

# Consumer empowerment in Europe: challenges met in measuring it

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Consumer empowerment is a multidimensional concept encompassing skills, competences, awareness of consumer rights, and the ability to react when they are not respected. The 2007-2013 EU Consumer Strategy emphasises the importance of better understanding how consumers behave and sets as main objective to empower European consumers. However, until now, policies that affect consumers have relied on rather patchy empirical data as to their knowledge, capacities and skills. In order to fill this gap, the European Commission funded an EU wide survey on consumer empowerment, which was carried out in March 2010 in the 27 Member States of the European Union, plus Iceland and Norway. More than 56 thousand consumers were interviewed on a wide range of issues: detriment suffered when encountering problems; the willingness to take action through courts or out-of-court dispute settlement bodies; the perceived confidence as consumers; numerical and financial skills - that is, the capacity to understand offers with a quantitative component (discount, interest rates), and to read logos and labels; awareness of legislation; purchase behaviour. The answers were aggregated to construct a first portrayal of consumer empowerment in Europe.

The present paper aims at presenting the methodological challenges addressed in carrying out the survey, as well as the main outcomes of the analysis of a composite indicator constructed from the results of the survey and covering different aspects of consumer empowerment.

## Consumer empowerment: what is it about

Sociology and marketing literature are the main sources for the definition of consumer empowerment, both referring to the strategic role of consumers vis à vis of producers and to the role of information as an empowerment source. In sociology, Denegri-Knott, Zwick and Schroeder (2006) map the research on consumer empowerment presenting three dominant explanatory models: consumer sovereignty, cultural power and discursive power. Under consumer sovereignty, a consumer is empowered *when he or she is free to act as rational and self-interested agent. [...] consumers combine resources and skills to make producers do what they would not do otherwise...* (Denegri et al., 2006, page 963). In the cultural model the market is a place of conflict between consumers and producers where the latter try to condition and control consumers' choices. Consumer empowerment resides not in the simple capability to stand firm against these manoeuvring, but it implies a strategic behaviour, tactics to react to buyers' actions and *motivations and processes whereby communities of various form resist and attempt to distinguish them from markets* (Kozinets 2002, page 23 but also Kozinets et al., 2004). Finally, the discursive model recognises a positive role to the interaction between consumers and marketers, who are co-responsible of the market definition (Denegri-Knott, 2004; Hodgson, 2000; Holt, 2002). Here empowerment is *the ability to construct discourse*

as a system [...] determine(s) what is true or false [...] the ability to the consumer to mobilize discursive strategies to determine what can know and what actions can be undertaken... (Denegri et al., 2006, page 956). Researches in this field are interested in social, economic and juridical differences, cultures, and knowledge variety as drivers of empowerment or disempowerment. Added value of this literature is the identification of the internalised norms, codes, and rules, which represent the 'normal' consumer engagement.

The notion of consumer empowerment is also used in the marketing literature (Hunter and Garnefeld, 2008) to indicate both a subjective state/experience related to an increase in abilities (Wathieu et al., 2002) or an objective condition related to greater information or understanding (Brennan and Ritters, 2004; Rust and Olive, 1994). In this latter a wider choice, easier information access, and more generally higher education are the premises to empowerment and have, as consequence, greater consumer involvement.

In the surveyed literature reported so far consumer empowerment remained an 'abstract' notion, lacking both a formally agreed definition and an operational specification of parameters that would allow us to measure it. Clearly, skills, competences, rights, information, consumer involvement should be part of this operational definition. More difficult is to specify and measure the capacity of the market to provide legal and practical devices to protect consumers.

According to the EU Consumer Policy Strategy 2007-2013<sup>1</sup>, empowered consumers need real choices, accurate information, market transparency and the confidence that comes from effective protection and solid rights. Moreover, it is recognised as a major objective that of ensuring the effective application of the rules notably through enforcement cooperation, information, education and redress. The concept of consumer empowerment seems therefore to build on knowledge, skills and assertiveness, while it is accepted that it can derive from different sources, including consumer education, valuable information, and institutional regulations.

In particular the following elements seem to be important for a definition of empowerment:

- consumers should be aware of their decisions when buying (e.g. terms and conditions, comparing prices, products' labels);
- consumers should be able to get information on their rights;
- consumers should have access to advocacy and redress mechanisms.

