COMPARATIVE ASPECTS REGARDING CONSUMPTION AND CONSUMERS IN EUROPEAN COUNTRIES

Lecturer PhD Cristina LEOVARIDIS
National School of Political and Administrative Studies Bucharest

Abstract:
Consumers are considered, within the European vision, the “life force” of the economy. Although the technological means are increasingly available, both European SMEs and consumers are still suspicious of conducting cross-border trade. Single European market has the potential to become the largest market in the world. Currently, it remains largely fragmented along national borders, forming 27 mini-markets. The European Commission’s aim is to achieve a more integrated internal market such that consumers from each Member State have an equally high level of confidence in products, traders, selling methods, as well as consumer protection – no matter where they decide to make their purchases within the EU. The paper presents a secondary analysis of data regarding the many differences in terms of Europeans’ consumption patterns for different product categories (as a percentage of total expenditures). For example, the share of household budget used to purchase food is highest in our country and lowest in Luxembourg. Also, the largest proportion of family budget allocated for utilities (water, electricity, gas) we find in Bulgaria, and for cultural activities – in Austria.

Key words: consumption, consumers, European Union, Single Market, consumer policy

Background, strategies, recommendations on consumer protection at EU level
The document entitled “EU Consumer Policy strategy 2007-2013. Empowering consumers, enhancing their welfare, effectively protecting them”, developed in 2007 by the European Commission, in based on the premise that an effective consumer policy can improve people’s lives, of the 493 million European consumers. Current economic, social, environmental and political context calls for a change towards an approach of EU policy from a consumer perspective. While the technological means are increasingly available, both SMEs and consumers are still suspicious of conducting cross-border trade. The Commission’s objective is to demonstrate to all EU citizens until 2013 that they can buy from anywhere in the EU, from corner shop or from Internet, with confidence and under the equivalent protection, with the certainty that they are adequately protected, either against dangerous products or against dishonest traders. EU will also be able to show all retailers, but particularly SMEs, that they can sell anywhere along a single set of simple rules (European Commission, 2007a, pp. 5, 6).

Single European internal market (free movement of people, goods, services and capital in member countries as if they move to a single country) has the potential to become the largest retail market in the world. Currently, it remains largely fragmented along national borders, forming 27 mini-
markets. Electronic commerce (e-commerce) has great potential to increase consumer welfare as it expands the available product offerings, stimulates price competition and creates new markets. It also brings significant new challenges for customers, business and consumer. Especially, it weakens the influence of advertising and classical commercial techniques on consumer markets. This puts into question traditional modes of regulation and implementing them. SMEs will have more direct access to consumers and the products and services will become increasingly personalized. Instead, the traditional consumer rights will be increasingly less suited to the digital age.

There are signs that the cross-border retail market in the EU develops. In 2006, 26% of consumers have made at least one cross-border purchase in the last twelve months, compared to 12% in 2002 (European Commission, 2006a, pp. 4, 5). E-commerce becomes an increasingly popular sales channel: in 2006, 27% of consumers have made a purchase online, but only 6% did so in another country. 50% of consumers with Internet connection at home have made a purchase online, but only 12% did so in another country. 57% of EU retailers (mostly SMEs) sell online, and 48% would be prepared to sell in one other EU country at least. But only 29% do so. The most important obstacle to cross-border trade identified by the retailers is the perceived insecurity of transactions. Other obstacles are almost equally important: retailers are concerned about different national fiscal regulations, the difficulty to resolve complaints and conflicts cross-border, the differences in national laws regulating consumer transactions, the difficulties in ensuring an efficient after-sales service and, finally, the extra costs arising from cross-border delivery (European Commission, 2006b, p. 3).

