

**Consumer
Policy Research
Centre**

Delivering to consumer expectations

**Professional Standards
Forum**

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15th April 2021

Our mission

Reimagining markets to create a better future for all consumers.

The outcomes we work to achieve...

- Policies and regulations are developed tested, implemented and evaluated based on consumer expectations, experiences, impacts and outcomes
- Market and regulatory interventions do not create or amplify vulnerability
- Agile businesses innovate to meet consumer needs
- Consumers are empowered to access beneficial products, services and supports in marketplaces

The gap between consumer expectations

...and the lived experiences of business conduct



What most consumers expect...

- For their safety not to be put at risk
- To receive fair treatment
- To be heard and respected when they call for assistance and receive a prompt response
- To be free from exploitation
- To be able to access genuinely useful information that has been designed and developed with and for them, not for the business or legal requirements
- To have agency to make their own choices and freedom to change without unfair penalties
- To be able to easily resolve complaints and access remedies when things go wrong

Where we've seen significant gaps between expectations and conduct...

Banking royal commission

Life insurer sold policy to man with Down's syndrome using cold call tactics

The 26-year-old was sold more than \$100,000 of life insurance and was left distressed by experience, royal commission hears



▲ Grant Stewart, the father of the 26-year-old with Down's syndrome Melbourne after giving evidence at the royal commission. Photograph: An Australian insurance company sold life insurance to a man with Down's syndrome after calling him on the phone and giving him details.

When the man's father called the company to check how their sales agent could possibly believe that

Gareth Hutchens
@grhutchens
Tue 11 Sep 2018 17:39 AEST



32

Commonwealth Bank charged fees to customer who had been dead for a decade, royal commission told

By business reporter Stephanie Chalmers
Posted Thu 19 Apr 2018 at 2:21pm, updated Thu 19 Apr 2018 at 4:56pm



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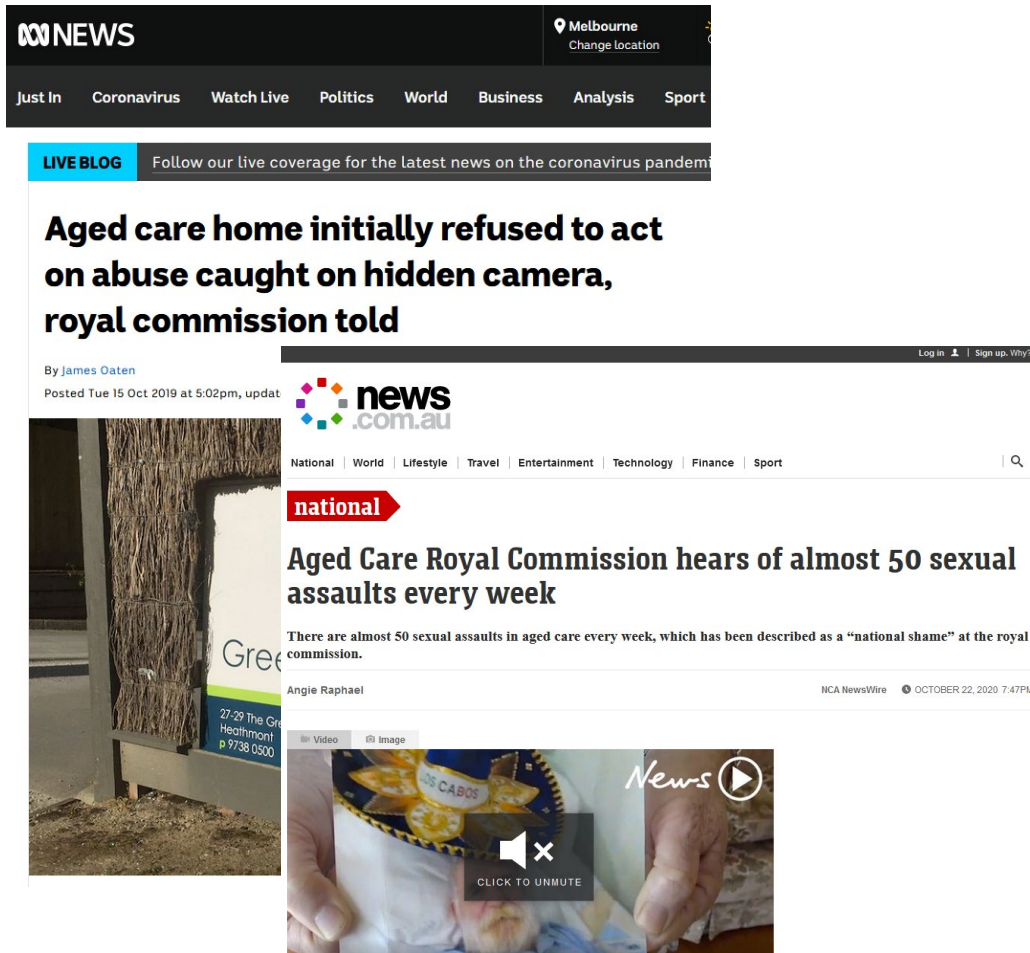
Royal commission suggests criminal charges over 'widespread' fees-for-no-service scandals

