



## COMPETITIVE MARKET & CONSUMERS



**Assoc. Prof. Dr Nuraisyah Chua Abdullah**

*Faculty of Law, UiTM Shah Alam*



Consumers, by definition, include us all. They are the **largest economic group in the economy**, affecting and affected by almost every public and private economic decision. **Two-thirds of all spending in the economy is by consumers.** But they are the only important group in the economy who are not effectively organized, whose views are often not heard.

**- John F. Kennedy, Special Message to the Congress on Protecting the Consumer Interest.**

*March 15, 1962*

**Consumers: We, U and I**

Economic system exist because there are consumers to purchase goods and services.

Consumers' ability to spend helps to determine the price.

Consumers' demand for goods and services lead to job creation in the making of the goods and services.



Importance of Consumer to the Business Market



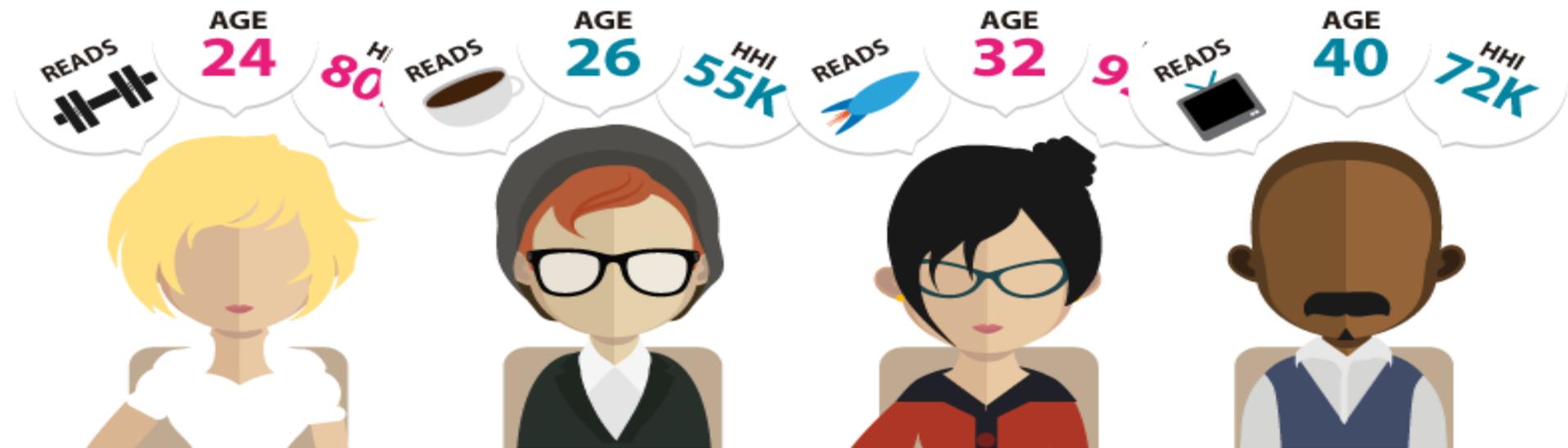
Competition policy contributes to economic growth to the ultimate benefit of consumers, in terms of better choice (new products), better quality and lower prices.

Consumer welfare protection may be required in order to redress a perceived imbalance between the market power of consumers and producers.

The imbalance between consumers and producers may stem from market failures such as information asymmetries, the lack of bargaining position towards producers and high transaction costs. Competition policy may serve as a complement to consumer protection policies to address such market failures.