To the extent that consumer empowerment is outcome driven, the public authority ought to be capable of identifying features of the market which impede the realisation of consumer benefits or cause consumer detriment, and put in place the necessary tools to deal with such problems, thus enabling empowered consumers of making informed choices.

## The survey

Policies that affect consumers have relied on rather patchy empirical data as to their knowledge, capacities and skills. The aim of this survey on consumer empowerment was to fill this gap. The project was financed by the European Commission and was implemented through the Eurobarometer tool<sup>2</sup>. Its objective was to provide a thorough picture on the capacities, the level of information and assertiveness of European consumers. The survey asked about 70 questions on different aspects of consumer empowerment and on the socio-economic characteristics of the respondents. Between February and March 2010 the questionnaire was administered in 29 countries (the 27 member states of the European Union, together with Iceland and Norway) through face-to-face interviews to 56 471 respondents, aged 15 or more and resident in the

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<sup>1</sup> COMMUNICATION FROM THE COMMISSION – EU Consumer Policy strategy 2007-2013 - 'Empowering consumers, enhancing their welfare, effectively protecting them' COM(2007) 99.

<sup>2</sup> Special Eurobarometer n°342. Eurobarometer surveys are a tool through which the European Commission monitors the evolution of public opinion in the Member States, as a support for the preparation of texts, decision-making and the evaluation of its work. Details on the methodology used by these surveys can be found at [http://ec.europa.eu/public\\_opinion/index\\_en.htm](http://ec.europa.eu/public_opinion/index_en.htm); the complete report on the Special Eurobarometer n°342 is available at [http://ec.europa.eu/consumers/consumer\\_empowerment/index\\_en.htm](http://ec.europa.eu/consumers/consumer_empowerment/index_en.htm).

European Union<sup>3</sup>.

According to the feature they explore, the questions asked can be grouped as:

- Socio-economic questions –aim at classifying the respondents by gender, age group, education, occupation, marital status, use of internet, etc
- Questions on consumer skills – aim at investigating the ability of the respondents to make informed decisions in different scenarios with a quantitative component (such as a discount or an interest rate), and the capacity to read logos and interpret labels.
- Questions on consumer awareness – examining the knowledge of consumers' rights on issues such as unfair commercial practises, cooling-off periods, guarantee periods and cross-border transactions.
- Questions on consumer engagement – focused on consumers' behaviour, and in particular on consumer's actual behaviour when facing a problem.
- Questions on consumer self-perception – aim at assessing the perceived confidence, knowledge and protection of respondents as consumers.
- Questions on detriment – used to gauge the overall detriment suffered by consumers as a consequence of a problem.

The wide range of issues covered by the survey is due to the complexity of the phenomenon to be analysed, which was shortly described above. The sample design applied in all the countries is multi-stages and random. In each country, a number of sampling points was drawn with probability proportional to population size and to population density. In order to do so, the sampling points were drawn following stratification by region (following the NUTS II Eurostat classification) individual unit and type of area (metropolitan, urban or rural).

**Table 1 – Sample size by country**

Country	Sample size	Sampling ratio (per million)	Country	Sample size	Sampling ratio (per million)
Bulgaria	2 006	226.2	Hungary	2 070	248.8
Belgium	2 062	313.1	Malta	1 000	2980.8
Check Republic	2 022	225.0	Netherlands	2 010	151.3
Denmark	2 030	447.8	Austria	2 009	288.1
Germany	3 054	46.6	Poland	2 000	61.9
Ireland	2 014	2183.4	Portugal	2 056	254.4
Estonia	2 000	596.7	Romania	2 076	113.8
Greece	2 000	230.1	Slovenia	2 020	1155.4
Spain	2 010	51.5	Slovak Republic	2 062	453.2
France	2 061	43.3	Finland	2 006	454.6
Italy	2 082	40.6	Sweden	2 019	261.4
Cyprus	1 012	1553.6	United Kingdom	2 651	51.9
Latvia	2 013	1389.5	Iceland	1 005	3983.7
Lithuania	2 032	713.1	Norway	2 064	531.1
Luxembourg	1 025	2531.4	<b>Total</b>	<b>56 471</b>	<b>137.1</b>