The banking royal commission has suggested criminal charges should be laid against financial organisations that charged fees for no service.

Frank Chung franks_chung

news.com.au FEBRUARY 4, 2019 5:23PM

Aged care – implications for safety, mental health, financial exploitation



The screenshot shows the ABC News website interface. At the top, there's a navigation bar with 'NEWS' and a location dropdown set to 'Melbourne'. Below that, a 'LIVE BLOG' banner for coronavirus news is visible. The main headline reads: 'Aged care home initially refused to act on abuse caught on hidden camera, royal commission told'. Below the headline, it says 'By James Oaten' and 'Posted Tue 15 Oct 2019 at 5:02pm, updated'. The ABC News logo is present. A secondary headline from 'national' news states: 'Aged Care Royal Commission hears of almost 50 sexual assaults every week'. Below this, a sub-headline says: 'There are almost 50 sexual assaults in aged care every week, which has been described as a “national shame” at the royal commission.' The author is 'Angie Raphael' and the date is 'OCTOBER 22, 2020 7:47PM'. A video player is embedded at the bottom, showing a person's hands and a sign that says 'SANTO CARLOS'.

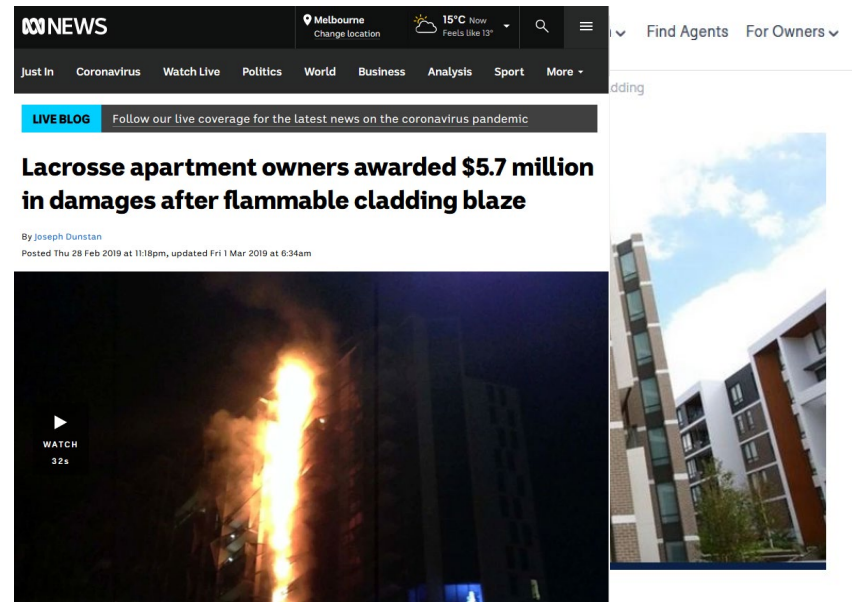
Inside Aged Care Report 2020:

- **Less than a quarter (22%)** of respondents (general public and aged care recipients' views) reported a high degree of trust in the aged care industry

Housing – significant safety and financial costs

According to [UNSW](#) and [Deakin](#) research, between 70% and 97% of units in strata apartments have significant defects. Studies were conducted on building built between 2003-2018 and 2008-2017 respectively.