While technology continues to develop resources, conduct business and consumers experience a considerable delay, being limited by internal market barriers and a lack of confidence in cross-border shopping. National consumer policy can not solve these problems alone. There have already taken steps against the most important of them: the European Parliament and Council Directive on consumer credit contracts, in April 2008; the European Parliament Resolution on the Green Paper on the Review of the Consumer Acquis, in September 2007; the European Parliament Directive on unfair business-to-consumer commercial practices in the internal market, in May 2005; the European Parliament and Council Regulation on cooperation between national authorities responsible for the enforcement of consumer protection laws, in October 2004; the Communication of European Commission to European Parliament “White Paper on services of general interest”, in May 2004; the European Parliament and Council Directive on general product safety, in December 2000; the European Parliament and Council Directive on the harmonization of the member states laws on labeling, presentation and advertising for food, in March 2000 etc. Also, the euro has been very useful to consumers while helping them to compare prices between countries; and the European Consumer Centers Network (ECC-Net) was founded to advise citizens on their rights as consumers and providing easy access to redress in cross border cases. The Commission will continue to co-finance this network and establish centers in each member state. However, significant obstacles remain, especially in contracts and modes of redress for consumers.

Thus, the 10 principles of consumer protection in the European Union, made in 2005 by the Directorate General for Health and Consumer Protection of the European Commission are: “Buy what you want, where you
want”; “If it doesn’t work, send it back”; “High safety standards for food and other consumer goods”; “Know what you are eating”; “Contracts should be fair to consumers”; “Sometimes consumers can change their mind”; “Making it easier to compare prices”; “Consumer should not be misled”; “Protection while you are on holiday”; “Effective redress for cross-border disputes” (D.G. for Health and Consumer Protection, 2005, pp. 3-12).

Consumers in EU countries: profiles, patterns of consumption. Comparative statistics on consumption in EU countries

Final consumption expenditure of households was estimated to account for 56% of the EU-27's GDP in 2007, ranging among member states from 69% of GDP in Greece to 34% of GDP in Luxembourg; with high values in the new member countries joined the EU in 2004 and 2007: if final household consumption expenditure accounts for a high share of GDP, this is an unfavorable situation, it means that the government activity is relatively low (Eurostat, 2009a, p. 17).

In 2007, fewer than one third (29%) of the EU-27’s population had never made an Internet purchase. Adding this proportion to the 23% of the population who had not made an order in the three months prior to the survey reveals the sporadic nature of Internet purchases among almost half of the EU population (Eurostat, 2009a, p. 52). Of those who make such purchases, most buy holidays, clothes and sports, movies, music, tickets to various events. The reasons that make them skeptical in this regard results also from the more than 1500 consumer complaints and disputes made to the European consumer centers network (ECC-Net), dealing with e-commerce, in 2007; of these, almost half concerned problems relating to delivery, one quarter were related to the product or service, and one tenth to the terms of contract; the remaining complaints (including issues relating to the price, consumer redress, selling techniques and commercial practices) were relatively infrequent (ECC-Net, 2008, p. 6).

A research, conducted in 2007, that asked Internet users from across the globe (26.486 internet users in 47 markets from Europe, Asia Pacific, the Americas and the Middle East) whether or not they trusted a range of different advertising media, showed that over three quarters (78%) of respondents have the highest confidence in advice from other users and in advertising traditional channels (magazines 56%, TV 56%, radio 54%), while the ads in new channels (banners on websites, advertising through SMS, or mobile phones) are invested with the lowest confidence (above 25%) (Nielsen, 2007, p. 1).

In the same vein, the European consumer confidence in different services, brands or advertising channels, according to a research conducted annually since 2001 by Reader's Digest in 16 European countries on a total of over 32.000 people, the most trusted brands across Europe in 2010 were: Nivea, Nokia, Visa, Canon, Kellogg's, HP Compaq, Ariel, Miele, Nestle, Dell, Aspirin, Avon, Centrum, VW, Pantene, Persil, Toyota, L’ Oreal, Schwarzkopf, Opel, Orange, Bosch (Reader’s Digest, 2010, p. 10).

European consumer opinion on services of general interest with a vital role in social and economic life of citizens (mobile telephony, fixed telephony, internet, gas, water, electricity, local transport, railways, postal services, banking) was considered in a special survey of European Commission, conducted in 2007, which stated the following:

- 85% of EU25 citizens have easy access to mobile telephone networks and the highest figures of 94% were observed in Greece, Ireland and Finland.
- Six percentage points more of EU25 citizens (91%) had access to fixed telephone networks than to mobile telephone networks.

- The areas of internet and mobile telephony seem to be more readily adopted by better educated, as well as younger people, while older and less educated people are often ill-informed as to the features of this new technology.