In each of the selected sampling points, a starting address was drawn, at random. Further addresses were

<sup>3</sup> In Iceland and Norway, the survey covers the national citizens and the residents citizen of one the 27 European Union Member States.

selected by standard "random route" procedures, from the initial address. In each household, the respondent was drawn, at random (following the "closest birthday rule"). All interviews were conducted face-to-face in people's homes and in the national language. The sample size varied from country to country, and is summarised in Table 1. On average, the sample size of each country is of 2 000 respondents, with exception of the country with a population of less than one million inhabitants (Malta, Cyprus and Luxembourg) and of Germany and the UK – in Germany, two different samples were drawn in Eastern and Western Germany (of 1 031 and 2 023 respondents, respectively), and in UK two different samples were drawn in Great Britain (2 044 respondents) and Northern Ireland (607 respondents). This choice, which is standard for Eurobarometers<sup>4</sup>, leads to a very volatile sampling ratio, and to a better coverage of small countries.

The results<sup>5</sup> of the survey show that many European consumers are far from able to play the role of active, informed and assertive market participants of the kind the economy needs to drive competition and innovation. Indeed, only 44% of European consumers feel confident, knowledgeable and protected. Besides, consumers suffer from considerable detriment, both through sub-optimal choices resulting from a lack of transparency and comparability in consumer markets and from problems arising from transactions.

The survey identifies significant ways in which consumers could be empowered. Consumers feel that they lack adequate formal and informal means to remedy the problems they face, which prevents them from enforcing their rights. Improving access to redress mechanisms, in particular including small losses in such mechanisms, could have significant benefits for consumers, as well as making business more efficient and responsive to consumer needs.

Overall skill levels in arithmetic and reading labels indicate that a significant proportion of consumers struggle with simple tasks: 44% of respondents could not perform a simple calculation of percentage interest, 42% could not correctly interpret nutritional information, and only 2% could correctly recognise all five consumer logos proposed. These insights suggest designing smarter policies that provide consumers with the information they need and can actually use. Simplification and standardisation of information could help considerably. The findings on logos reinforce the case for better design and testing, as well as awareness-raising. Widespread ignorance of the most fundamental consumer protection measures appears to confirm how vulnerable consumers are to fraud, or inadequate compliance with consumer protection law on the part of businesses.

These results provide important background information for policymakers and stakeholders at both EU and national level, to help them design smarter policies and regulations that improve consumer decision-making and reduce administrative burdens.

## **The Consumer Empowerment Index**

The survey described above analysed several different aspects of consumer empowerment, which are difficult to summarise. With aim of combining all the characteristics in a single measure, a composite indicator, the Consumer Empowerment Index (CEI), was constructed as a pilot exercise. CEI is neither a final answer nor a comprehensive study on all the different facets of consumer empowerment, but instead it is meant to foster the debate on the determinants of empowerment and their importance for protecting consumers.

The structure of the index is reported in Table 2: 22 indicators were grouped in 3 main dimensions of empowerment: (1) *Consumer skills*, (2) *Awareness of legislation on consumer rights* and (3) *Consumer engagement*. The index has a pyramid structure: the Index is the weighted average of three pillars (Skills,

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<sup>4</sup> The sample size of standard Eurobarometers is a half of that one of this survey and the sample is drawn using the same rules – that is, the sample size is about 1 000 in all the countries, except the small ones (500), Germany (2 000) and the UK (1 300).

