



2018:2

## Consumer detriment in Sweden

What do unsuccessful purchases cost?

2018:2 Consumer Detriment in Sweden – What do unsuccessful purchases cost?  
Swedish Consumer Agency 2018

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This is a translated text from Swedish

## Foreword

Being a consumer is not easy and not all purchases are a success. Sometimes, problems arise that result in consumers losing both money and time. In such cases, it can be said that the consumer suffers consumer detriment and that they, in most cases, want to receive redress for example by receiving a replacement for a faulty product. High consumer detriment in a market indicates that the market is not functioning effectively and that there is a need for action to be taken. That is why it is important to monitor consumer detriment in a wide range of markets and see how it develops over time.

The purpose of this report is to calculate an estimate of the scope of consumer detriment in Sweden over a year, both in total and divided into markets. The results are an important basis for the Swedish Consumer Agency's future analyses of consumer problems, as well as a basis for priority settings and decision making on the nature of possible interventions.

The total level of consumer detriment in Sweden is significant and amounts to about one per cent of GDP. This confirms that there are economic benefits to gain by continuing to improve the interventions made by the Consumer Agency and other key players to strengthen the consumer's position.

This report presents the most important results. More detailed documentation can be found on the Consumer Agency website (in Swedish).

Karlstad, March 2018

Cecilia Tisell

*Consumer Ombudsman and Director-General of the Swedish Consumer Agency*

## Summary

As a consumer, it is not always easy to choose which goods and services that best meet your needs. On one hand it is difficult to digest all the available information necessary to make a well-informed decision, but problems may also arise after the purchase has been made. It may turn out that the goods or service were not of the quality promised or did not have the properties you believed they had. Problems after a purchase can lead to great costs, both for the individual consumer and for the economy as a whole.

The purpose of this report is to estimate the scope of consumer detriment in Sweden, both in total and distributed across various markets. The estimated level of consumer detriment includes direct financial costs and time loss, but not other aspects such as adverse effects on health or psychological detriment.

We have conducted a consumer survey in which a nationally representative sample of the adult population have answered questions about the consumer detriment they have experienced over the past year. The results show that the total amount of consumer detriment is estimated to be just under SEK 50bn in 2017, which is the equivalent of about one per cent of GDP. Divided among every adult in Sweden (18–75 years of age), this is equivalent to about SEK 7 000 per person, or an average weekly wage. The highest consumer detriment is attributed to the purchase of tradesmen's services, cars, estate agent services, mobile phones and internet access.

Consumers spent an average of ten hours solving problems after a purchase in 2017. Calculated for the entire population, that results in a total of about 66 million hours, which in monetary terms is the equivalent of nearly SEK 10bn. Time loss represents one fifth of total consumer detriment.

Redress for consumer detriment varies between markets. The redress rate (the average redress from companies as a percentage of average consumer expenses because of problems) varies from around 55 per cent for home electronics and food to nearly zero for veterinary services and estate agent services. Generally, the redress rate is higher for goods than for services.

The size of total consumer detriment indicates that problems in consumer markets cause noticeable welfare losses. To reduce consumer detriment, we need to see fewer consumers having problems after a purchase, more consumers making complaints and receiving the redress they are entitled to, we also need to see more efficient and smooth complaints handling by companies.

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# 1 Introduction

Unsuccessful purchases can lead to great costs, both for the individual consumer and for the economy. It is therefore important to identify and analyse markets that have problems with unsuccessful purchases. These analyses are important if the Swedish Consumer Agency is to prioritise those areas where the need for consumer protection and consumer support interventions are the greatest.

To identify markets that are not working well for consumers before and after a purchase, the Consumer Agency has developed a unique consumer market survey (CMS). The CMS measures conditions in various markets but not their consequences. To study the consequences, we use complaint data from various independent organisations.

A broad analysis of the situation for Sweden's consumers is presented annually in the Swedish Consumer Report. The Consumer Agency also conducts in-depth studies within individual markets to obtain a better understanding about consumer conditions and the underlying causes to problems.

One disadvantage of the CMS and other data sources used by the Consumer Agency to identify problematic markets is that they do not give a clear picture of the overall scope and consequences of problems that are identified. The Consumer Agency therefore sees a need to increase its knowledge in this area.

In other countries, a macroeconomic term has emerged in recent years to describe consumer problems: *consumer detriment*. We have chosen to use *konsumentskada* as the Swedish term. The concept of consumer detriment is a way to, in economic terms, estimate the negative effects of poor conditions and unsuccessful purchases. It can both provide a sense of the scope of the detriment and a way to make fair comparisons between different markets. It is also possible to estimate the total macroeconomic cost of consumer problems, which is important when the need for consumer policy interventions is to be weighed against needs in other areas.

The starting point for the analysis in this report is that the macroeconomic term consumer detriment, along with the CMS and other data, provides the Consumer Agency with a better evidence base on which to prioritise and choose interventions. This evidence can also be important in terms of developing consumer policy. The results are useful to companies and industries that want to develop their businesses in a manner that results in a greater number of satisfied customers.

The purpose of the report is to produce an empirical estimate of the scope of consumer detriment in Sweden, both in total and distributed across various markets. The starting point for the work is the latest method recommendations from the European Commission.<sup>1</sup> This is the first time we have made this type of estimate and the results will be analysed to improve the methodology.

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<sup>1</sup> European Commission (2017)

## 2 Consumer detriment

In this section we broadly describe the concept of consumer detriment and what dimensions are included, as well as reporting on previous studies of consumer detriment.

### 2.1 Definitions and dimensions

According to the European Commission's definition<sup>2</sup>, consumer detriment arises when there are deficiencies in markets that result in welfare losses for consumers. In simple terms, it can be said that the term *consumer detriment* describes how different markets function for consumers and the associated costs to consumers, businesses and society due to markets that do not function effectively. Total consumer detriment can be divided into various dimensions, which are shown in Figure 1.