- Approximately two-thirds (63%) of EU25 citizens said they had easy access to dialup internet through a slow connection over the telephone line while a slightly smaller 60% of EU25 citizens stated that they had easy access to broadband internet. In Belgium and the Netherlands, this latter figure rises to more than three quarters (77%) of those polled. When it comes to socio-demographic variables, 52% of EU citizens in rural areas found it easy to access broadband as compared with 70% in large towns.

- Regarding the electricity, access figures of 99% are seen in Greece and Finland, as part of the figures making up the EU25 average of 93%. The country where access to electricity is behind the average is Italy (76%).

- While 93% of EU25 citizens use the postal services in their country, figures of 82% and 81% are observed in Italy and Spain respectively. The two major difficulties cited by those people who had “difficult or no access” to postal services for both sending and receiving letters were the distance of the post office from home or work (36%) and long waiting times (31%); making up the 31% of this segment who said that waiting times were too long were 14% of those in rural villages compared with 45% in small/medium-sized towns and 38% in large towns.

- In terms of consumers’ behavior towards the provider of these services, the European consumer is less likely to make a complaint to a bank than to a mobile telephone or internet service provider. Better educated people tend to make complaints more often than those who left school at an early age; also, better educated respondents are more likely to switch service providers than less well educated ones (European Commission, 2007b, pp. 158-161).

As regards Internet usage habits (54% of European households have Internet access in 2007, with the highest rate in the Netherlands 83% and Sweden 79% and lowest in Bulgaria 19%), it is most often used for e-mail, for information about certain products, for travel services and for Internet Banking. Almost two thirds (62%) of individuals in the EU, aged between 16 and 74 years, used the Internet. The proportion of individuals using a computer and the Internet in 2008 is between 80% and 90% in Sweden, the Netherlands, Denmark, Finland and Luxembourg, but was in a minority (under 45%) in Bulgaria, Greece, Italy, Portugal, Cyprus and particularly in Romania (Eurostat, 2008b).

Economic benefits resulting from the introduction of the single market can be measured, among other indicators, by consumers’ perceptions as to changes experienced in the range, the quality, and the price of goods and services. Almost three quarters (73%) of respondents in the EU-25 in 2006 thought that the introduction of the single market had resulted in an improved range of products and services, compared with 57% who thought that the quality of products and services had improved, and 50% who thought that there had been a positive effect on prices. On the other hand, one tenth of respondents thought that there had been a reduction in the range of products and services, compared with 57% who thought that the quality of products and services had improved, and 50% who thought that there had been a positive effect on prices. (European Commission, 2006c, pp. 15-20).

Regarding the cross-border shopping, in 2008 a quarter of the EU-27 population aged over 15 years made a cross-border purchase in another
Member State: the highest shares of persons making cross-border purchases in another Member State were observed in Luxembourg (68%), Sweden (59%), Denmark (56%), Austria (53%) and Finland (51%), and the lowest in Bulgaria and Portugal (both 9%), Greece (10%), Italy and Romania (both 13%). In the EU27 in 2008, 17% of the population made cross-border purchases while on holiday or business trips, 9% made specific trips for shopping, 7% purchased over the internet and 2% made mail orders. A third of the EU27 population was prepared to use another EU language when purchasing goods and services in another country (Eurostat, 2009b, p. 5).

The structure of household consumption, by categories of expenditure in European countries, is also very important, indicating major differences not in types of needs and not in consumption patterns, but especially in prices of products and services related to household’s purchasing power. The proportion of household consumption spent on food and nonalcoholic beverages tended to be highest in those Member States where household incomes were lowest.

Thus, the lowest minimum wages are found in 2008 in the former communist countries Bulgaria (112 euro), Romania (137 euro), Latvia (228 euro), Lithuania (232 euro), Slovakia (267 euro), Hungary (285 euro), the differences are very high compared to EU-15 countries: Luxembourg (1610 euro), Ireland (1462 euro) Netherlands (1357 euro), Belgium (1336 euro), France (1321 euro) (Eurostat, 2008a, p. 85).