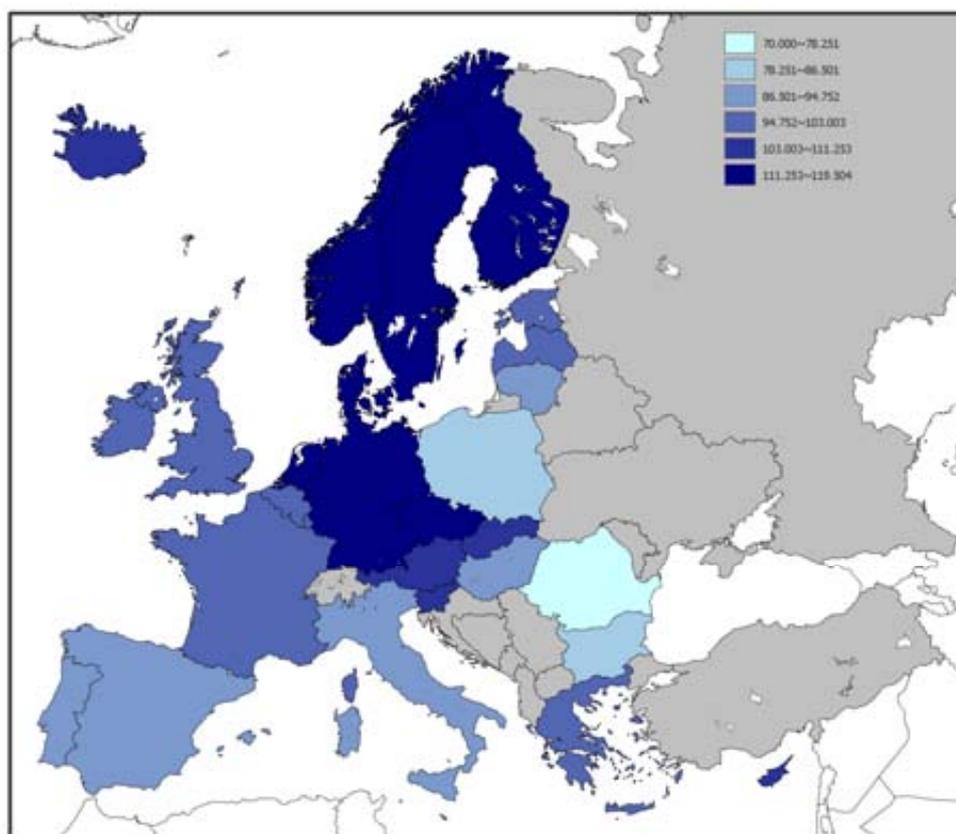
<sup>5</sup> A thorough report on the results of the survey, as well as on the methodology adopted, can be found at: [http://ec.europa.eu/consumers/consumer\\_empowerment/](http://ec.europa.eu/consumers/consumer_empowerment/).

Awareness and Engagement). Each pillar is the weighted average of a variable number of sub-pillars and finally each sub-pillar is made by various indicators constructed from the survey questions

**Table 2 - Framework and weights of the Consumer Empowerment Index**

Pillar	Sub-pillar	Indicator
Consumer Skills (0.33)	Basic skills (0.5)	QA42: Recognize cheaper product (0.25)
		QA43: Find the best interest rate (0.3)
		QA44: Calculate the interest on a loan (0.45)
	Capacity to read logos /labels (0.5)	QA45: Correct interpretation of "grams of fat" (0.2)
		QA46: Find expiring date for a product (0.3)
		QA47(b): Recognize correctly logos (0.5)
Awareness of consumer legislation (0.31)	Unfair commercial practices (0.4)	QA8: Rule for illegal advertisement (0.33)
		QA11: Rule for gifts received by post (0.33)
		QA13: Rule for advertising prices (air tickets) (0.33)
	Cooling-off period after purchase (0.4)	QA6: Rule for money back guarantee (0.33)
		QA9: Rule for the purchase of car insurance (0.33)
		QA10: Rule for door-to-door sales (0.33)
Guaranteed period (0.2)	QA7: Rule for commercial guarantees	
Consumer engagement (0.36)	Comparing products (0.2)	QA17: Comparisons when purchasing a good (0.5)
		QA18: Actual behavior in comparing products (0.5)
	Reading terms and conditions (0.2)	QA14-15: Reading terms and conditions
	Interest in consumer Information (0.2)	QA16: Knowledge of consumer organizations (0.33)
		QA40: Knowledge of programs related to consumer rights (0.33)
	Tendency to talk (0.2)	QA41: Actual behavior in obtaining info on consumer rights (0.33)
		QA25: Tendency to communicate negative experiences (0.5)
	Detriment and redress (0.2)	QA26: Tendency to communicate positive experiences (0.5)
Combination of the questions QA27, QA28, QA31, QA36, and QA37: actual behavior when experimenting problems for which there is a legitimate cause for complaint		