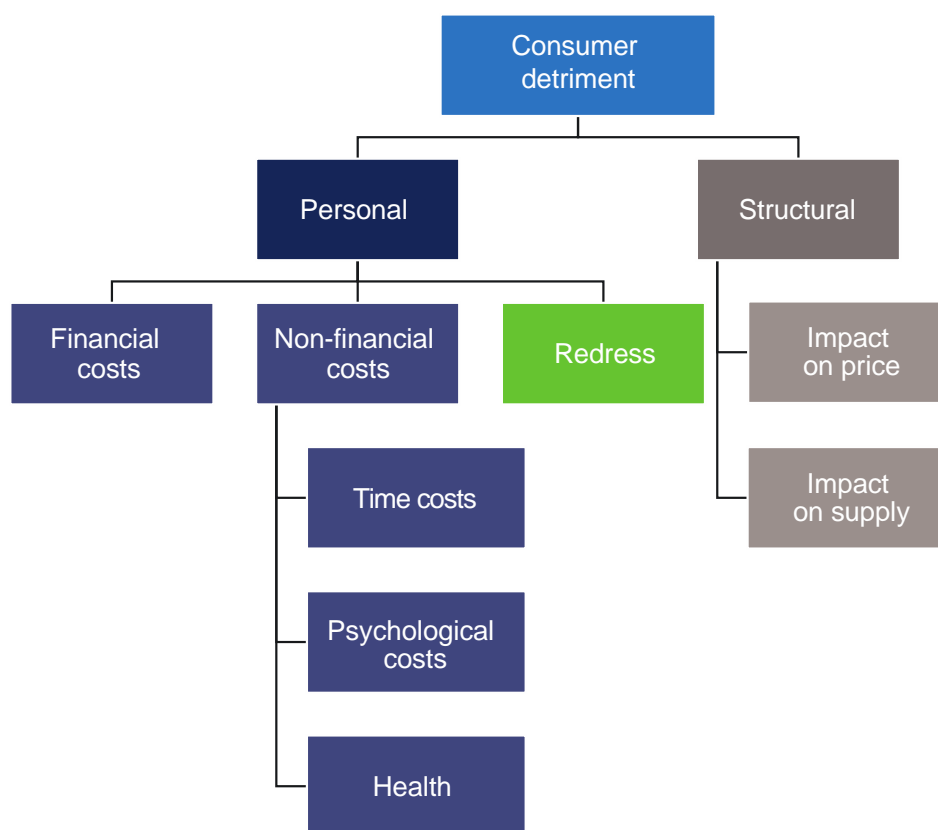


Figure 1. Dimensions of consumer detriment

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<sup>2</sup> European Commission (2017)

It is possible to differentiate between *personal* and *structural* consumer detriment:

- *Personal* consumer detriment arises from negative results individual consumers experience because of purchasing a good or service, in relation to reasonable expectations for that type of purchase<sup>3</sup>. Negative results can be, for example, faulty goods, unreasonable contractual terms or that the company consciously sells goods that do not live up to what it is being promised. The term personal is used as this relates to the personal experiences of consumers who have experienced problems.
- *Structural* consumer detriment arises from market failures such as monopolies or unsuccessful regulation that limit choice and may result in consumers being overcharged. As consumer detriment is the result of a structural problem that probably applies to the entire market, the effect is probably the same for all consumers purchasing the goods or services in question. As structural consumer detriment is often apparent through increasing prices, the scope of the detriment can be assessed by measuring changes in the *consumer surplus*. The consumer surplus shows the difference between what consumers pay for a product and what they are willing to pay. Measuring changes in this gives an estimate of the structural consumer detriment.

Structural consumer detriment can arise as a direct result of personal consumer detriment. One example is if consumer confidence in a specific market or certain sales channels decreases, the number of transactions and the scope for innovation and market dynamics will also decrease.

In certain cases, an analysis of personal consumer detriment can be used to collect data concerning how structural consumer detriment can be influenced. This is particularly useful when it is difficult to measure and quantify the effects on structural consumer detriment.

Personal consumer detriment can be divided into *financial* and *non-financial* consumer detriment. Financial consumer detriment, such as the cost of faulty goods, is relatively easy to calculate in monetary terms. Non-financial consumer detriment consists of losses in terms of time, adverse effects on health or psychological detriment. These are often important losses for the individual consumer, but different types of assumptions are needed to translate them into a monetary value. For example, psychological detriment relates to feelings of frustration or anger due to faulty goods or poor service, as well as experiencing concern about the choices one has made. These psychological experiences are easy to recognise but more difficult to put a cash value to. Other parts of non-financial consumer detriment, such as time loss, do not require such substantial assumptions, which makes them easier to put a financial value on.

Consumer detriment may be *known (revealed)* or *unknown* to the consumer. Unknown consumer detriment is often of a structural character. It can concern effects of monopolistic pricing, misleading marketing or as yet unknown results of poor consumer decisions such as a pension plan, the effects of which only become known when the pension starts being drawn. The effect of unknown consumer detriment is significantly more difficult to assess and estimate than known consumer detriment.

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<sup>3</sup> European Commission (2017)

In Figure 1, *redress* is also included as a factor that influences personal consumer detriment. If the consumer receives redress from the seller or provider – for example in the form of a new product, price deduction or money back – the net detriment to the consumer decreases. Ideally, the consumer would receive full redress for the consumer detriment so that the net detriment is zero.

The study presented in this report is limited to measuring revealed personal consumer detriment.

**Revealed personal consumer detriment** is defined as negative outcomes for individual consumers that they become aware of following the purchase or use of a good or service, measured relative to what would reasonably have been expected given that type of transaction.<sup>4</sup>

## 2.2 The benefit of measuring consumer detriment systematically

Measuring consumer detriment can generate data that show what types of consumer problems exist and what causes the biggest problems in consumer markets, as well as to what extent different demographic groups are affected.

Measuring consumer detriment can:

- contribute to an increased understanding of how different markets function for different target groups
- contribute to increased knowledge of the cost of different types of consumer detriment to the individual and to consumer welfare in general in the form of macroeconomic costs
- provide a basis for prioritising different consumer policy needs and interventions
- provide a basis for assessing effects of policy or regulatory initiatives (ex-ante) or for the evaluation of existing regulations (ex-post)<sup>5</sup>.

The measurement of welfare losses can also be used as a powerful tool to highlight consumer problems and associated costs for the general public and decision makers.

There are also difficulties and disadvantages connected to the use of the term consumer detriment. One disadvantage is that the economic costs are estimated as consumer problems in monetary terms. This makes it difficult to include more qualitatively oriented consumer detriments that can be difficult to calculate in monetary terms without making far-reaching assumptions. It may therefore be appropriate not to include all aspects that may theoretically be considered a consumer detriment. For example, it may be difficult to estimate psychologically related consumer detriments in the form of frustration or anger. In these cases, it may be more appropriate not to include them in an aggregated estimate, but to cover them separately.

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<sup>4</sup> European Commission (2017)

<sup>5</sup> Using consumer detriment as a tool for assessing the need for and estimating the effect of consumer policy interventions is highlighted in OECD (2010), chapter 3.

Another disadvantage is that, when making aggregated estimates, one must assume that the preferences for, or the consequences of, a certain loss are equal for all consumers. For example, the loss of SEK 100 is assumed to be as "severe" for all consumers, which is not necessarily the case. This may be of significance when comparing consumer detriment between different groups of consumers.