Thus, the share of household budgets used to purchase food and soft drink is highest in our country (44.2% of budget) and lowest in Luxembourg (9.3% of the family budget). Meanwhile, the largest share of household budget spent on alcohol we find in Ireland (4.1% of total expenditures) and the largest share of family budget spent on cigarettes we find in Romania (3.5%). Also, the largest proportion of family budgets allocated for utilities (water, electricity, gas) is found in Bulgaria (34%) and lowest in Malta (9%); at other pole, the largest share of budget spent on cultural and recreational activities we find in Austria (12%) and lowest in Bulgaria (2.9%). In the purchase of products considered luxuries, such as cars, there are also obvious differences: between 9.5% of the budget allocated to these acquisitions in Luxembourg (the country with the highest density of car owners) to 0.5% in Bulgaria. Household consumption expenditure was also reflected in certain broad socio-demographic patterns. The mean consumption expenditure of households whose head was aged 30 to 59 years old tended to be much higher than the equivalent expenditure of households whose head was either aged under 30 or over 60. The under-30s spend a higher proportion (than other age groups) of their budget on communications, restaurants and hotels, transport, education, alcohol and tobacco; in contrast, a changing consumption patterns we find at older generations, a smaller proportion allocated to transport (purchasing a car, its maintenance), clothing, recreational and cultural activities, hotels and restaurants. Older generations spend the largest part of the budget for health services and for payment of utilities.

Households headed by the self-employed or non-manual workers in industry and services in the EU-27 had, on average, the highest consumption expenditure, with that of households headed by manual workers, about 25% lower. There was also a strong correlation between average household consumption expenditure, the size of households and the number of active persons in the household. Household consumption expenditure was highest in households with three or more adults with dependent children and lowest within single person households, while
households with three or more active persons spent more than households with no active persons. (Eurostat, 2010, p. 245).

<table>
<thead>
<tr>
<th>Table 1</th>
<th>The structure of household consumption expenditure in 2005, in EU-27</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>EU-27 average (%)</td>
</tr>
<tr>
<td>Food and non-alcoholic beverages</td>
<td>168</td>
</tr>
<tr>
<td>Alcoholic beverages and tobacco</td>
<td>24</td>
</tr>
<tr>
<td>Clothing and footwear</td>
<td>57</td>
</tr>
<tr>
<td>Housing, water, electricity, gas and other fuels</td>
<td>277</td>
</tr>
<tr>
<td>Furnishings, household equipments and maintenance</td>
<td>55</td>
</tr>
<tr>
<td>Health</td>
<td>34</td>
</tr>
<tr>
<td>Transport</td>
<td>119</td>
</tr>
<tr>
<td>Communications</td>
<td>32</td>
</tr>
<tr>
<td>Recreations and culture</td>
<td>83</td>
</tr>
<tr>
<td>Education</td>
<td>10</td>
</tr>
<tr>
<td>Restaurants and hotels</td>
<td>53</td>
</tr>
</tbody>
</table>

Source: European Commission, 2009a, p. 71.

Consumer attitudes affect the demand for goods and services, and it depends on a variety of factors: price, quality, honesty terms and conditions of contracts, post-purchase maintenance services etc. When consumer complaints appear, there are other implications. As satisfaction, desire to make a complaint varies between countries depending on cultural differences but also by perception of likelihood of success when you put such a complaint. A survey of European complaints, conducted in 2007 showed that they faced more problems on services of general interest than on products and consumer goods. The largest proportion of complaints related to products has been reported of new cars purchased (15%), while in the services, most complaints were directed to extra-urban transport services (27%) (IPSOS, 2007, pp. 10-11). In 2008, 16% of European consumers have made a formal official complaint, but there were a lot of differences among countries, such as: more than 20% of consumers in the Nordic countries (Sweden, Netherlands, Germany, Finland, Britain, Denmark) were made such a claim, compared with under 6% in the Baltic States, Romania, Portugal, Bulgaria (Eurostat, 2009b, p. 4).

Regarding expenditure for food and non-alcoholic beverages, there are differences between countries arising from cultural specificity, which has great influence on food choices that make up daily food. Thus, meat, bread and cereals, cheese, milk and eggs together represent more than half of Europeans’ total expenditures allocated to food and non-alcoholic beverages, money spent on meat being about one fourth of the total. Between Member States, expenditure allocated to meat (as
percentage) are highest in Hungary (30%) and lowest in Cyprus (17%), Finland and Sweden (18%). Differences in costs for fish are also very high between countries, representing only 0.9% in Hungary to 13.9% in Spain. These models may be due to geographical positions or local suppliers, although other factors may play an important role as local customs and traditional cuisine (Eurostat, 2009a, p. 145).

