



Baseline Study

For

**Statutory Warranties &
Refunds**

August 2009

A Research Report

Prepared for

National Education & Information Advisory Taskforce (NEIAT)

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EXECUTIVE SUMMARY

The National Education and Information Advisory Taskforce (NEIAT) was established in 2007 to help identify, develop and implement strategies to empower consumers to make informed and timely marketplace decisions. NEIAT is initially targeting statutory warranties and refunds.

To enable NEIAT to determine prime areas for attention, a baseline research study was commissioned to generate robust data from consumers and traders (retailers and manufacturers/importers) in relation to statutory warranties and refunds. The focus of this research was on three markets (the “target goods”) – white goods, electronic goods, and mobile phones – where consumers were known to be encountering considerable problems with warranties and refunds.

Latitude Research, together with On Track Research, was commissioned to conduct the baseline research. This report presents the findings.

The principal aim was to collect primary data from consumers and suppliers in relation to statutory warranties and refunds. Within this aim were specific objectives of providing robust data on consumer detriment, reputational and direct economic costs to traders, and consumer and trader understanding of rights and obligations under existing legislation.

The methodology had two stages:

1. a qualitative phase - a series of five group discussions with consumers, an online bulletin board study involving 66 consumers, and a small sample of qualitative depth interviews – 12 with traders, and two with indigenous consumers
2. a quantitative phase - three separate telephone surveys with key ‘audiences’, including consumers (3,023 people aged 16 and over across Australia), retailers (500 retailers of target goods), and manufacturers/importers (123 from across Australia, also focusing on the target goods). All results for the three surveys were weighted to reflect the national distribution of each audience.

The key findings from the baseline research, which was carried out during July and August 2009, are outlined in the following sections.

The context: Incidence and costs associated with product problems

The consumer survey found that virtually all Australians aged 16 and over (93 per cent) were recent buyers of the target goods. More than half (51 per cent or 8.5 million people) had experienced problems with such products within the past two years. The goods in question were all less than two years old (or less than five years in the case of white goods) at the time problems occurred. The average consumer facing such product problems experienced 2.15 problems during the two years, resulting in a total of more than 18 million problems with target goods during that period.

The incidence of problems with the target goods generally exceeded other purchase categories, such as new and used motor vehicles, furniture and household goods, and sporting equipment. Only clothing and footwear was generating similar levels of product problems.

Not only do consumers often encounter product problems with the target goods, the study reveals considerable costs incurred by both consumers and traders as a result. During the past two years, consumers incurred out-of-pocket costs estimated at \$1.9 billion, or just under \$1 billion a year. These costs equated to 17 per cent of the original cost of the goods, adding considerably to the effective purchase price.

The biggest additional cost to consumers was replacement items, accounting for almost two-thirds of their out-of-pocket expenses. Repairs made up a further 19 per cent of direct costs, with a similar amount going to follow-up costs (such as phone calls, postage and travel). Consumers talked about the extensive costs they faced when given 'the run around' by traders.

Beyond direct financial costs were considerable costs in personal time. Australian consumers spent an average of 5.7 hours sorting out each problem with the target goods, or more than 100 million hours in two years. This represents a further implied cost to consumers of \$2.4 billion, or \$1.2 billion a year. The survey found consumers who were better informed of their rights were more efficient, spending 39 per cent less time than uninformed consumers.

Australian consumers faced total consumer detriment of more than \$4.3 billion during the past two years in relation to the target goods - equal to 38 per cent of the original cost of the goods involved. Almost two-thirds of those experiencing problems felt frustrated, and almost half felt angry about the process they went through.

Trader costs were less but also substantial. Retailers claimed to incur just over \$370 million a year directly related to product problems with the target goods. Manufacturers and importers face another \$340 million in costs, giving a total cost to Australian businesses of more than \$700 million a year. For retailers, 40 per cent of these costs are in staffing and administration, but repairs and replacement items make up 36 per cent. More than half of the costs met by manufacturers/importers are product-related – replacement items, repairs or warehouse costs.

The costs to business are not all administrative and product costs. They also face considerable reputational costs when problems arise or are handled in ways not acceptable to consumers. Less than half (48 per cent) of affected consumers are likely to return to the same retailer where they bought the problem product, and only 35 per cent are likely to buy the same brand again.

The potential for loss of business arising from product problems and warranty claims is concerning, and both retailers and manufacturers/importers underestimate the damage to the customer relationship. While only 35 per cent of consumers intend to buy the same brand after experiencing problems, 58 per cent of manufacturers/importers believe consumers will buy the brand again.

The consumer's experience

The baseline research sheds considerable light on the consumer experience when products fail or have faults. Key patterns include:

- consumers mostly experienced faults (64 per cent of problems) rather than total product failure (10 per cent)
- problems typically occurred early in product life, within the first three to four months after purchase
- 70 per cent of products were still under warranty (primarily the standard manufacturer's warranty, and generally for 12 months duration) when the problem occurred

- in seven out of 10 cases, consumers first approached either the retailer or the manufacturer, although one in five consumers simply disposed of the product or did nothing because it was out of warranty
- most consumers wanted either a replacement product (46 per cent) or repairs (40 per cent). Only eight per cent wanted a refund of the purchase price. For more than half of the problems experienced (57 per cent), consumers got everything they wanted, but more than a third got nothing at all
- when consumers do not get what they are seeking, the key problems are unsatisfactory repairs, time delays, red tape, and a mismatch with what traders are prepared to offer
- both retailers and manufacturers/importers are more likely to offer repairs (50-60 per cent) than replacements (30-40 per cent). They claim to be offering what consumers are seeking, but the research shows consumers are more likely to want a replacement product than a repair
- while a quarter of problems were resolved on the spot (by replacement, repair, or refund) and many others led to proactive moves by traders, almost one in five consumers were 'fobbed off' – told to contact the manufacturer, send the product off, or told there was nothing wrong or to sort it out themselves
- only one in six consumers sought advice when things didn't turn out as hoped, and this was mostly from personal or technical sources – family, friends, colleagues, repairers, manufacturers or product websites. Only three per cent of consumers not receiving full redress contacted government fair trading/consumer affairs agencies
- most problems were sorted out within about a week, but about one in seven took more than a month to resolve.

Extended warranties

Many consumers have purchased extended warranties for target goods at some stage in their life – 38 per cent of all recent buyers of such goods, and usually for big ticket items (over \$1,000). Vulnerable consumers are more likely to have purchased extended warranties, notably those aged 65 and over, and those from non English-speaking backgrounds.

