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IDENTIFICATION OF CURRENT AND EMERGING
CONSUMER PROBLEMS AND ISSUES

Consumer Services Branch
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Introduction

There are growing multi-directional trends in the marketplace. On the one hand, there is a continuing concentration of industrial power. On the other hand, there is a growing concentration of consumer power vested in groups such as the Rusty Ford Owners' Association. Improved consumer information and consumer competence will be required because the marketplace will offer more complex and difficult product and services decisions.

The Consumer Services Branch has identified a range of issues and problems which will be of concern to consumers in the coming years. This document examines these issues and problems in terms of their impact upon the consumers' environment, the possible impact on departmental policy and how these issues might affect the programs which the Department selects and develops.

Consumer Environmental Issues

1. Conflicting values and expectations of society

There are many areas of conflict.

Energy conservation is affecting the automobile industry such that governments are demanding the production of automobiles with improved energy consumption. To do this, it is often necessary to decrease the weight of the vehicles, and as a result the durability of key components is in some cases being reduced. Weights have been reduced so much that some new automobile motors are good for only 60,000 miles, compared to old levels usually exceeding 100,000. Also due to legislated requirements, the safety of new vehicles is being increased - but there are major costs which are passed on to the buyer, in conflict with consumer demands for lower prices. Consumers expect considerably better mileage and durability than the manufacturer is able to produce.

Rising food prices lead to consumer dissatisfaction. There are numerous calls for government action to reduce prices. This trend will continue. On the other hand, citizens presume that governments have a responsibility to ensure that producers receive an equitable return on their investment. These pricing pressures are contradictory.

Similarly, the price of clothing produced domestically is usually higher than that of imported clothing. The consumer wishes to buy the cheaper import. The domestic industry, on the other hand, demands tariff protection which in turn increases the price of the goods to the consumer.

There is no indication that these conflicts will diminish.

2. Energy

The continuing scarcity of petroleum available to consumers will drive up the prices of many products, not just gas and oil. It will place pressure on the disposable income available to consumers. Funds will have to be diverted from other traditional expenditures which in turn may cause the disruption of existing industrial patterns.

If this creates a trend towards the failure of present business enterprises, there will be consequent problems with the ability of business to provide acceptable service, parts replacement and warranties for consumers.

The increasing use of wood as a primary source of home heating will put pressure on the traditional suppliers of this commodity. Volume demand may encourage unethical practices with the attendant problems for consumers and for those agencies providing consumer assistance.

3. Inflation

Inflation will continue to be a feature of the economy of industrial nations, and will have a significant impact upon the disposable income available to consumers as well as a consequent impact on both buying patterns and the proliferation of goods and services.

4. International Trade

There will be increased international competition within the domestic marketplace leading not only to lower price pressures, but also to growing demands by industry for protection. This protection would result in higher prices, and could tend to increase the atmosphere of confrontation between consumers and business. The opposing trend in international trade is to lower tariff barriers as a part of general government policies. As tariffs fall, and foreign products enter the market, the distance of manufacturer from buyer increases, with the attendant and substantial risk of (i) less than satisfactory marketing support; and (ii) products which do not meet the needs of the public. In either case, the consumer interest may be difficult to defend.

5. Fragmentation of Government

There is a continuing trend towards the greater decentralization of government services. Provincial governments are demanding increased responsibility in areas which the federal government has presumed it controlled. There is a possibility that there will be a proliferation of regulations/interventions from many levels of government in the marketplace causing a proliferation of difficulties for the business community. For example, if there are 10 different warranty laws to adhere to, there will be a corresponding increase in the cost of goods and services which will be passed on to the consumer. Divisions of power according to the British North America Act may not be the most practical way to proceed in order to ensure the best protection of consumer interests.

6. The United States

Problems can be anticipated within the United States as pro-consumer activities proliferate. There will be pressure upon the Canadian governments to take similar action which may not be compatible with our national/provincial goals or capacities to act.

Canadian consumers will continue to be forced to pay for goods and services manufactured/developed in order to comply with the legal requirements of an extremely large American market. These requirements may not be suitable to the needs of Canadians.

Policy Issues

1. The role of governments in the marketplace

There is a trend today towards decreased direct intervention by governments in the marketplace. There is a corresponding greater reliance on self-regulation by the business community. It remains to be seen how far this trend will develop. There will be a need for in-depth assessment of the benefits and costs of the disentanglement/deregulation concept. There will also have to be clear assessment of what the disentanglement/deregulation concept can achieve when compared with the needs and expectations of the public. It is not inconceivable that in the near future the business community will increasingly ask for more government involvement in setting rules for marketplace performance - perhaps not as laws, but as programs comparable to the Anti-Corrosion Code.

At the same time voluntary organizations with consumer interests will place increasing pressure upon governments to increase their role in the marketplace.