In the estimate produced in the Consumer Agency's quantitative analysis of consumer detriment, we have used the European Commission's definition and adhered to the EU guidelines on measuring consumer detriment. However, the survey has been adapted to the needs of the Consumer Agency and consumer conditions in Sweden. The model for calculating consumer detriment has many dimensions and our survey is restricted to measuring "revealed personal consumer detriment". This restriction therefore excludes such aspects as invisible consumer detriment, i.e. consumer detriment that is not (yet) known to the consumer and structural consumer detriment that arise from problems in the market (for example monopolies) that, in principle, affect all consumers equally. The principal aim of the survey is to measure the costs to consumers of problems that arise when purchasing goods and services. Costs denotes both direct monetary costs such as the consumer's expenses and indirect costs such as time spent and loss of value of the goods or service. The model also takes into consideration any *redress* to the consumer, which is a factor that decreases consumer detriment.

## 2.3 Previous studies

The European Commission and several consumer organisations in other countries have conducted studies and estimates regarding consumer detriment. Before developing the Swedish Consumer Agency's calculation model, we have studied previous research in the area. Several studies that have been important starting points for the survey in this report are described below.

In February 2017<sup>6</sup> the European Commission published a guidance document concerning how to measure and calculate personal consumer detriment. This document describes the methodological steps needed to develop a consumer survey and make a data-based assessment of consumer detriment in consumer markets. The document also contains advice concerning complementary tools and approaches for how several sources of information (triangulation) can be used to ensure the quality of the results. The European Commission guidelines have been used as a basis for the Swedish Consumer Agency's survey.

The commission's guidelines stem from sources such as lessons learned from studies of personal consumer detriment carried out in the United Kingdom and Ireland. The UK study of consumer detriment was conducted in 2016<sup>7</sup> and included a total of 4 200 interviews, of which approximately 1 600 were personal interviews (face-to-face) and 2 600 were conducted online. The questions concerned consumers' experiences of consumer detriment over a period of 12 months. The results of the survey showed 18.2 million incidences of consumer detriment and that these cost consumers a total of £23 billion, which per person is equivalent to almost a week's wages for the average employee. The assessment model used to calculate the total net cost of consumer detriment consists of three factors: financial cost, the cost of time spent trying to solve the

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<sup>6</sup> European Commission (2017)

<sup>7</sup> Citizens Advice (2016)

problem and redress given to the consumer. Together, these three factors provide an estimate of the consumer detriment post-redress.

In 2014, a study of consumer detriment was carried out in Ireland.<sup>8</sup> The focus was to calculate an economic value for consumer detriment. The study aimed to measure the rate of consumer detriment experienced when a purchase of goods or services fell short of the consumers' expectations. The survey included measurements of both financial and non-financial costs. The study was carried out through personal interviews (face-to-face) with 2 504 respondents. The results showed that 44 per cent of Irish people had experienced consumer detriment in the past 12 months, amounting to an aggregate cost of about EUR 500 million.

Both the UK and Ireland have used personal interviews (face-to-face) as a data collection method, while the European Commission's guidelines suggest online questionnaires as the preferred method.

In Sweden there are few surveys measuring revealed personal consumer detriment. Fredrik Carlsson at the University of Gothenburg conducted a survey in 2005.<sup>9</sup> With the help of a consumer survey, he concluded that consumer detriment amounted to 0.8 per cent of GDP. The most common problem area was communications and computers, with 35 per cent of consumers surveyed stating that they had experienced problems in this area. Fredrik Carlsson's survey has several similarities with that which is presented in this report, but the results are not entirely comparable, due to differences in the markets included, among other things.

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<sup>8</sup> Competition and Consumer Protection Commission (2014)

<sup>9</sup> Carlsson (2005)

### 3 Method

The study is restricted to estimating the economic value of revealed personal consumer detriment that arises in Sweden in one year. The survey and estimation model are based on the European Commission's guidance.

The implementation of the survey and the estimation model are described in general terms in this section. Those who want in-depth information about the survey can access more detailed documentation on the Swedish Consumer Agency website (in Swedish).

#### 3.1 About the survey

The survey has been conducted by the market research company Markör using PFM Research's online panel as a sampling source. A total of 4 038 people aged 18–75 have responded to an online questionnaire in the period 18 May–12 June 2017. Quotas have been used during the data collection so that the respondents represent the general public aged 18–75 on the basis of a combination of the background variables gender, age and religion.

The study covers 29 categories of goods and services, which we refer to as markets in this report. The 29 markets represent the majority of Swedish household expenses. We have categorised the markets in a way that makes data collection more efficient and increases the precision of the estimate of consumer detriment, for example by having similar products and similar product value in the same category. The categorisation is carried out in a way that, to the greatest possible extent, allows comparisons with other relevant sources of data, such as the CMS and complaint statistics. The markets are listed in Appendix 1.

The building of new homes and larger renovations and extensions of homes are not included in the calculation, primarily because the assessment model needs to be adjusted for this type of consumer problem with a relatively high value. Appendix 1 has a list of all purchase categories that we, for methodological and cost-effectiveness reasons have chosen to exclude from the study's estimate of consumer detriment.

The consumer problems that arise after purchase that are included in the estimate of consumer detriment may, for example, concern:

- the goods being defective
- the service being poor or carried out incorrectly
- train or flight delays
- late delivery or non-delivery
- problems with a warranty or the legal right to redress
- problems with cancelling a contract
- inaccurate information (e.g. the price did not match the order, purchase on approval)

The questionnaire was designed as follows:

- The questionnaire began with two screening questions about the respondent's experience of consumer problems in the last 12 months. At this point, three out of four respondents

answered that they have encountered problems or have been dissatisfied after a purchase where they felt they had reason to complain.

- Respondents who have experienced a problem in one of the 29 chosen markets answered questions about the purchase and how the problem was handled. These included the price of the product, the usability of the product in spite of the problem, their and the company's actions after the problem arose, expenses and time loss due to the problem and any redress provided. In order to make the data collection efficient, the respondents got to answer questions about a maximum of the two most serious consumer problems they had experienced.
- All respondents have also answered a number of demographic and socioeconomic background questions.

In order to ensure the reliability of the results, the market research company Markör, in consultation with the Swedish Consumer Agency, have reviewed the data in order to identify extreme values, inconsistencies and contradictions.

### 3.2 The estimation model

The estimate of personal consumer detriment is based on information from 4 798 unique cases of consumer problems from the survey. All estimates of financial consumer detriment are based on data from at least 30 respondents per market. Six of the 29 market estimates are based on responses from between 30 and 50 respondents, which means there is a relatively high uncertainty. These six markets are: estate agent services, veterinary services, holiday accommodation, package holidays, culture and leisure activities, and car hire. The other 23 estimates are based on responses from 53 (gambling) to 676 (telecoms services) respondents per market. Statistical confidence in the market estimates is highest for consumer problems that occur most commonly in the population.