For many consumers, extended warranties offer ‘peace of mind’. But others believe there are significant issues, such as:

- lack of clarity about who offers the cover
- limitations on what is covered (32 per cent of product problems covered by such warranties resulted in consumers getting no redress at all)
- a complete lack of transparency in terms of pricing or commissions.

When consumers are more informed of their statutory rights, their view of extended warranties changes; they feel that they are being asked to pay for something that they already have the right to expect.

But traders readily defend extended warranties as ‘the consumer’s choice’, and a choice that can save the consumer costs in the longer term.

Knowledge and responsibility in relation to warranties and refunds

Awareness of statutory warranties is very low among both consumers and traders; less than 20 per cent of either group were able to demonstrate actual knowledge and understanding of the basic principles of federal and state legislation.

Almost half of all consumers claimed to know of no protection beyond the manufacturer’s warranty. While one in five knew the relevant government consumer agencies, hardly any were able to specify what consumer protection services those organisations offered. Only 13 per cent of consumers were aware (without any prompting) of the right to return a faulty product and expect the trader to make good by way of repairs, a replacement product or a refund.

When read a succinct definition of statutory warranties, more than seven in ten consumers claim to have not heard of their consumer rights.

Traders did little better; 57 per cent of retailers and 47 per cent of manufacturers/importers had no idea of any consumer protections beyond the manufacturer's warranty. Only 16-17 per cent of each group were able to demonstrate a comprehensive understanding of consumer rights. As with consumers, many retailers and manufacturers/importers knew of relevant government agencies but were mostly unable to detail the agencies' consumer protection services.

Traders also displayed considerable confusion about their obligations under consumer law. While most acknowledged an obligation to give refunds on faulty products when sought by customers, one in five did not consider this to apply under the law. About half did not believe that a comprehensive summary of statutory warranties is actually the legal requirement. Almost half of all retailers incorrectly believe that consumers are required to return faulty goods in their original packaging.

Manufacturer's warranties seem to dictate trader expectations of how long consumers should be entitled to repairs for faulty goods. Most traders (particularly manufacturers/importers) accept full responsibility up to 12 months, but after this period regard problems as the consumer's concern. While more than a quarter of retailers take no responsibility for faulty products even in the first month after purchase, consumers overwhelmingly prefer to deal with the retailer rather than the manufacturer.

Expectations of warranties

In the case of total product failure, consumers believed that they should be able to receive a refund or replacement product for about seven months (median). This is in stark contrast to the quite restrictive view taken by traders in relation to 'dead on arrival' (DOA) products – those that fail early in their life. Most traders considered consumers were entitled to a refund or replacement product no more than two weeks after purchase.

Both consumers and traders considered that traders should pay for repairs up to about 12 months after purchase, aligning with the typical duration of manufacturer's warranties.

Most consumers expect spare parts to be available for the life of the product, although some recognise maintaining stocks may be difficult when technology changes rapidly. Consumers prefer to repair than replace white goods, so expect spare parts to be available for 10 or more years.

Reactions to standardised guidelines

Almost all consumers (83 per cent) want some warranty cover on all products, although only one in four consider all goods should carry the same warranty. For most consumers, some flexibility in setting warranty periods for higher-value or longer-lasting goods is desirable.

Most traders are receptive to the idea of standard timeframes for DOA products and statutory warranties. However, 20 to 25 per cent are opposed to standardisation, particularly overseas-owned manufacturing or importing establishments.

Barriers and communications

Awareness of consumer rights beyond the standard manufacturer's warranty is the primary barrier for both consumers and traders when it comes to consumers exercising their rights. However, other barriers compound the problem. These include confidence in rights being upheld, trust in traders to do the right thing by consumers, ambiguity of legislation, intimidation of consumers by traders, and apathy on the part of both parties.

When advised of existing statutory rights, one in five consumers claimed to not feel any better protected. Their reasons included a sense that it was 'all too much work' (32 per cent of those not feeling better protected), a belief that things wouldn't be set right even with the protection offered by the law (18 per cent), and a view that pursuing rights ends up costing too much money and it was cheaper to simply buy a new product (six per cent).

Communications to build understanding of rights and obligations under consumer law will need to be simple and accessible - 81 per cent of consumers and about seven in 10 traders preferred a one-page checklist to a more detailed guide. Consumers mostly (61 per cent) wanted information to be available through retailers rather than a government agency. Traders (particularly manufacturers/importers) were far more likely to see government as the appropriate place to obtain information on consumer rights. They favoured online information, rather than a printed publication such as a leaflet or guide.

Conclusions

The baseline research into refunds and warranties has shown:

- consumer experience of problems with white goods, electronic/electrical goods, and mobile phones is very extensive – 8.5 million consumers have encountered a faulty product in the past two years, with 2.15 problems for each affected consumer. Most of these faults occurred within three to four months of purchase, when the products were still under manufacturer’s warranty
- such problems are resulting in substantial consumer detriment – the average product fault costs the consumer \$236 in direct costs and personal time, adding 38 per cent to the cost of the product
- awareness of consumer rights is very low, among both consumers and traders. Almost half of consumers assume their only protection is the manufacturer’s warranty.
- business also faces considerable costs in relation to warranties and refunds, including emotional and reputational ‘costs’. For retailers, the direct costs of \$370 million a year include substantial spending on replacement items and repairs that are not really their responsibility. Their actions in relation to product faults are affected by low awareness of consumer rights, leading many to ‘fob off’ customers, or deny consumers the redress sought
- manufacturers and importers are also bearing substantial direct costs - \$340 million a year. Their awareness of consumer rights beyond their own warranties is limited, so consumers are often denied replacement, refunds, or repairs.

There are many issues surrounding product faults in these markets. The end result is significant cost for both consumers and traders. Low awareness of rights and obligations, and a lack of clear guidelines on what those rights and obligations actually entail, are contributing to the cost and complexity of resolving product problems for all parties.

1. BACKGROUND AND OBJECTIVES

1.1. Background to the research

The National Education and Information Advisory Taskforce (NEIAT) was established in 2007 to help identify, develop, and implement new strategies to empower consumers to make informed and timely market place decisions. NEIAT has initially targeted the area of statutory warranties and refunds, and is looking to develop an integrated education and information program. To start this process, NEIAT conducted a comprehensive secondary research study into warranties and refunds, and identified four aspects that potentially result in high levels of consumer detriment:

1. Over-reliance on manufacturers' voluntary warranties to the exclusion of rights in consumer legislation.
2. Consumers experiencing difficulty in getting prompt refunds or product replacement when a product fails early in its life.
3. Ineffective or slow repairs or inappropriately charging consumers for costs, such as transport, associated with the repair.
4. Increasing sales of expensive extended warranties.