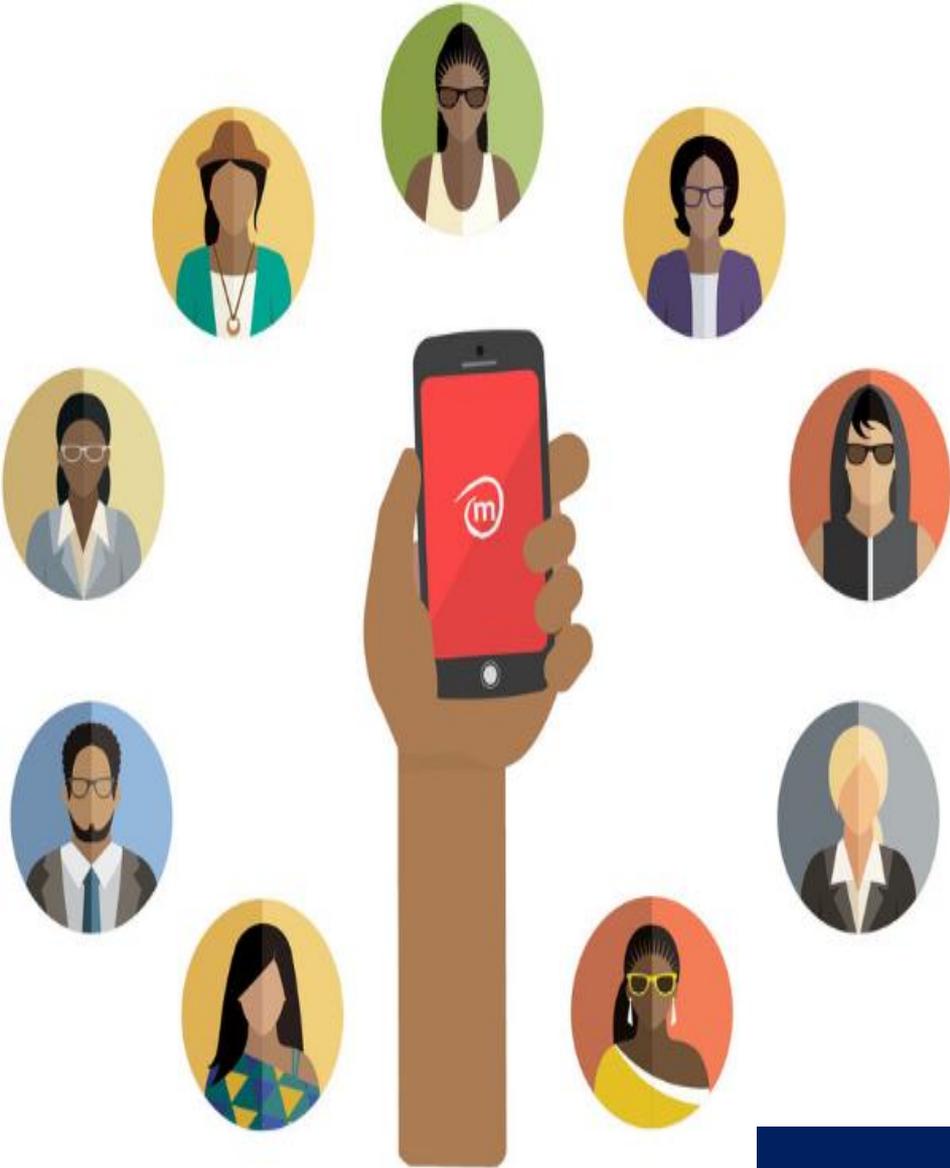


**Importance of Competition  
laws to consumers**



Competition law may benefit the structure of the market and competition as such, but very often the benefits accrued further up the chain of users will be **passed on to the end-consumer.**

**Consumers (End User) often benefit from upstream competition**



Eliminating inefficient practices and cartel activity leads to **lower prices** for consumers.



Consumers are empowered through the **provision of choice, information and increased awareness of their rights** and means of redress that competition can bring.

**Greater competition can drive consumer welfare gains**



Competition also encourages businesses to **improve the quality of goods and services they sell** – to attract more customers and expand market share. Quality can mean various things: **products that last longer or work better, better after-sales or technical support or friendlier and better service.**

**Better quality**





To deliver this choice, and produce better products, businesses need to be innovative – in their product concepts, design, production techniques, services etc.

**Innovation**



The two policies share a common goal: **the enhancement of consumer welfare**. In this way they are highly complementary. Applied properly, they reinforce one another.

## SIMILARITIES:

Competition law & Consumer laws

Common goals



Competition policy **approaches a market** from the **supply side**; its purpose is to ensure that through competition, **consumers have the widest possible range of choice of goods** and services at the **lowest possible prices**.



**Consumer policy** approaches markets from the demand side: to ensure that consumers are able to exercise intelligently and efficiently the choices that competition provides.



**Consumer policy** addresses, among other things, information asymmetry as between sellers and buyers, **false and misleading advertising**, and **contract terms** that are not understandable or disproportionate.





- In markets that are effectively competitive, **producers have internal incentives to further consumer policy objectives**, for example, to develop a relationship for quality or to attract customers away from rivals by **providing the necessary information** to minimise switching costs.
- At the same time, **when consumers are able to exercise their choices effectively, they can act as a competitive discipline upon producers**. Thus, there is a strong case to be made for the co-ordination of these two policy areas.

- **Consumer policy is more diverse than competition policy.** It is more than just making markets work; it includes, for example, preventing and redressing fraudulent conduct, and protecting consumers from unsafe products. **Enforcement of consumer policy is typically more dispersed as well.**
- **Enforcement of competition policy tends to be concentrated in a single competition agency,** though others may have some role, such as sector regulators and, in some countries, private parties through lawsuits. There also may be a single agency charged with enforcing a consumer protection law, but other government bodies and ministries of commerce or industry, sector regulators and in some countries regional and local governments are also active. **And often NGO consumer organisations are involved in forming consumer policy.**



**DIFFERENCES**

Competition cases are typically fewer in number and broader in scope, affecting entire markets. Consumer cases are more numerous and more narrowly focused, sometimes involving a specific practice by a single business. Competition and consumer agencies also have different tools at their disposal for dealing with violations of their respective laws.

The instruments available to competition agencies are more blunt: fines, or prohibition of anti-competitive conduct, for example. The remedies available to consumer agencies can be more targeted and specific: measures designed to improve information flows to consumers.





THANK YOU