2. Rationalization of the Roles of Governments in the Provision of Consumer Services

There is a trend towards the disentanglement and rationalization of services offered to consumers by various levels of government. Because of present jurisdictional barriers, the process of disentanglement and rationalization will be lengthy. The majority of the provinces, while wishing to expand on the services available to consumers, may be forced to limit their responsibility in favour of federal consumer services simply on the basis of cost. At the same time, the federal government will be increasingly reluctant (for resource and/or jurisdictional reasons) to maintain or increase its presence.

3. The Role of Industry in the Marketplace

There will be increasing pressure placed upon industry by governments and by voluntary organizations with a consumer interest to play a greater role in the provision of consumer services in the marketplace.

Government pressures will focus upon the areas of warranty and guarantee, pre-shopping information, and the development and implementation of complaint resolution mechanisms. These programs will originate with industry, trade associations and professional associations. The aspirations of the media are often synonymous with those of industry, and consequently consumers could be better informed about the complexities of the marketplace as well as specific goods and services.

4. The Role of the Voluntary Sector

There will be an increasing demand from the voluntary sector for adequate resources in order that they may provide assistance to consumers. Fiscal restraint will make it difficult for government to respond positively to these demands. Governments will have to rationalize the services provided by the voluntary sector - an action which has potentially serious political ramifications. In addition, governments may find it increasingly difficult to support those voluntary organizations which take a strong adversary approach to the practices and policies of the business community. The goals of certain elements within the voluntary sector may be incompatible with those of governments in the provision of consumer services.

Problems

1. Motor Vehicles

- (i) Repairs and servicing
- (ii) Quality and durability
- (iii) Availability of concise, meaningful consumer information

The purchase of a new motor vehicle is becoming more difficult for many consumers. Increased cost, complexity of design and production technology also affects repairs and servicing and the durability of new motor vehicles. The Consumers' Perceptions of Pre-Purchase Shopping Problems and Solutions study identified auto repairs as the major consumer problem.

2. Food and Nutrition

- (i) Lack of consumer knowledge relating to the use of lower cost nutritious substitutes for more costly products

With food costs rising faster than any other element of the CPI, there is a greater expression of concern from consumers as to how to cope with this situation. There is every indication that this problem will continue and may even be exacerbated. The resolution of this problem involves a fundamental change among consumers in a highly personal area. There are many options available to the public for nutritious substitutes to the usual elements of their diet. There is, however, a need to make people aware of these previously little-used foods and their methods of preparation. This should be done in cooperation with the production-oriented departments, Agriculture and Fisheries, the food industry, and the Department of Health and Welfare because of their concern with nutrition.

3. Housing

- (i) Rent or buy
- (ii) Mortgages
- (iii) Home improvements

The dream of most Canadians of owning their own home is now less of a reality for many. The high cost involved in the purchase and maintenance of a home and the complexity of decisions required in making the best choice are growing. Can CCAC help consumers arrive at a more informed choice to satisfy their needs?

4. Insurance

The industry continues to operate within a web of complex and legalistic language. There is a lack of adequate policy and explanatory information. The industry lacks standardized clauses and policy format. The result is the inability of consumers to shop on a comparative basis. Canadians are the most heavily-insured nation in the world.

5. Consumer Services

The marketplace is becoming increasingly reliant on customer self-service. It is already difficult to obtain knowledgeable advice before making a purchase in many retail stores. This trend will continue pushed on by the demand for lower prices. Consumers will face 2 basic choices: make uninformed buying decisions with the promise of subsequent problems, or seek more

information from third-party experts. The former will place great pressure on available complaint services. This latter course will increase the need for the preparation and dissemination of information by third parties.

Problems can also be expected in the area of repair/service. The accelerating pattern of technological change makes it difficult for service staff to keep up-to-date and remain competent. Access to service jobs is often made difficult because of union/certification obstacles. It may become increasingly difficult to obtain professional repairs at a reasonable price and we can in fact expect that more frequently it will be cheaper to replace and item than to repair it.

6. There will be an increasing demand for funding from grass roots consumer groups. In light of present fiscal restraining, it will be impossible to meet all of the demands. The Department will be forced to apply more stringent and exacting selection and evaluation criteria.
7. There will be increasing pressure from the Consumers' Association of Canada for increased financial support and for technical support from the Department. Again, fiscal restraint policies and demands for improved monitoring of grants/contributions will raise potential political difficulties for the Minister of this Department.
8. There will be increasing demand to provide specific consumer assistance programs for northern/isolated consumers. The federal department is seen as the most logical vehicle for the delivery of such assistance by both the business community and the voluntary sector.
9. There will be an increasing demand for specialized consumer programs to meet specific local needs. Such programs will reflect either geographic or economic problems.
10. The users and potential users of services provided by the federal government will demand a greater direct participation in policy making and operational decisions as they apply to these services.