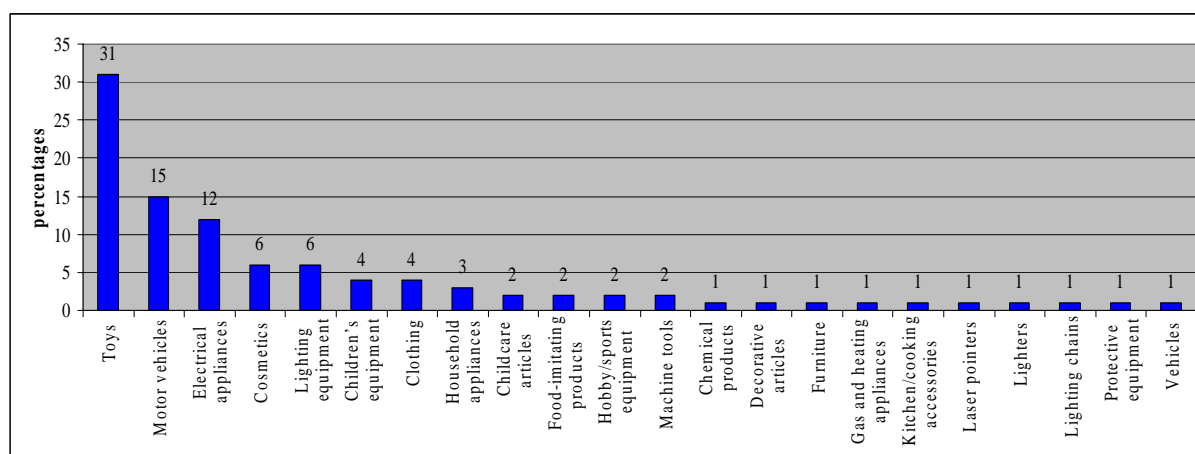
³⁷ It should be noted that these figures are more influenced by data from countries with large sample sizes — the Netherlands and to a lesser extent Sweden and Latvia — than by data from countries with smaller samples sizes.

³⁸ RAPEX: Rapid Alert System for non-food consumer products.

³⁹ RASFF: Rapid Alert System for Food and Feed.

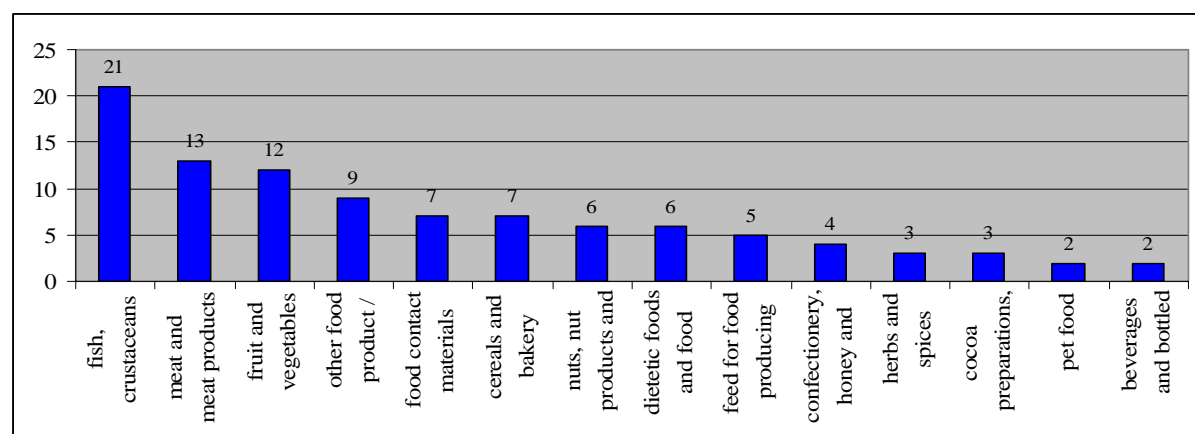
⁴⁰ Product categories accounting for less than 1% of notifications are: communication equipment, construction products, fashion items, firearms, gadgets, garden and camping articles, hand tools, jewellery, machinery, motor vehicles parts, other, pet accessories, pyrotechnical products, recreational crafts, stationery.