We have processed the data to estimate three central values for each one of the 29 markets, which is necessary in order to estimate the total personal consumer detriment at a national level. The three values are:

- The number of people in the population who have experienced problems over a twelve-month period. The total number per market is produced by multiplying the size of the adult population (aged 18–75, 7 135 173<sup>10</sup>) by the proportion of respondents from the survey who experienced problems in the market.
- The average size of financial detriment post-redress per problem. The starting point is to estimate the individual's costs due to the problem, taking into account any compensation (redress) from the company, for example in the form of a new product or a rectified service.
- The average time loss in hours of per problem. This includes lost time due to the problem, for example a train delay, and time spent trying to solve the problem, for example contacting the company. The time loss is recalculated to a monetary value by applying an average hourly wage in the private sector (SEK 166/hour<sup>11</sup> is used in this report).

In order to arrive at the final estimate of consumer detriment, a calculation is made as per Figure 2.

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<sup>10</sup> Statistics Sweden, population statistics (2016)

<sup>11</sup> SCB: business statistics, salaries for the private sector KLP (2016)



Figure 2. Model for calculating consumer detriment

*Post-redress* consists of two parts: *Pre-redress* and *substantial redress*.

*Pre-redress* is the sum of the costs that the consumer has incurred and consists of:

- A reduction in value in connection with lost usability of goods or a service due to a problem.
- Unexpected, additional or hidden costs or fees due to the problem.
- Costs due to the problem or its resolution. Examples of these are costs to repair or purchase new goods or to rectify or replace a deficient service, as well as other costs such as phone calls or legal advice.

*Substantial redress* is the value of any redress the consumer gets from the seller or provider. By taking any redress into account, we bring the fact that many consumers receive redress for their costs into the calculation. Substantial redress consists of:

- The financial redress the consumer receives from the company, for example in the form of a price reduction, refund or damages.
- The value of, for example, a repair of defective goods, an exchange for new or equivalent goods or a deficient service that is rectified.

The *post-redress* value is therefore the value pre-redress minus the value of the substantial redress. The value is calculated separately for each problem case so that the average per problem per market can then be calculated.

Consumer detriment at a national level per market is estimated by multiplying the value post-redress and time loss by the number of people in the population that have experienced problems. The sum total across all markets constitutes the value of consumer detriment at a national level.

Another measure presented in the report is *the redress rate*. This measure is used to assess how well consumers and companies act and how rights are exercised. By comparing substantial redress with pre-redress you arrive at the redress rate.

### 3.4 Interpreting the results

The survey is based on the consumers' own perspective and only measures the costs associated with problems the consumer has identified themselves at the time of the interview and the time and utility that has been lost when the consumer has tried to solve the problem. However, it may be difficult to remember different problems, what they have cost and what time has been lost.

Since the survey is based on consumers' own perception that they had reason to complain to the company, there is a risk of consumers including problems where they do not have a statutory right to redress. These types of problems also indicate a market failure, for example unclear or misleading information at the time of purchase that has led to the consumer having the wrong expectations about the product. As we are only measuring revealed consumer detriment, our estimate does not include those problems that arise when the consumer has a statutory right to redress but is unaware of this.

Some purchases are for the household, not for the consumers themselves. As we have conducted an individual survey, there is a risk that we are overestimating how common it is for the population as a whole to have problems with that type of purchase. This may, for example, apply to problems with home insurance and electricity contracts.

All in all, this may entail a certain risk of overestimating consumer detriment. However, the risk is relatively small as we are only estimating direct financial costs and time losses. Rather, the results may be an underestimate as the model does not take into account the fact that a consumer may suffer several different problems within the same market (for example purchase of food) and it does not include all consumption posts (see Appendix 1).

As with many other consumer surveys, the results have to be interpreted with caution, but our assessment is still that the results are relatively robust. We use a well-tested and recommended method and our results are in line with the result of consumer detriment surveys from other countries.

## 4 Results

In this section we present an overview of the most essential results of the survey. More detailed results can be found on the Swedish Consumer Agency website (in Swedish).

### 4.1 Consumer detriment at a national level

Total consumer detriment for consumers as a result of problems post-purchase is estimated to be at least SEK 50bn in 2017, which is about one per cent of GDP. Divided by every adult in Sweden (18–75 years of age), this is the equivalent of about SEK 7 000 per person, or an average weekly wage<sup>12</sup>.

The average detriment per person varies greatly. A large proportion of the population have losses of an average less than SEK 1 000 in markets such as mobile phones and home electronics. A relatively small but significant group loses significantly more in markets such as tradesmen's services and car purchases.

In total, the time loss amounts to approximately 66 million hours, which is the equivalent of about SEK 10bn. Time loss accounts for about 20 per cent of total consumer detriment.

The markets that account for the largest consumer detriment are the markets for tradesmen's services, cars, estate agent services, and mobile phones and other telecoms services. In the markets for restaurants, gambling, streamed media, and culture and entertainment activities, consumer detriment was instead relatively small. The markets accounting for the largest consumer detriment are also well-known from other contexts, among them the Consumer Report, as the markets where consumers experience the worst conditions and where many complaints occur.

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<sup>12</sup> Statistics Sweden, salary structure statistics (2016)