While considerable local (state/territory level) research has been carried out into consumer detriment, there is no consistent or comparable national data on warranties and refunds.

In August 2008, NEIAT resolved to develop a broad public information campaign for consumers, traders, and manufacturers to inform them about legislation (the Commonwealth Trade Practices Act and state/territory fair trading legislation). The intention was to target a specific issue for a behavioural change program. The choice is now between two issues:

- traders not offering consumers a refund for products that fail early in their life, or
- traders not considering, and consumers not expecting, repairs outside the period of voluntary warranty.

To assist NEIAT in this choice, a baseline research study was commissioned to generate robust data from consumers and traders in relation to statutory warranties and refunds.

Anecdotal evidence and data gathered for the secondary research indicated problems with warranties and refunds are relatively high in three markets – white goods, electronic goods and mobile phones. The proposed baseline research focused on these markets.

Latitude Research and On Track Research conducted the research. This document presents the findings.

1.2. Research objectives

The principal aim was to collect primary data from consumers and suppliers in relation to statutory warranties and refunds.

Specific objectives were to:

- provide a national statistically-representative assessment of consumer detriment across all warranties and refunds issues
- provide a national statistically-representative assessment of the level of consumer, manufacturer, and retailer understanding of the rights and obligations created by existing statutory warranties
- identify differences in the incidence and level of detriment arising from warranty and refund issues experienced across consumer groups
- assess reputational and business costs to traders with protracted disputes about warranty claims
- identify the barriers and triggers to changing marketplace behaviour for consumers, retailers, and manufacturers, including their responsiveness to messages.

1.3. A guide to reading the report

1.3.1. Terminology

- ‘Traders’ is used to cover both retailers and manufacturers/importers of the products of interest.
- ‘Target goods’ refers to the product categories covered by the research - mobile phone handsets, electrical/electronic goods, and white goods.
- All references to warranties refer to manufacturers (express) warranties unless otherwise stated.

1.3.2. Chart and table format

- All charts and tables give results for the total sample, weighted to the relevant population (consumers, retailers, manufacturers/importers).
- All percentages have been rounded to the nearest whole number.
- The actual question asked of respondents is provided below the chart, and the base (number of people asked the question) is provided above the chart.

1.3.3. A note on the qualitative research

Qualitative research deals with relatively small numbers of respondents and attempts to explore in-depth motivations, attitudes and feelings. This places a considerable interpretative burden on the researcher. For example, what respondents do not say is often as important as what they do. Findings are interpretative in nature, based on the experience and expertise of the researchers.

1.3.4. Comments made by consumers and traders

Relevant comments by consumers and traders have been incorporated into related text. In all cases the actual quote has been italicised, and attributed to the group from which it was obtained – consumers, retailers, or manufacturers.

2. RESEARCH DESIGN

2.1. Research method

The methodology was both qualitative and quantitative, and consequently conducted in two stages. An initial qualitative phase ensured coverage of target audiences. This made sure the quantitative phase was appropriately targeted and defined.

Qualitative Phase

The qualitative research involved a series of group discussions, in-depth interviews and an online bulletin board.

Quantitative Phase

The quantitative research involved a series of telephone surveys. Telephone was preferred to alternatives such as a mail-out survey (likely to achieve low response rates and result in high completion errors) or an online survey (for similar reasons, and also because of concerns about unrepresentative coverage of vulnerable and disadvantaged consumers with more limited internet access).

2.2. Sample

Qualitative Phase

Our qualitative approach involved consultation with more than 100 consumers and a small sample of manufacturers and retailers, as follows:

- i) A series of five group discussions with consumers who have experienced faults with mobile phones, any white goods or any electrical/electronic goods.

Product	Specifications	Location
Mobile Phones	Under 30yo M/F	Melbourne
White/Electronic Goods	25+yo M/F	Melbourne
Mobile Phones	25+yo M/F	Geelong
Mobile/White/Electrical Goods	25+yo M/F	Kalgoorlie
White/Electrical Goods	25+yo M/F	Perth

An online bulletin board study involving 66 consumers nationally who have experienced faults with mobile phones, electrical goods or white goods in the past two years.

- Consumers were initially screened via an online survey and more than 75 qualifying consumers were invited to participate in the bulletin board forum for two weeks.
- Sixty-six consumers participated for the entire duration of the study, comparing and contrasting their experiences with others, and answering a series of 15 questions over a 10-day period in July 2009.
- On full completion of the study participants were paid a small incentive for their participation (\$20).
- A full copy of the 130-page transcript is available.

ii) A small sample of qualitative depth interviews.

- Two in-depth interviews with indigenous consumers who have experienced problems.
- Twelve in-depth interviews with manufacturers and retailers to fully explore barriers to behavioural change, and to cognitive-test parts of the quantitative survey.

Quantitative Phase

The quantitative phase involved three separate surveys of consumers, retailers, and manufacturers/importers of the target goods.

For the consumer survey, interviews were carried out nationally with 3,023 consumers aged 16 years and over, split into three separate groups of consumers:

- i) those who had experienced problems with mobile phones, electrical/electronic goods, or white goods in the past two years (five years for white goods). A total of n=763 were interviewed
- ii) those who had bought such goods within the past two years but had not experienced any problems. A total of n=1,853 were interviewed

iii) those who had not bought any such goods in the past two years. A total of n=407 were interviewed.

For the business component of the research, interviews were carried out with 623 business representatives – in each case the person within the organisation most responsible for handling product problems and warranty claims. The sample was split between two separate surveys:

- i) a national telephone survey of n=500 retailers who sell mobile phones, electrical/electronic goods, or white goods
- ii) a national telephone survey of n=123 manufacturers/importers of mobile phones, electrical/electronic goods or white goods.

The sample sizes achieved for the various surveys were substantial, resulting in robust estimates of consumer and business behaviour and attitudes. For example, the margin of error on survey estimates varied as follows:

- for the total consumer sample (n=3,023) it was \pm one to two percentage points
- for the total retailer (n=500) and manufacturer/importer (n=123) samples it was \pm two to four percentage points and \pm four to nine percentage points respectively¹.

All sample for the consumer survey was from the Association of Marketing and Social Research Organisations' random digit dialling database. For the two trader surveys, sample was obtained from the Dunn & Bradstreet telemarketing database, supplemented from company websites, and white and yellow pages online directories.