At Mascot Towers, consultant engineers [estimated the cost](#) of structural repairs at up to A\$150,000 per unit on average.



The screenshot shows a news article from ABC News. The header includes the ABC NEWS logo, location (Melbourne), and weather (15°C). The article title is "Lacrosse apartment owners awarded \$5.7 million in damages after flammable cladding blaze". Below the title is a video player showing a fire at night with a "WATCH 32s" button. To the right is a photo of a modern apartment building.

Apartment owners win legal victory over combustible cladding

SUE WILLIAMS DOMAIN REPORTER | AUG 6, 2020



A group of apartment owners battling to have combustible cladding replaced on their buildings have won a landmark legal victory – giving hope to the thousands more facing similar dangers.



In an Australian first, a major building company which installed





Implications of the expectation vs reality gap

...And why everyone should care.

Trust is crucial to the functioning of markets

‘Confucius told his disciple Tsze-kung that three things are needed for government: weapons, food and trust. If a ruler can't hold on to all three, he should give up the weapons first and the food next. Trust should be guarded to the end: "without trust we cannot stand“’

Prof. Onora O’Neil Reith lecture - A Question of Trust



Down down, trust is down

Industry	2012	2013	2014	2015	2016	2017	2018	2019	2020	8yr. Trend
Food and beverage	67	63	68	67	68	70	67	74	67	0
Healthcare	-	-	-	-	71	72	69	70	66	n/a
Technology	74	65	73	71	72	71	68	72	66	-8
Consumer packaged goods	56	54	58	58	62	61	56	64	59	+3
Entertainment	-	61	64	66	66	63	61	70	59	n/a
Automotive	58	58	60	59	55	61	54	64	56	-2
Telecommunications	47	45	48	50	55	54	53	53	51	+4
Energy	41	36	41	43	51	50	39	45	45	+4
Financial services	46	38	46	43	48	50	49	45	43	-3

2020 Edelman Trust Barometer - Australia

There are real and significant economic costs to poor service

Quantifying the cost of consumer problems

	Average estimated direct cost per problem	Average estimated cost of time per problem	TOTAL COST
Legal or professional services	\$624.31	\$2,883.53	\$3,507.84
Buying or selling real estate	\$1,519.27	\$292.94	\$1,812.21
Renting a residential property	\$342.95	\$748.11	\$1,091.06
Banking or financial products/services including insurance	\$265.66	\$716.45	\$982.12
Motor Vehicle (including fuel)	\$499.93	\$342.75	\$842.68
Building or renovations, repairs or maintenance of your home	\$369.75	\$381.61	\$751.36
Utility services such as water, gas and / or electricity	\$296.73	\$312.49	\$609.22
Telecommunication products or services	\$69.94	\$315.28	\$385.22
Internet service provider	\$71.96	\$289.66	\$361.62