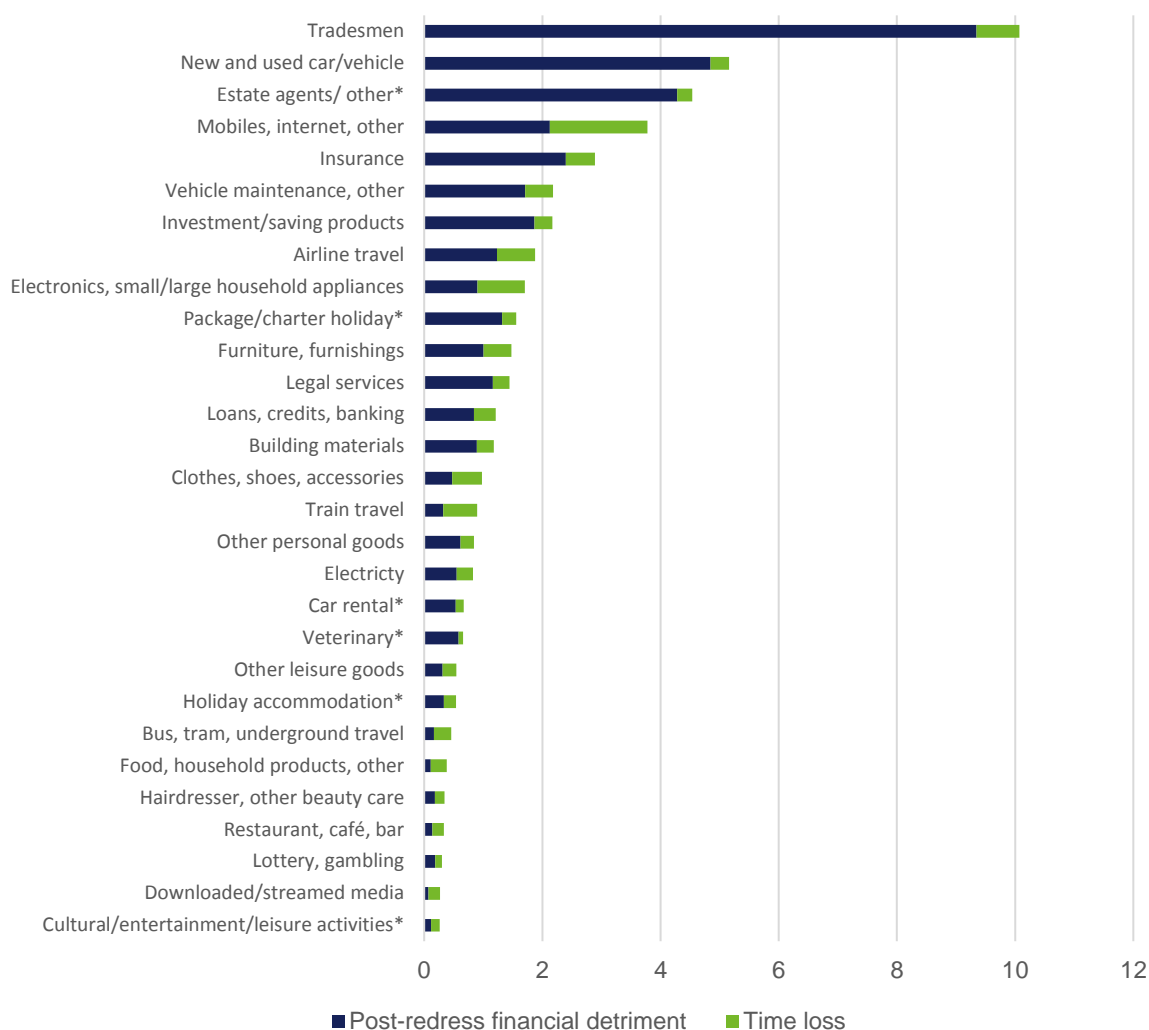


Figure 3. Consumer detriment at national level by market, 2017 (SEK billion)

Source: Consumer Detriment Survey 2017.

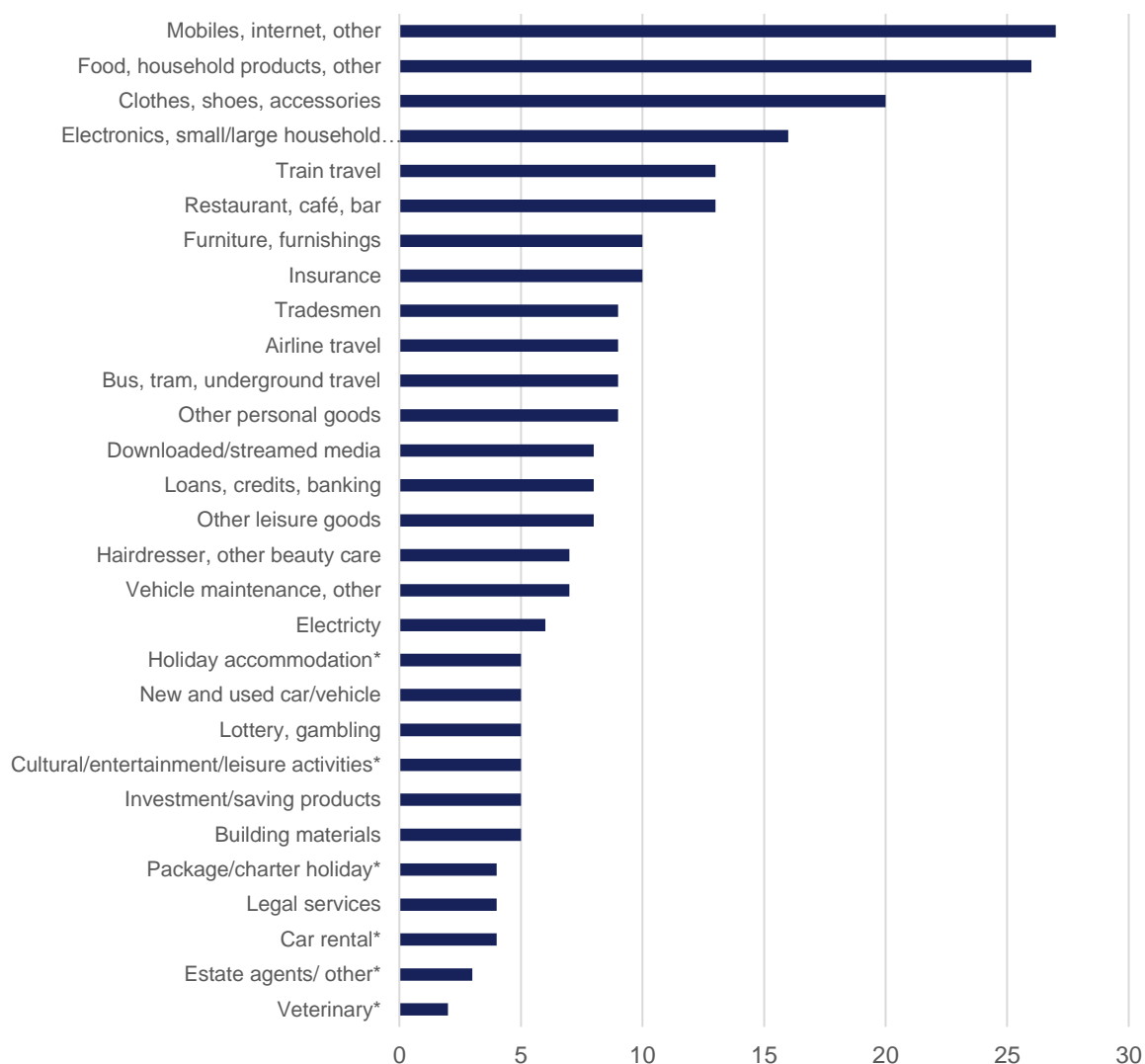
Base: A total of 4 798 cases of consumer detriment that are based on responses from 2 863 respondents.

Note: Total consumer detriment is divided up into post-redress, financial detriment and time loss. Time loss is transformed to money by multiplying the hours by the average hourly wage in the private sector (SEK 166/hour). Results based on data from between 30 and 50 cases of consumer problems should be interpreted with caution and are marked with an asterisk (\*).

## 4.2 The incidence and magnitude of consumer detriment

In order to achieve a more nuanced picture of what underlies the estimate at a national level, we can look at the incidence of consumer detriment in different markets as well as the magnitude of detriment per problem, which are shown in Figures 4 and 5.

Consumer detriment is most common after the purchase of telecoms services such as mobile phones, food and clothes. Among markets where the incidence is the highest, only telecoms services is found at the top of total consumer detriment at national level. This indicates that individual problems in the other high incidence markets result in a lower magnitude of detriment.