¹ With more homogeneous populations like retailers or manufacturers/importers of the target goods, the calculated margins of error are less meaningful, and survey estimates more robust than these margins of error might suggest.

2.3. Weighting procedures

All three quantitative surveys were weighted to reflect the national distribution of each population.

For the consumer survey:

- i) 2006 census data on age x gender x state x capital/rest of state was adjusted to reflect ABS estimates of population growth by age and sex up to December 2008 – this provided the population matrix on which the weighting was based
- ii) a rim weighting procedure was then applied to the survey data to yield weighted data that very closely matched the national population by age, gender and location.

For the retailer and manufacturer / importer surveys:

- i) ABS Establishments by Industry data for 2007 provided the basis for estimating the population matrix (state x employment size and capital city/balance of state)
- ii) all four-digit ANZSIC classes relevant to the target goods were included, with each classified as 10 per cent, 25 per cent, 50 per cent or 100 per cent relevance
- iii) applying these factors yielded estimates of the total population of retail and manufacturing/importing establishments in each state. This was then adjusted for capital/balance of state and formed the final matrix used.

2.4. Response rates

Response rates for the three surveys are outlined below.

- For the consumer survey, interviews were achieved with 15 per cent of finalised contacts (all those spoken to who were eligible to be interviewed):
 - 99,404 telephone numbers were attempted, of which 73,026 were invalid or business numbers (a typical result from random digit dialling)

- of the remaining 26,378 numbers, 6,627 were unused at the end of the survey (no answer, engaged, quota full, or awaiting appointments)
- of the 19,751 numbers with a final resolution, 3,023 resulted in interviews and 16,728 in refusals. Those contacted were advised that the interview might last 20 minutes, a factor that always increases refusal rates considerably.
- For the retailer survey, interviews were achieved with 37 per cent of finalised contacts:
 - 4,172 numbers were attempted, of which 1,833 were found to be invalid (mostly because they were found not to be retailers of the target goods, or were not retailers at all)
 - of the remaining 2,339 numbers, 985 were unused at the end of the survey
 - of the 1,354 numbers with a final resolution, 500 resulted in an interview, and 854 in a refusal.
- For the manufacturer/importer survey, interviews were achieved with 26 per cent of finalised contacts:
 - 1,702 numbers were attempted, of which 1,220 were found to be invalid (mostly because they were found not to be manufacturers/importers of the target goods, or not manufacturers/importers at all).
 - of the remaining 482 numbers, 16 were unused at the end of the survey
 - of the 466 numbers with a final resolution, 123 resulted in an interview, and 343 in a refusal.

2.5. Demographic profile of the consumer sample

A complex quota structure ensured adequate sample sizes for all states and territories, as well as key demographic groups. This meant that smaller population states such as Tasmania and South Australia were considerably over-represented in the sample relative to their share of the national population. In addition, males and younger people are typically harder to find and interview, so these groups were under-represented in the final sample relative to their population share.

While corrective weighting as outlined in Section 1.6 was necessary to ensure robust estimates could be made at the national level, this did not result in very large adjustments. To illustrate this, females were weighted down by a factor of about 0.8, and males were weighted up by about 1.2. The most dramatic adjustment was for younger people – 16 to 24 year olds were weighted up by a factor of about 2.2.

Table A presents key demographic characteristics of the sample, before and after weighting.

Table A: Demographics of survey respondents
Asked of: All respondents – Consumer survey

Demographic characteristic	Total Unwtd=3,023 ² (no.)	Total Wtd=16.56m (‘000.)
<u>Gender</u>		
Male	1,205	8,118
Female	1,818	8,443
<u>Age</u>		
16-24	182	2,239
25-34	323	3,092
35-44	535	2,767
45-54	647	3,320
55-64	648	2,561
65 and over	688	2,581

² Only gender and age was recorded for the total consumer sample; the remaining demographic characteristics were collected for all recent buyers of target goods, and those who had experienced problems with such goods in the past two years – the total sample for this part of the survey was n=2,616 which was weighted to a total population of 15.49 million.

Demographic characteristic	Total Unwtd=3,023² (no.)	Total Wtd=16.56m ('000.)
<u>Language spoken regularly at home</u>		
English only	2,335	13,008
Other language/s	280	2,478
<u>Identify as Aboriginal/Torres Strait Islander</u>		
Yes	52	281
No	2,558	15,199
<u>Pensioner Concession/Health Care Card holder</u>		
Yes	769	4,042
No	1,839	11,418
<u>Labour force status</u>		
Working	1,599	9,502
Engaged in home duties	196	1,285
Retired	555	2,418
Other	255	2,217
<u>Personal income (pre-tax)</u>		
Less than \$15,000 p.a.	431	2,989
Between \$15,000 and \$25,000	319	1,660
Between \$25,000 and \$35,000	269	1,537
Between \$35,000 and \$50,000	395	2,303
Between \$50,000 and \$75,000	481	2,648
Between \$75,000 and \$100,000	215	1,142
\$100,000 or more	175	1,188
<u>State/Territory</u>		
New South Wales	405	5,465
Victoria	412	4,145
Queensland	413	3,221
Western Australia	408	1,623
South Australia	409	1,284
Tasmania	402	398
Australian Capital Territory	293	273
Northern Territory	281	152
<u>Location</u>		
Metro	1,536	10,520

Demographic characteristic	Total Unwtd=3,023 ² (no.)	Total Wtd=16.56m (‘000.)
Regional	1,487	6,040

DETAILED FINDINGS

Introduction

The following sections of the report present the detailed findings of the study:

Section 3: Overall incidence of problems :- examines the extent to which consumers buy and encounter problems with the target goods

Section 4: The costs to consumers :- examines the costs that arise out of problems with target goods for consumers

Section 5: The costs to business :- examines the extent of traders' costs related to problems with target goods

Section 6: The consumer's experience :- examines the consumer's experience in dealing with recent problems with target goods

Section 7: Extended warranties :- examines consumer's experience and expectations of extended warranties

Section 8: Knowledge and responsibility :- examines what consumers and traders know about consumer rights in relation to warranties and who takes responsibility

Section 9: Expectations of warranties :- examines what consumers and traders consider to be reasonable timeframes for dealing with fault claims

Section 10: Reactions to standardised guidelines :- examines consumer's expectations

Section 11: Barriers and communications :- examines the key barriers to consumers exercising their rights in relation to warranties and how they and traders would prefer to be informed about such rights and obligations.