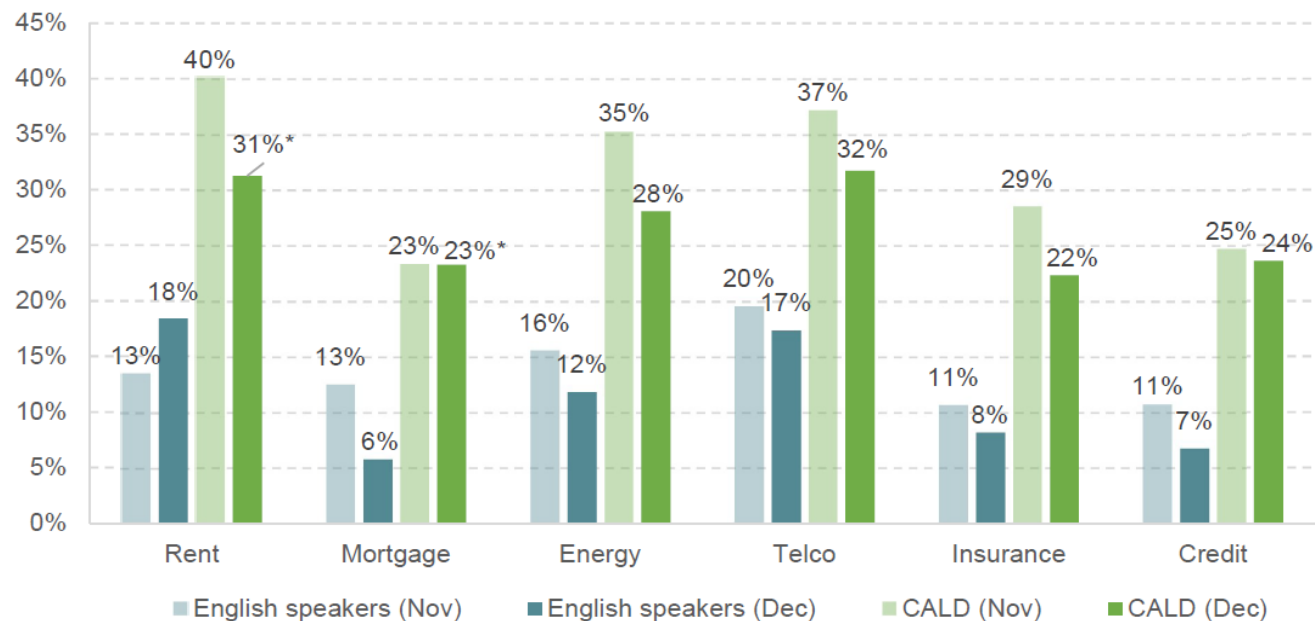
The Australian Consumer Law survey estimates the total **cost to the economy** of consumers having to deal with problems across markets **was \$16.31bn over the two years to 2016.**

And this does not include the costs of those who **DIDN'T** take action!

Estimated cost of time = hours x (\$29.00 per hour = Australian Government default non-work related labour rates)

Vulnerabilities are *amplified* and *created* by business conduct

Figure 7: Higher proportion of CALD consumers had negative experiences across all providers



QTN: Thinking about any interactions with your [service provider/landlord] in the last 4 weeks, which, if any of the following have you experienced?

*Base <50 = indicative sample

We see significant and rapid regulatory intervention

- Efforts to recorrect the market back in with community expectations
- Remediation costs can be extremely high if significant harm and risks have occurred to consumers
- These large costs can be imposed not only on industry but also to taxpayers



**The value of shining a light on
consumer experiences, regularly.**

The sunlight remedy

Setting minimum standards... and enabling competition based on improving quality of services

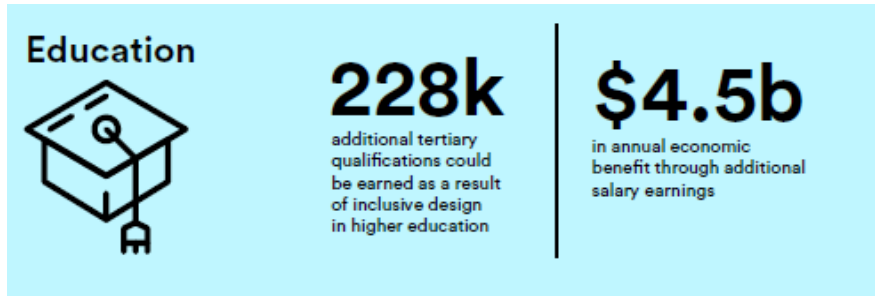


In the dark, we end up with a market of lemons...



- In theory *consumer sovereignty* determines what products and services the market will produce
- Consumers just need to be **educated** and they'd make ***the right choices***...
- But often *information asymmetry* means consumers can't effectively differentiate quality of products (**or customer service of firms**) – and when this happens we get...Akerlof's *The market for lemons*

Designing with and for all consumers... the benefits of inclusive design



If products and services were designed with unique needs in mind, organisations have the potential to reach four times the number of intended consumers...



In the retail sales industry alone, the authors estimate increased revenue of \$4 billion in 'household goods' and 'clothing' sectors.



Thank you.

For more information on our research
head to cprc.org.au

See more...

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