Expenditures for goods or services related to health, another category of household expenditure, were directed mostly from all European countries, to the purchase of medicines and therapeutic devices (55.6% of health expenditure), while the rest (44.4%) were used for treatment services: 16.7% for dental services, 13.9% for medical services, paramedical services 8.3% and 5.6% for hospital services. Patient satisfaction vis-à-vis to health care received in hospitals, comparatively in different European capitals, is characterized by: more than half of the inhabitants in Bucharest, Vilnius, Sofia, Dublin and Athens were dissatisfied with their city hospitals, compared with only one in ten people dissatisfied in Brussels, Vienna or Amsterdam. Almost half the residents of Vilnius, Bucharest, Sofia, Warsaw and Riga were also dissatisfied by their doctors (Eurostat, 2009a, pp. 249, 252).

Another category of expenditure is the transportation ones. They represent on average 11.9% of total household expenditure in Europe. Among European countries, this rate is higher (between 15% and 17%) in Slovenia, Finland, Austria, Luxembourg and Malta and the lowest in Romania (6.5%) and Bulgaria (5.0%). There are also variations in the relative share of transport expenditure in total budget for various socio-economic groups: those costs tend to be higher for those with high incomes, increase also proportionately with increasing number of adults in the family and decrease with age (Eurostat, 2009a, p. 266).

Structure of culture expenditure represents on average 8.3% of all households budget in the EU-27. This rate is highest in Austria (12.6%), closely followed by Britain and Sweden, and the lowest rates recorded in Greece, Romania (almost half of the average across the EU-27) and especially Bulgaria.

Characteristics of consumption in our country

In 2009, main destinations of Romanians’ households expenditure are consumption of food, non-food goods and services (71.7%) and transfers to public and private administration and to the social security budgets – 16.2% (in the form of taxes, dues), and also for needs related to household production (poultry feed, payment for household production work, seed products, veterinary services) – 7.3% (INS, 2010a, pp. 48, 49).

In 2009, food and non-alcoholic beverages consumption expenditure represented, for all households, 40.9% of total household consumer expenditure, down from the previous year. The structure of consumption expenditures, on destinations, in 2009, is showed in the Table 2.
Table 2
The structure of consumption expenditures, on destinations

<table>
<thead>
<tr>
<th>Destination</th>
<th>%</th>
</tr>
</thead>
<tbody>
<tr>
<td>Food and non-alcoholic beverages</td>
<td>40,9</td>
</tr>
<tr>
<td>Alcoholic beverages and tobacco</td>
<td>7,1</td>
</tr>
<tr>
<td>Clothing and footwear</td>
<td>6,0</td>
</tr>
<tr>
<td>Housing, water, electricity, gas and other fuels</td>
<td>15,8</td>
</tr>
<tr>
<td>Furnishings, household equipments and maintenance</td>
<td>4,6</td>
</tr>
<tr>
<td>Health</td>
<td>4,5</td>
</tr>
<tr>
<td>Transport</td>
<td>5,8</td>
</tr>
<tr>
<td>Communications</td>
<td>5,1</td>
</tr>
<tr>
<td>Recreations and culture</td>
<td>4,4</td>
</tr>
<tr>
<td>Education</td>
<td>0,9</td>
</tr>
<tr>
<td>Restaurants and hotels</td>
<td>1,3</td>
</tr>
<tr>
<td>Different products and services</td>
<td>3,6</td>
</tr>
</tbody>
</table>

Source: INS, 2010a, p. 58.

In rural households, most of the expenditure are for food consumption (51,7%) and lowest for services (17,2%). Structure of consumption expenditure of urban households is more balanced, absorbing much less for food consumption (40,1%) and more for services (29% of total consumer spending). Households whose head has a high level of education shows a structure with clear trends of modernization, with an allocation of 33,8% of budget for food consumption and 30,9% for service (INS, 2010a, pp. 56, 57).

Regarding the development regions, there are also are some differences, the highest level of consumer spending for services is met in Bucharest-Ifov region, which are 1,6 times higher than the national average and 2,1 times higher than in South-West Oltenia region, with the lowest expenditures on household services; an explanation could be that this region has the second highest poverty rate in Romania, after North-East region.