3. OVERALL INCIDENCE OF PROBLEMS

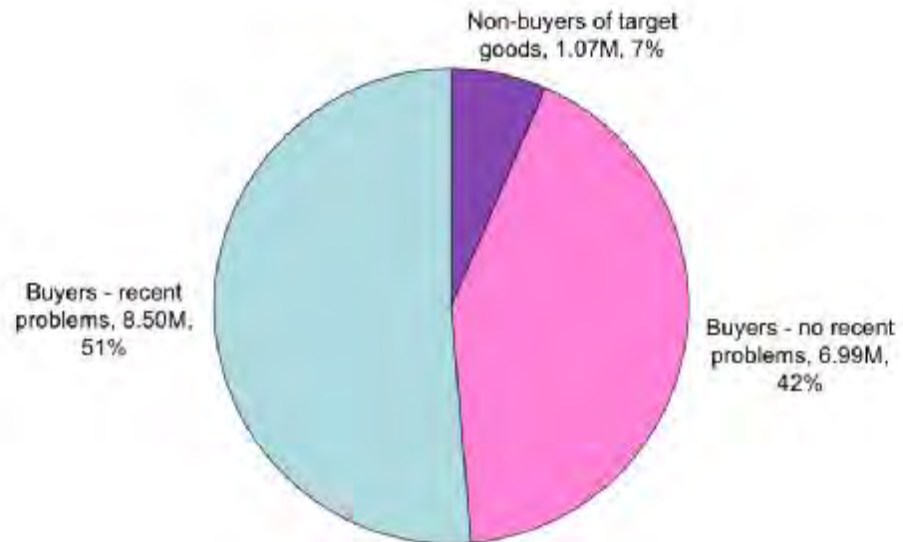
This section explores the extent to which consumers buy and encounter problems with the target goods, which include:

- mobile phone handsets
- small electronic products worth over \$50
- small electrical products worth over \$50
- larger electrical products
- white goods.

3.1. Recent experience with target goods

Virtually all people aged over 16 (93 per cent) were recent buyers of target goods, and just over half have experienced problems with such products during the past two years (refer Chart 1). The target goods, and the problems experienced with them, therefore have very wide reach in the Australian consumer population.

Chart 1: Recent experience with target goods
Asked of: All consumers (n=3,023, wtd=16.56M)



Q1: To start with I'd like to talk about problems you may have had with new products that you purchased or were given. The sort of problems we are talking about are where you felt you had a genuine cause for complaint because the product was faulty or damaged, didn't work at all, or didn't perform as you expected or had been led to believe it would. In the last two years, have you personally experienced any such problems with [PRODUCT] that was less than [2/5] years old when the problem occurred?

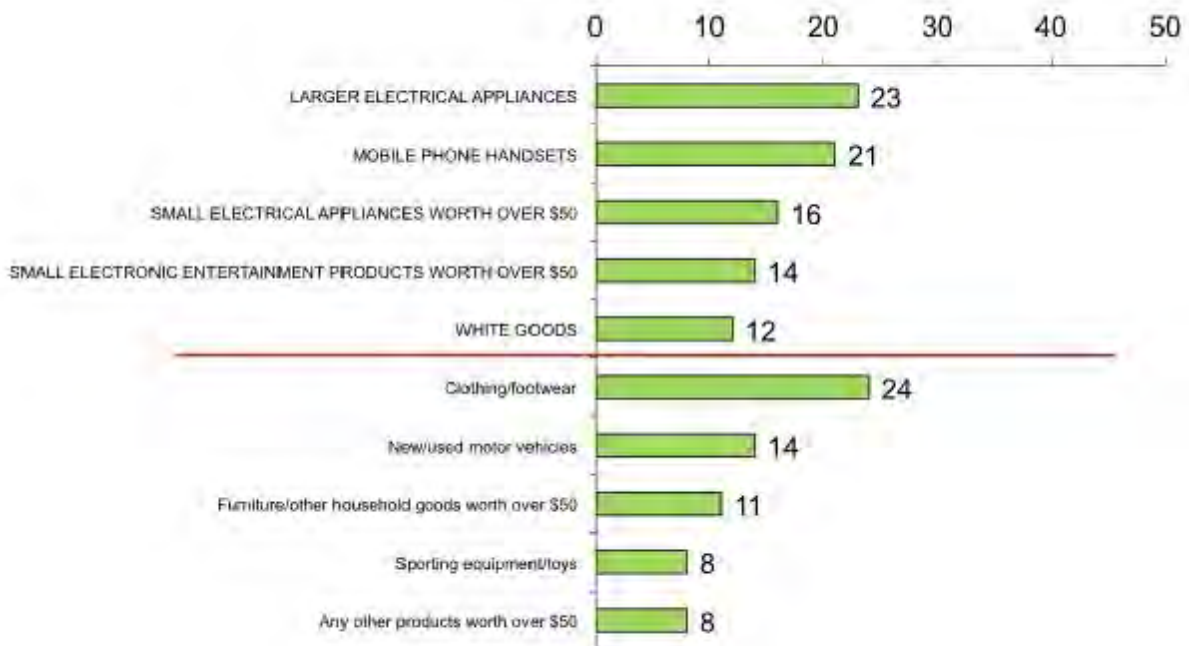
Q2: In the last two years, have you either purchased new or been given new...? [READ OUT PRODUCTS FOR WHICH NO PROBLEM AT Q1]

3.2. Recent experience of problems with consumer goods

The incidence of problems with target goods generally exceeds other purchase categories. Larger electrical appliances and mobile phone handsets are the ‘hot spots’ (refer Chart 2). Clothing/footwear had the highest measured incidence of problems among the categories included, but three of the five comparison categories had lower incidence of problems than the ‘best’ of the target good categories (white goods).

Many consumers experiencing problems with comparison categories had also experienced problems with target goods – in total 53 per cent had experienced any recent problems with either block of products, compared with 51 per cent for the target goods alone.

Chart 2: Recent experience with consumer goods
Asked of: All consumers (n=3,023, wtd=16.56M)



Q1: In the last two years, have you personally experienced any such problems with [PRODUCT] that was less than [2/5] years old when the problem occurred?

The extent of recent problems with target goods does vary geographically and demographically, with the highest incidence among the following groups of consumers:

- in Western Australia (WA) and the Northern Territory (NT) - 56 per cent and 54 per cent respectively, compared with 51 per cent nationally
- capital city-based consumers (56 per cent, compared with 43 per cent in regional areas)
- females were more likely to experience problems than males (54 per cent, against 48 per cent)
- people aged 20-24 (67 per cent), 35-39 (66 per cent), and 45-49 (63 per cent).