The first pillar measuring *Consumers Skills* aims at measuring the ability to perform basic arithmetic operations deemed necessary for consumers to make informed purchase decisions (basic skills), to correctly read a label and to properly identify and interpret various commonly used EU logos (Logos and labels). The pillar *Awareness of consumer legislation* describes the actual knowledge of consumers of several pieces of EU consumer legislation related to these specific issues (Unfair commercial practices, cooling-off and guaranteed periods). *Consumer engagement* is the most heterogeneous pillar as it refers to many different aspects of consumer behaviour. The *Attitude in comparing products* aims at measuring the effort consumers make in obtaining information on products, including prices. The sub-pillar *Consumers habits when reading terms and conditions* aims at capturing consumers' behaviour when signing contracts: do they read carefully and completely terms and conditions? If not, why? The sub-pillar *Interest in obtaining information on consumer rights* measures the pro-active attitude of consumers when looking for information on their rights. The sub-pillar *Tendency to talk* aims at capturing consumer attitude to talk about negative and/or positive experiences. Finally the sub-pillar *Detriment and redress* is related to consumers' attitude when experiencing a problem causing a legitimate case for complaint. This was the most difficult sub-pillar to construct, due to the structure of filtered questions.

**Figure 1 - Consumer Empowerment Index**

The attribution of numerical scores to each question and of weights to the indicators and sub-pillars was done by the policy analysts of the European Commission Directorate General Health & Consumers. The weight of each pillar, instead, was defined using a participatory approach by the participant of the Consumer Market Expert Group<sup>6</sup>. Using the technique known as budget allocation<sup>7</sup>, each participant of the group was asked to allocate 100 points to the three dimensions of consumer empowerment. The set of different weights obtained was then summarised by measure of central tendency to construct an “official” weight for the CEI (see Table 2). The small sample size suggested the use of the median instead of the average, as it is less sensitive to outliers as compared with other measure of central tendency. In any case the median is very similar to the mean, so similar to produce about the same scores and exactly the same ranks. Multivariate analysis has been used to verify the suitability of the theoretical framework to the available dataset. The CEI score of countries participating in the survey is shown in Figure 1. The most empowered group of countries clusters in Northern Europe and includes Norway, which scores highest, Finland, the Netherlands, Germany, Denmark, Sweden, Czech Republic, Austria and Iceland. The middle of the ranking is dominated by Western European countries, such as France, Belgium, the UK, Luxembourg, Ireland, together with Cyprus, Slovak Republic, Slovenia and Malta. At the bottom of the ranking we find Mediterranean and Eastern European countries: Greece, Portugal, Spain, Italy, Estonia, Latvia, Lithuania, Hungary, Romania, Poland, and Bulgaria. From the analysis of the socio-economic indicators, it appears that consumer empowerment is strongly linked to age, profession, education level and internet use.

<sup>6</sup> The Consumer Market Expert Group assists and advises the European Commission in carrying out the monitoring of consumer outcomes in the European Union and in benchmarking the national consumer environments. It is composed by representatives of the national authorities handling consumer affairs of the 27 EU Member States.

<sup>7</sup> For further details on the methodology please refer to the website <http://composite-indicators.jrc.ec.europa.eu/>, on the section ‘publications - weighting indicators’.

## Conclusions

Both the results of the survey, and the further analysis carried out through the CEI, shows that many European consumers are far from able to play the role of active, informed and assertive market participants of the kind the economy needs to drive competition and innovation.

These results provide important background information for policymakers and stakeholders at both European and national level, to help them design smarter policies and regulations that improve consumer decision-making and reduce administrative burdens. They can be applied in relation to interventions in any policy seeking to shape or influence consumer decision-making where what is done needs to fit the cognitive skills of consumers. It can also be used to help design and target information campaigns, consumer education initiatives, information about the work of public authorities and consumer NGOs, and the role of consumer media.

These results were made available in detail in the European Commission website<sup>8</sup>, to enable policymakers, stakeholders and researchers to deepen analysis of the findings, especially at national level (where the sample size permits further socio-economic analysis). The European Commission will use feedback from these results to prepare a consultation of stakeholders on policy options on consumer empowerment.

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<sup>8</sup> At [http://ec.europa.eu/consumers/consumer\\_empowerment/index\\_en.htm](http://ec.europa.eu/consumers/consumer_empowerment/index_en.htm).