*Figure 4. Proportion of consumers in the population with experience of consumer detriment (incidence rates) by market in 2017 (per cent)*

*Source: Consumer Detriment Survey 2017.*

*Base: 4 038 respondents.*

Average post-redress financial detriment for consumers who experience a problem is highest for estate agent services, tradesmen services and car purchases. Markets with high individual detriment can result in high total consumer detriment at national level, despite the incidence of problems being relatively low in the population.

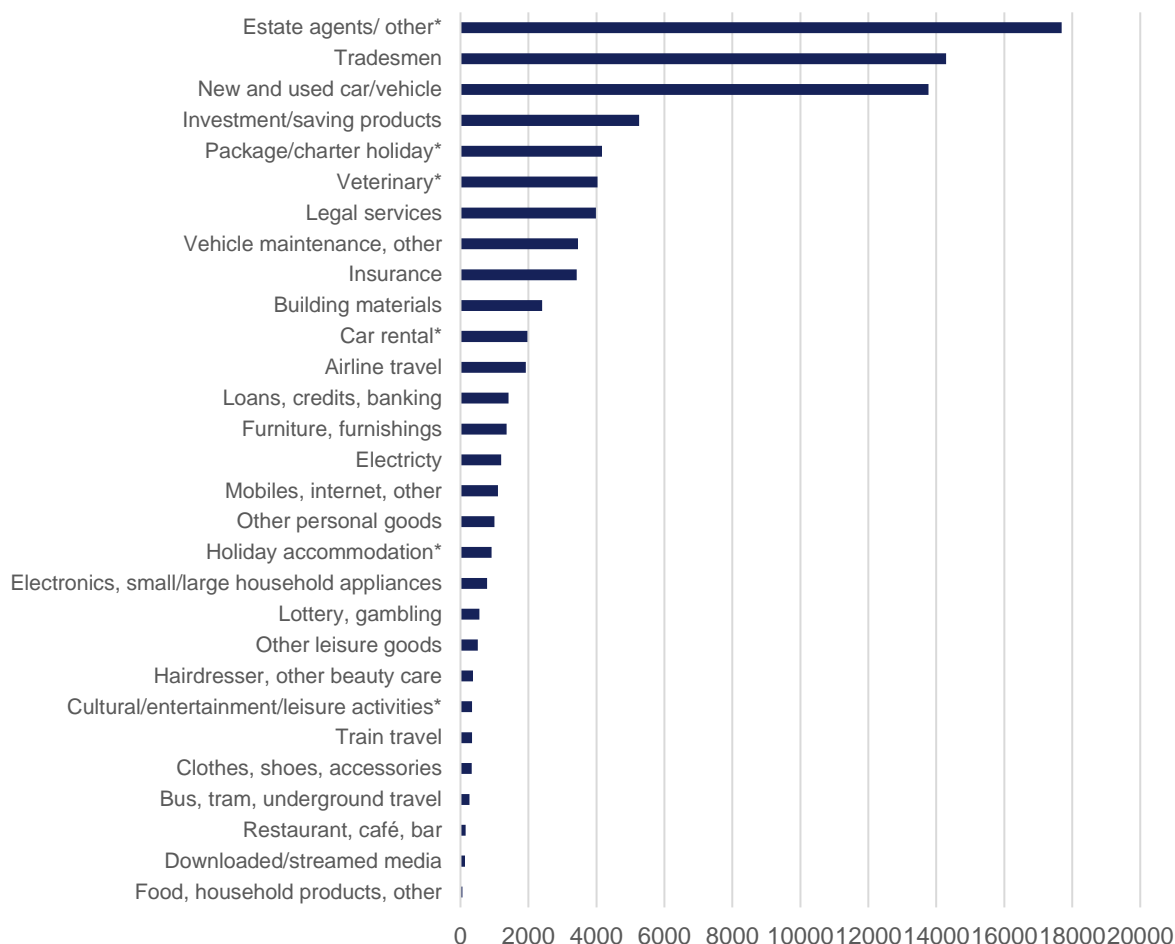


Figure 5. Post-redress financial detriment by market, 2017 (average per problem in SEK)

Source: Consumer Detriment Survey 2017.

Base: A total of 4 798 cases of consumer detriment that are based on responses from 2 863 respondents.

Note: Results based on data from between 30 and 50 cases of consumer problems should be interpreted with caution and are marked with an asterisk (\*).

In the amounts reported above, we have taken into account whether the consumer has received any redress such as a repair, replacement or reimbursement. Substantial redress in relation to the value of pre-redress detriment, the *redress rate*, is an important indicator of how well markets function from a consumer perspective and shows the extent to which consumers take action themselves and receive redress.

As is evident in the following figure, the redress rate varies greatly between different markets, from about 55 per cent for home electronics and food to under 5 per cent for veterinary services and estate agent services. Generally, the redress rate is higher for goods than for services and one reason for this is that it is easier to complain and return defective goods as it is easier to determine and demonstrate that there is a fault. When purchasing services there is a wider possibility to interpretation of what was to be delivered and it is more difficult to show that the service was unsatisfactory. The redress rate is largely dependent on the consumer being active and contacting the seller or provider, and this varies considerably between markets. The redress rate for all cases of consumer problems is 27 per cent.