Although the full range of demographic characteristics was not collected for respondents who had not bought any target goods in the past two years, incidence of problems appears to be higher among consumers from non English-speaking backgrounds, Aboriginals/Torres Strait Islanders, and people earning lower personal incomes (\$15,000 to \$35,000 a year).

4. THE COSTS TO CONSUMERS

This section explores the costs arising from problems with target goods for consumers, including:

- out-of-pocket costs for repairs, replacement items, or following up on problems
- the cost of personal time spent on sorting out problems
- emotional costs of doing so.

4.1. Out-of-pocket costs

Consumers have spent almost \$2 billion during the past two years dealing with problems with target goods, or just under \$1 billion a year. Within this total, almost two thirds of was for replacement items, with a further 19 per cent for repairs. Follow-up costs accounted for the remaining 18 per cent, with travel-related expenses the largest element of such costs.

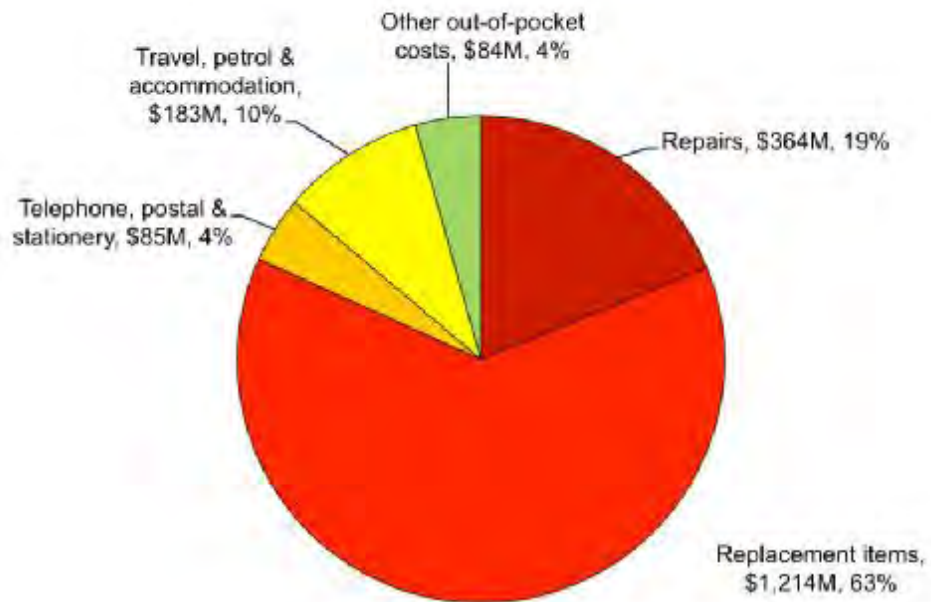
The average cost per problem of out-of-pocket expenses was \$106, and this varied greatly with the type of product:

- small electrical products - \$45
- small electronic products - \$68
- mobile phone handsets - \$86
- large electrical products - \$134
- white goods - \$225.

The cost of sorting out problems rises with the original cost of the goods. Consumers paid an average of \$161 for the small electrical goods with which they experienced problems, but an average of \$1,130 for the white goods.

While out-of-pocket expenses averaged 17 per cent of the original cost of goods overall, this ranged from 28 per cent for small electrical goods to 10-12 per cent for 'big ticket items' (large electrical and white goods).

Chart 3: Out-of-pocket costs to consumers
Asked of: All consumers experiencing recent problems (n=763, wtd=8.50M)



Q23: I'd now like to ask you about the cost to you personally of dealing with the problem you experienced with [SELECTED PRODUCT]. How much do you think you spent in dollars on [COST ITEM]? Please include only 'out-of-pocket' costs – don't include costs of your personal time, as I will come to that later.

4.2. Costs of personal time

Beyond direct financial costs, Australian consumers also face considerable extra costs because of the time they spend on following-up problems with target goods.

A significant amount of consumers' costs are associated with personal time wasted in being given 'the run around' on the phone, at the store, at the service centre, and in general follow up.

"There's so much time wasted in driving or being on hold and then getting the run around coz no one knows the problem or who you should be dealing with." Consumer

"My personal cost would be about half of what I paid for the phone." Consumer

"After about the first \$700, I stopped working it out – the stress was too much." Consumer

"The time fighting with the company to try to get a full refund and the cost of lodging the tribunal, I honestly believe the out-of-pocket expenses would be in the several thousands! Not to mention the sheer inconvenience of the entire process." Consumer

During the past two years, Australian consumers have spent more than 100 million hours resolving product problems. The cost of this personal time is valued at more than \$2 billion (refer Table 1).

The average time spent on resolving a problem was 5.7 hours. The time varied considerably between different product categories, from only 3.6 hours for small electronic goods up to 7.2 hours for small electrical goods, and 6.9 hours for white goods.

Informed consumers³ spent considerably less time sorting out their product problems than those with less knowledge of their consumer rights.

- Consumers with detailed awareness of their rights spent an average of 3.7 hours on each problem.
- Consumers with partial awareness spent 5.8 hours on each problem.
- Consumer with no awareness at all spent 6.1 hours on each problem.

³ An informed consumer is one who, without prompting, was able to recall specific rights under the relevant State or Federal legislation, such as "the right to return a product to the place of purchase and expect repairs, a replacement, or a refund".

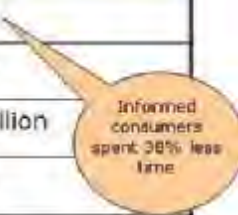
This suggests informed consumers can get straight to the heart of the matter more quickly than those with less awareness of their rights. This in turn allows them to obtain the redress they are seeking, or at least reach some sort of resolution, more promptly.

But consumers who experience product problems and seek advice from government consumer affairs/fair trading agencies spent considerably more hours sorting out problems – an average of 18.4 hours on each problem. This indicates the greater depth and intransigent nature of problems that consumers take to government agencies. The qualitative research indicated most consumers would not seek assistance from a government agency unless there was significant cost involved, because such action would require considerable personal time.

In terms of personal time spent sorting out product problems, only one group stands out markedly – consumers aged 16-24. They spent an average of 10.7 hours on each problem, almost double the overall average. Their product problems were disproportionately related to mobile phone handsets and small electronic products, neither of which required a lot of personal time to resolve for consumers generally. For consumers in the early stages of learning, it is clearly more difficult to resolve problems with these products.