In 2009, on national average, from the total expenditure for food and soft drinks, the expenditures for meat and meat products have occupied the largest share (24,5%), followed by bread and loaf products (16,2%), dairy 14%, vegetables and tinned vegetables (8,9%), fruits 4.4% (INS, 2010a, p. 62). The data show that in 2008 versus 2007 average annual per capita consumption trends in major food was characterized by the following: a decrease in average annual per capita consumption of grain products, fruits, sugar and meat products; increases in average annual per capita consumption of vegetable, fat, fish and dairy (INS, 2010b, p. 155).

Among non-food goods, except pensioners (whose main priority is the purchase of medicines, medical devices and products – 21,3% of their expenditures for non-foods), all other types of households allocate most of the budget for non-food goods for clothing and footwear (16-22%).

In the configuration of people consumption expenditures, services represent an important benchmark for evaluating living conditions. Recourse to the use of services is closely linked to many factors among which are the most important: purchasing power, residence and living conditions. Of the total payments for services, those related to housing (electricity, gas, water, sanitation etc.) have the largest share (48,8%), followed by telephone service (20,4%), transport services (7,2%), radio-TV subscriptions (6,2%), education (3,6%), health (3,5%) and tourist services (2,8%) (INS, 2010a, p.
Employees households spent in 2009 an average to 3.4 times more monthly for services than households of farmers and those in urban areas 2.4 times more than rural ones.

**Conclusions**

The structure of households’ consumption, by products and services categories, varies both across Europe and within Member State, depending on several important socio-demographic factors: number of active persons in household, type of household (single person, single parent with dependent children, 2 adults, 2 adults with dependent children, 3 and over adults, 3 and over adults with dependent children), employment status of the household head (manual worker, non-manual worker, self-employed, unemployed, retired), age of the household head (under 30 years, 30-44 years, 45-59 years, over 60 years), degree of urbanization of the residence.

Many of the differences in consumption patterns between and within countries can be related to income. The share of expenditures categories considered as necessities – such as food, non-alcoholic beverages or housing (gas, water, electricity) – in total expenditures decreases when there is an increasing of the households’ income. The proportion of total expenditure allocated for food and non-alcoholic beverages by the highest income households (in the EU-15 developed countries) was almost half that recorded by the lowest income European households (in former communist countries, joined EU in 2004 and 2007); this pattern was repeated for alcoholic beverages and tobacco and also for communications. In contrast, there are a number of types of expenditures which are often classified as luxuries, where high income households tend to spend more than lower income households – these include transport (the top high income households spend a higher proportion of their total expenditure on the purchase of new motor vehicles); furnishings and household equipment; education; restaurants and hotels; recreation and culture. More, a European Commission’s Eurobarometer (European Commission, 2007b, p. 158) showed that there are European citizens who are excluded from using services of general interest (gas, electricity, water, telephone, local transport, postal services etc.) because they cannot afford to pay these services. Although these are generally small percentages, it is important that these services of general interest must be available to everyone. A possible solution to eliminate these differences in consumption patterns could be focusing on social inclusion and the elimination of socioeconomic disparities, which lead to differences in household incomes, between different Member States.

The EU retail internal market is far from being integrated, European consumers still tend to buy goods or order services in their own country.

Though there are a number of structural barriers such as language or consumer protection law, these do not have the same negative impact in all countries. The consumer environment differs substantially and regarding to many aspects across European countries. Consumers’ trust in the national consumer protection system, in independent consumer organizations or in providers to protect consumers’ rights varies across Europe (European Commission, 2008, p. 14).

Consumers are considered, within the European vision, the “life force” of the economy, as their consumption represents over 55% of EU GDP. Consumer confidence, informing and empowering them constitute the engine of economic change, as consumer choice stimulates innovation and enterprises’ efficiency. To meet these challenges, customers must acquire those skills and tools necessary to fulfill its role in the modern economy; markets
must meet their commitments to customers, and the consumers must be adequately protected against risks and threats they can not prevent as individuals (European Commission, 2007a, p. 2).

REFERENCES


Eurostat (2009a), Consumer in Europe, Luxembourg.