Figure 60: Serious risk notifications by product category



Source: RAPEX annual report 2007

Figure 61: Alert notifications by product category

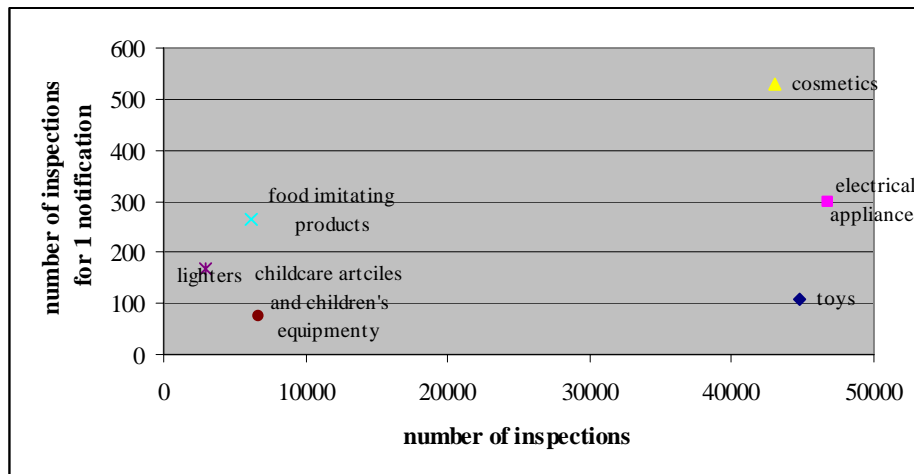


Source: RASFF annual report 2007

Numbers of notifications can be put into perspective by looking at the number of inspections that result in product notifications and the market size. Evidence on the number of inspections was gathered through a questionnaire on market surveillance activities in the product safety area completed by members of the General Product Safety Directive Committee. Eighteen Member States, Norway and Iceland sent information on inspections related to six sectoral directives: toys, electrical appliances, cosmetics, food imitating products, lighters, and childcare articles & children's equipment. The data are incomplete and too scattered to draw any definitive conclusions on the number of inspections that result in notifications.

Figure 62 shows (on the X-axis) that the number of inspections on toys, electrical appliances and cosmetics are *grosso modo* of the same volume. They are about seven times higher than the number of inspections on food-imitating products and on childcare articles & children's equipment (which are also of similar volume) and about fifteen times higher than the number of inspections on lighters. When correlating the number of inspections with the number of RAPEX notifications one can observe significant differences across various product categories. One notification in the cosmetics area is the result of 531 inspections, whereas in the area of childcare articles and children's equipment 76 inspections result in 1 notification.

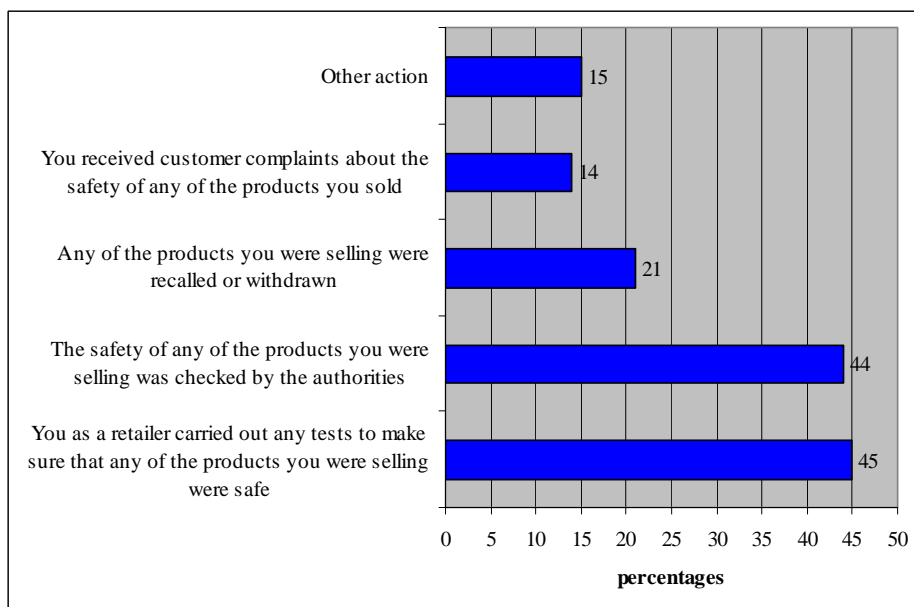
Figure 62: Number of inspections and number of inspections for 1 notification



Source: RAPEX annual report 2007 and Member States' and EFTA authorities

Further insight into the market is provided by the Eurobarometer survey of European retailers on their actions relating to product safety. Forty-five percent of retailers in Europe reported that they carried out tests to make sure that the products they were selling are safe. About the same number (44%) reported that public authorities checked the safety of their products. More than one in five retailers (21%) indicated that products they were selling had been recalled or withdrawn from the market in the last twelve months. Finally, 14% of retailers said they had received complaints from consumers about the safety of the products they sold.

Figure 63: Events in relation to product safety



Source: Flash EB224 — Business attitudes towards cross-border sales and consumer protection

Q: In relation to product safety, did any of the following take place in your firm in the last twelve months?

Initial results

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% switched gas supplier and 8% electricity provider. These rates are low compared to 25% who switched car insurance.

The available *price* data are still insufficient and inadequate to properly monitor the internal market. 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.