Table 1: Costs of personal time
Asked of: All consumers experiencing recent problems (n=763, wtd=8.50M)

Component	Total, all consumers (8.50 million)
Average hours spent per problem	5.7
Average number of problems per person	2.15
Total hours spent on all problems	104.16 million
Average hourly income	\$23
Total cost of personal time	\$2.39 billion



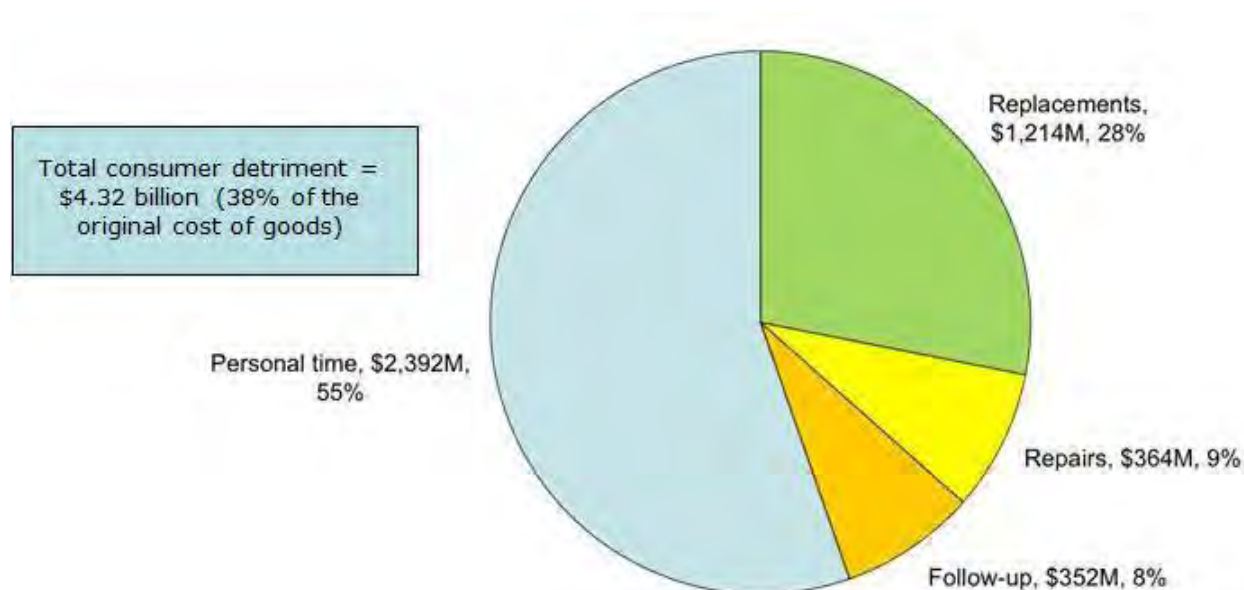
Q24: Approximately how many hours have you spent altogether trying to resolve the problem with [SELECTED PRODUCT] since you first noticed the problem?

4.3. Overall costs of consumer detriment

Problems with target goods cost Australian consumers more than \$4 billion during the past two years, mostly in personal time in resolving problems and paying for replacement items (refer Chart 4).

This overall consumer detriment equated to 38 per cent of the original cost to the consumers of the goods involved – for an average product problem the consumer spent \$626 on the goods initially, but then incurred an average of \$236 in detriment. The average affected consumer experienced more than two problems in the past two years, so average detriment is \$508 for each affected consumer. This is equivalent to 0.5 per cent of average gross personal income.

Chart 4: Overall costs of consumer detriment
Asked of: All consumers experiencing recent problems (n=763, wtd=8.50M)



So how did the costs of detriment vary for different groups of Australian consumers? The key findings were:

- the more warranty cover an affected consumer had, the lower their consumer detriment tended to be.

Consumers with no warranty coverage at all faced detriment equal to 56 per cent of the original cost of the goods involved.

This fell to 34 per cent if the goods were covered by a standard manufacturer's warranty, and 20 per cent with an extended warranty

- the more informed a consumer was about their statutory rights, the lower their detriment.

For consumers with no knowledge (unaided) at all of their consumer rights, detriment amounted to 41 per cent of the original cost of the goods involved.

This fell to 37 per cent for consumers with partial knowledge of their rights, and 32 per cent for those with detailed knowledge

- younger consumers experienced the greatest relative detriment.

Their average detriment of \$590 equated to 1.5 per cent of their average personal income, three times the overall average share.

This relative detriment fell with increasing age of consumers

- among consumers of non English-speaking background, detriment accounted for 56 per cent of the original purchase price of the goods involved, well above the 35 per cent for other consumers.

This group's detriment also represented a higher share of their personal income (0.7 per cent, against 0.3 per cent for other consumers)

- consumers on the lowest personal incomes faced the highest detriment relative to their incomes.

People earning under \$15,000 a year. encountered detriment equal to 1.5 per cent of their personal income, while those on \$15,000-25,000 a year. faced costs of 1.2 per cent of their income.

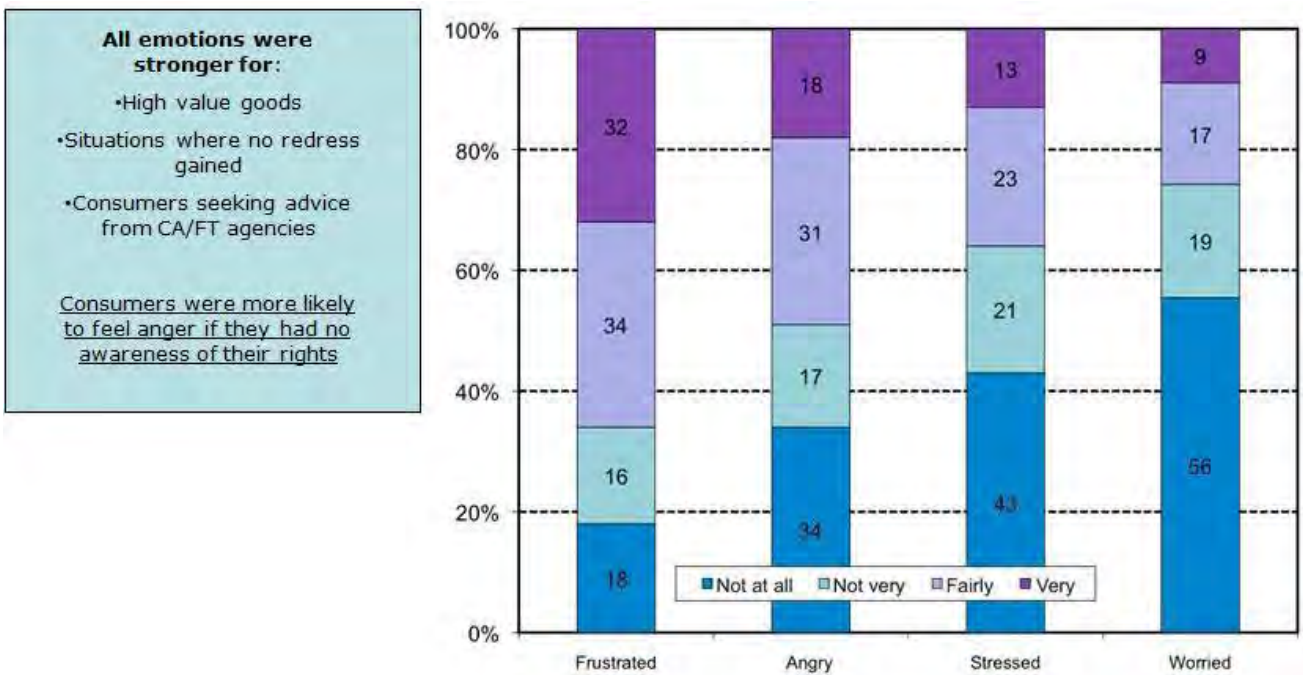
Detriment fell sharply to between 0.3 and 0.7 per cent for other income groups.