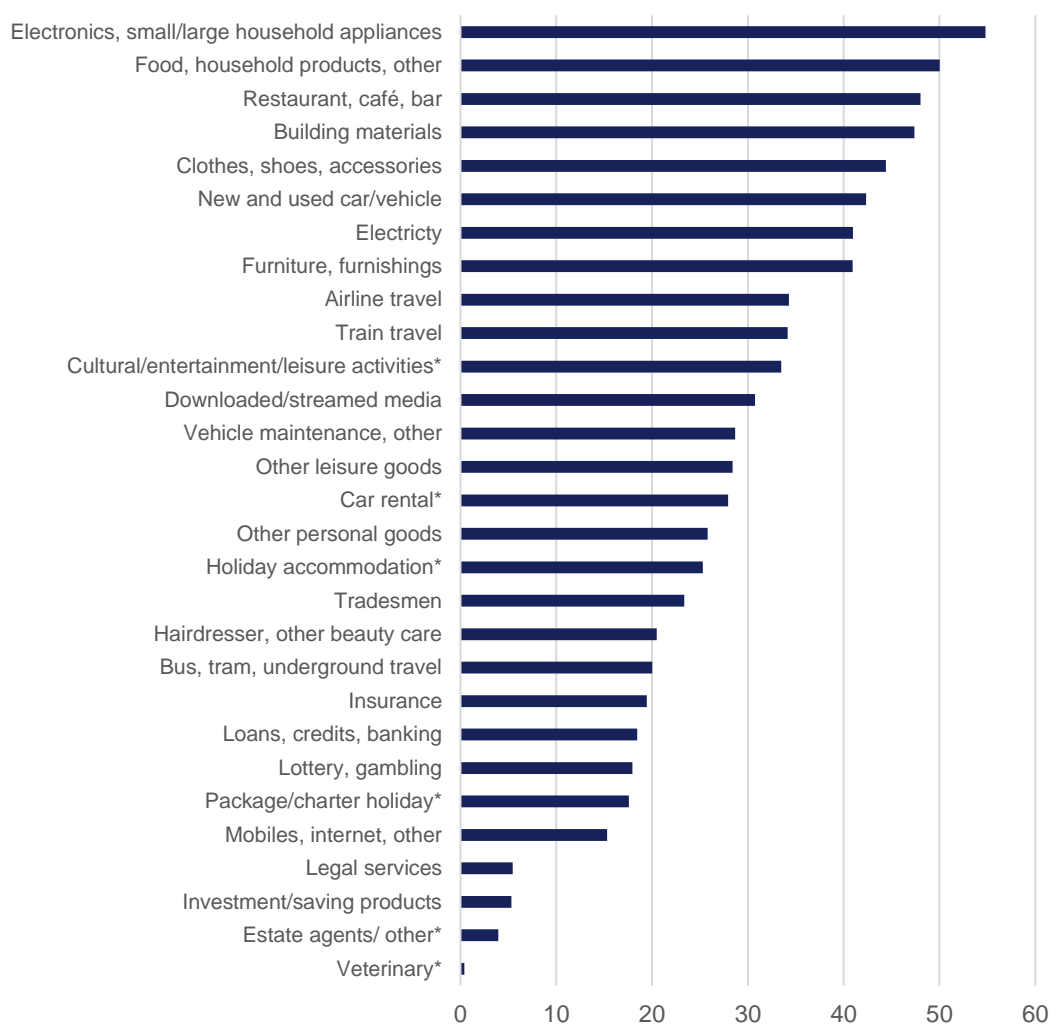


Figure 6. Redress rate by market, 2017 (per cent)

Source: Consumer Detriment Survey 2017.

Base: A total of 4 798 cases of consumer detriment that are based on responses from 2 863 respondents.

Note: Results based on data from between 30 and 50 cases of consumer problems should be interpreted with caution and are marked with an asterisk (\*).

### 4.3 Consumer detriment by consumer group

It is relevant to describe whether there are large differences between different consumer groups, for example based on gender and age. The fact that different consumer groups have varying degrees of experience of consumer problems is partially expected since different groups have different purchase patterns. There may also be other reasons such as lessons learned from previous experiences, different expectations or reasons connected to consumer vulnerability such as level of consumer skills or confidence in complaint situations.

There is not enough data to be able to estimate consumer detriment at a national level for different consumer groups, but we can describe the incidence of consumer detriment and the magnitude in a handful of markets. The reporting is limited to markets with a sufficiently large body of data, with the results being based on at least 30 cases of consumer problems per consumer group.

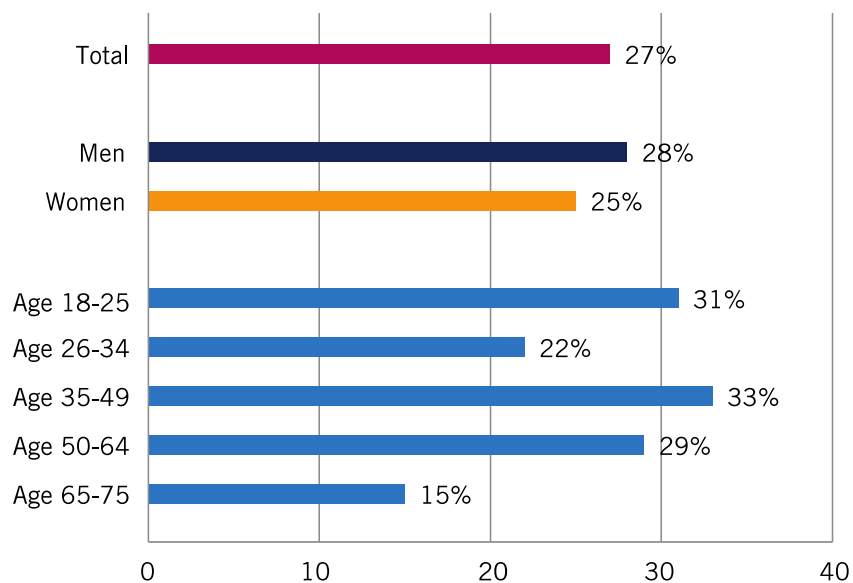
#### Differences between men and women:

- There are approximately the same proportion of men and women in the population, 75 and 73 per cent respectively, that have experienced consumer detriment in 2017.
- A somewhat greater proportion of men than women experience problems in six of the investigated markets (a difference of at least five percentage points): telecoms services such as mobile phones, home electronics, insurance, loans, streamed media and electricity. There are no markets where the incidence of problems is significantly larger among women than among men.
- The magnitude of consumer detriment by gender can be reported for 16 markets. Post-redress financial detriment and time loss is generally at the same level for men and women. However, there are indications that the detriment is higher for women in the markets for tradesmen, legal services, flights and home electronics. And that detriment is higher for men in the markets for furniture, personal items such as glasses and pharmacy products, leisure goods, train journeys and eating out (restaurants etc.).

#### Differences between age groups:

- The incidence of consumer detriment varies greatly between different age groups. Younger people experience problems to a larger degree than older people. It is most common for the group aged 18–25 (90 per cent) and least common for the group aged 50–75 (62 per cent).
- The order of markets from highest to lowest incidence of consumer detriment is largely the same across ages. Problems with telecoms services and food are the most common problems for all age groups. Problems with telecoms services are however relatively less common in older age groups. Problems with, for example, clothes, home electronics, travel and loans are significantly more common in the younger age groups.
- The magnitude of consumer detriment by age can be reported for seven markets: telecoms services, furniture, home electronics, train travel, clothes, bus travel and food. The magnitude in these markets is largely the same across age groups. People aged 18–25 have the lowest post-redress detriment in markets for telecoms services and home electronics, but time loss is relatively high for this group when purchasing clothes.

Figure 7 shows the redress rate for all cases of consumer problems in the survey by gender and age. This indicates that there are differences between different groups in terms of receiving redress for their consumer detriment.



*Figure 7. Redress rate distributed by gender and age (per cent)*

*Source: Consumer Detriment Survey 2017.*

*Base: A total of 4 798 cases of consumer detriment that are based on responses from 2 863 respondents.*

Men have a marginally higher redress rate than women and the redress rate is the highest within the age group 35–49. Older people have a significantly lower redress rate. To some extent, these differences can be explained by men and women and consumers of different ages being active in different markets to varying degrees.

## 5 Concluding comments

This report assesses the scope of personal consumer detriment in Sweden in one year. The results show that the detriment amounts to at least SEK 50 billion, which is the equivalent of about one per cent of GDP. If the total amount is divided by every adult in Sweden, it is about the equivalent of the average weekly wage. This amount is of a similar level to estimates in other countries. Consumer detriment is a welfare loss – the 50 billion kronor could have been used for something else that could have been of greater benefit to the consumers and fulfilled a need.

Personal consumer detriment can also be seen in a wider context. The prevalence of personal consumer detriment in a market can be a sign of structural problems and can also lead to more problems. The macroeconomic cost is therefore larger than the SEK 50 billion estimated in this report. If, and to what extent, this is the case in various markets needs to be investigated further. However, it is reasonable to assume that if there is a high level of personal consumer detriment, the confidence in all key players in the market is affected and fewer consumers are willing to try new products, which has negative consequences for the possibility of new and innovative companies entering the market.

So, what can be done to decrease consumer detriment and increase the conditions for well-functioning consumer markets? One important factor is strong consumer protection that makes it easier for consumers to have their problems resolved and opportunities to obtain redress for the costs the problems may result in. Strong consumer protection also incentivises companies to minimise the risks of having unsatisfied customers and thereby avoiding the unnecessary costs of handling complaints.

It is also important that there are good consumer support services where consumers can get independent information, guidance and learn about their rights. Consumers can only receive redress for the perceived consumer detriment if they take action and contact the seller or provider, having knowledge of their rights empowers them.

To decrease consumer detriment, it is also important that the consumer has adequate information about the product they intend to purchase and what needs they have so that the risk of making an unsuccessful purchase, and the consequent consumer detriment, is minimised.

Companies can and should contribute to decreasing consumer detriment. Not only by supplying products that are of a good standard and by complying with consumer protection legislation, but also by developing and making their complaints handling more efficient so that it is easier for the consumer to complain about a problem and receive the redress they are entitled to.

Variations in the redress rate between markets indicate that there are large differences in the degrees to which consumers make use of their right to complain, but also in terms of how complaints are handled and how well consumers can exercise their rights and have them met. There may also be unclear rules and regulations for various markets, which makes it difficult for the consumer to take action to obtain the redress they are entitled to, but this needs to be investigated further.

All in all, the above factors contribute to reducing consumers' problems and increasing the redress rate. It is not realistic to believe that we will achieve a situation where consumers do not encounter problems, but we can strive towards consumers being free from problems and detriments to as great an extent as possible. In order to assess whether the trend is moving in the right direction, the redress rate, along with the incidence of problems, will be important variables to follow up on in future measurements of consumer detriment.

The results presented in this report, along with the more detailed data the survey has generated, will be used in various ways. The results, along with other data, will provide a basis for analyses of what the Swedish Consumer Agency will be prioritising and focusing its activities on in the future. Along with other data, the data on consumer detriment will form a basis for dialogue with industries and companies to improve the situation for consumers.

As previously mentioned, this is the Swedish Consumer Agency's first attempt to estimate the value of the detriment that consumers experience. We have only included dimensions where it has been possible to carry out sufficiently objective measurements and which have not required too extensive assumptions in order to arrive at the monetary estimates. This means that the estimates are most likely lower than the actual level of consumer detriment. It would probably be higher if we included other dimensions such as physical and psychological health. An important question for future work in this area is therefore how costs other than direct financial costs and time costs can be included. If physical and psychological costs are to be included, both new data and specific assumptions are required for us to be able to estimate a monetary value.

Finally, an important part of future work will be investigating how consumer detriment data can be integrated with other data sources that the Swedish Consumer Agency uses to analyse consumer problems. With the aim of improving a cohesive analysis of consumer conditions in various areas such as markets and sales channels.

## 6 References

European Commission (2017), *Operational guidance document on measuring personal consumer detriment*, Luxembourg

Citizens Advice (2016), *Consumer detriment - Counting the cost of consumer problems*. Oxford Economics, UK.

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## Appendices

### Appendix 1. Market categories

The following 29 purchase categories (markets) are included in the estimate of personal consumer detriment, they are collected under category headings.

<b>Housing</b>
Furniture or furnishings
Tradesmen (e.g. builders, plumbers, electricians, painters, floor layers)
Electricity (contract or supply)
Building materials (e.g. doors, windows, paint)

<b>Leisure</b>
Paid for downloaded or streamed media (e.g. music, books, play services, film, games)
Restaurant, café or bar
Holiday accommodation booked via a Swedish company (e.g. hotel, cottage, camping)
Package/charter holiday booked via a Swedish company
Lottery, scratch cards or betting for money (e.g. horse racing, sport betting, poker)
Culture/entertainment or commercial sport/leisure activities (e.g. concerts, sporting events, amusement parks, courses, gym, swimming)

<b>Telecoms and electronics</b>
Mobile telephone, internet access, TV channels, landline telephone (e.g. contracts, mobile signal, access, fibre broadband)
Home electronics, small and large household appliances, white goods (e.g. TV/computers and accessories, mobile phones, tablets, audio equipment, coffee makers, ovens, fridges)

<b>Food and personal consumables or services</b>
Food (e.g. fruit, vegetables, meat, dairy, bread, drinks), household products, alcohol or tobacco
Clothes, shoes, bags, jewellery, watches or other accessories
Hairdressers, beauty treatments, spa or other personal care
Other personal goods (e.g. glasses, children's items, mobility aids, pharmacy products, health foods such as weight loss products, cosmetics)

<b>Advice or financial services</b>
Insurance (e.g. vehicle, home, travel, health, accident, children, pet)
Private pensions savings or investment/savings products (including advice)
Loans, credits or banking (e.g. mortgage, private loans, services connected to an account such as internet banking, credit card)
Legal services relating to personal or family life (e.g. divorce, wills, tax issues, financial disputes, judicial proceedings)
Estate agents (i.e. relating to the service provided by the estate agent) or other property services such as surveys
Veterinary

<b>Vehicles and travel</b>
Purchase or lease of car or other vehicle (e.g. new or used car, caravan, moped, bicycle, boat), only applies to purchases via firm/company, not from private individuals
Car or other vehicle maintenance, MOT or recovery
Car rental
Train travel
Airline services
Bus, tram or underground travel

The following other purchase categories were not included in the study's estimate of consumer detriment for methodological reasons:

- Repairs to home electronics or other household appliances (e.g. computer, mobile phone, dishwasher)
- Other vehicle related products (e.g. spare parts or accessories, fuel, lubricants, car evaluation)
- Other travel (e.g. ferry, taxi)
- New construction and larger renovations and extensions of homes
- Other within housing (e.g. cleaning services, removal companies, storage, heating systems such as heat pumps, tools, gardening tools)
- Other types of goods or services (in addition to those described)

The estimate does not encompass housing-related costs such as problems that arise in connection with rent and housing fees.

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