4.4. The emotional costs to consumers

Consumers experience many ‘costs’ that are neither simply economic nor related to personal time – the emotional costs of dealing with problem products. The quantitative research examined four emotions that consumers experienced in the course of dealing with product problems – stress, anger, worry and frustration (refer Chart 5). Consumers react with frustration and anger more than stress or worry (although these emotions are also present). For example, almost two-thirds of product problems led to feelings of frustration, while only a quarter led consumers to feel fairly or very worried.

Chart 5: The emotional costs to consumers

Asked of: All consumers experiencing recent problems (n=763, wtd=8.50M)



Q25: During the time that you have been dealing with this problem, have you felt very, fairly, not very, or not at all...? [READ OUT EMOTIONS IN RANDOM ORDER – SINGLE RESPONSE TO EACH]

Much of consumer’s anguish is in not getting desired redress, which leads to frustration and significant ‘costs’ in time and energy. The more informed the consumer, the less likely they were to feel frustration and anger. The research suggests consumers who are empowered through knowledge of their rights incur less cost, in personal time and emotional energy, in resolving problems.

“I’ve always asked for my rights to be upheld which maybe why I’ve always had a good result.”

Consumer

5. THE COSTS TO BUSINESS

This section explores the costs that traders meet in dealing with problems with target goods. These include:

- direct costs of replacements and repairs, as well as administration and other follow-up
- reputational costs, in terms of the potential for lost business
- emotional costs to staff.

5.1. The cost to retailers

Dealing with protracted warranty claims costs retailers \$371 million a year (refer chart 6).

For retailers, administration (staff costs) accounts for 40 per cent of the total costs. Much of the administrative cost is in the follow-up and paperwork including customer contact, organising return of goods, completing manufacturer paperwork, and ensuring the manufacturer credits the retailer's account.

“Staff time in follow up can be \$150 per item, 10-50 items per month.” Retailer

“It equates to about half a staff member: handling the return of goods, paperwork, movement of stock shuffling products, doing the claims, etc... and there is more and more of it today because the products are made in China.” Retailer

However, the costs of repairs and replacement items are also substantial, making up 36 per cent of total retailer costs. Such expenses might have been expected to be met by the manufacturer or importer of the faulty product, rather than the retailer.

“There are a lot of manufacturers who do not realise the cost retailers bear in trying to keep the customer happy.” Retailer

“When we first started the business we used to give lots of refunds but realised we couldn't afford to because manufacturers don't cover.” Retailer

Dealing with protracted warranty claims cost each retailer an average \$28,500 a year but there was considerable difference between small and large retailers.

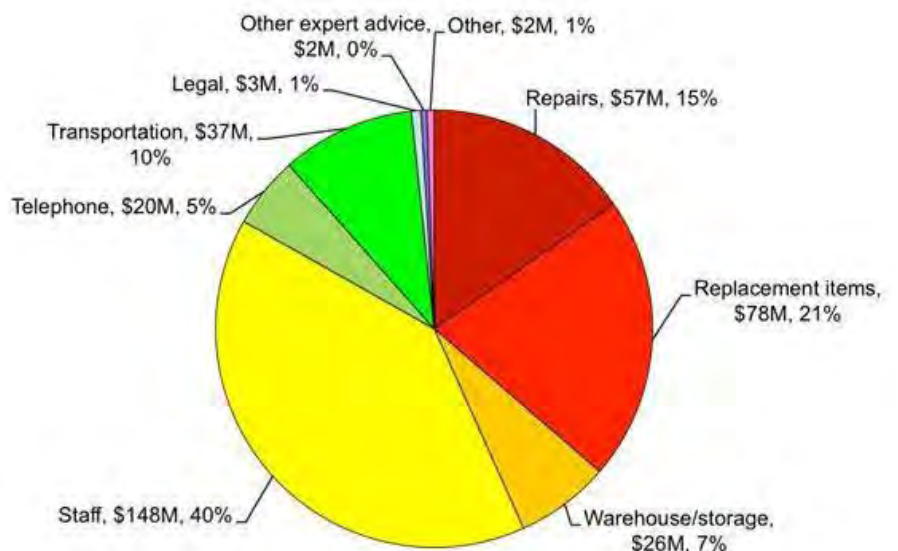
Small independent retailers carried far lower average costs (\$15,000 a year) than those belonging to large retail chains (\$37,000 a year).

Retailers who accepted responsibility for fixing faults beyond 12 months after purchase incurred higher costs (\$38,000 a year) than those that tended to pass problems onto manufacturers at an early stage of the process (\$28,000 a year).

Chart 6: The costs to retailers
Asked of: All retailers of target goods (n=500, wtd=13,010)

Total cost to retailers = \$371 million
 (an average of \$28,000 per outlet)

For retailers much of the cost is in administrative follow-up and paperwork:
 •contacting customer
 •filling in manufacturer paperwork
 •ensuring account is credited



Q15: I want to talk now about the cost to your business of dealing with more protracted warranty situations in relation to products like [PRODUCTS SOLD]. By protracted that will generally be cases that take more than a week or two to sort out from when the customer first contacts you. How much do you think your store spends each year in dollars on [COST ITEM] for such protracted claims?

5.2. The cost to manufacturers and importers

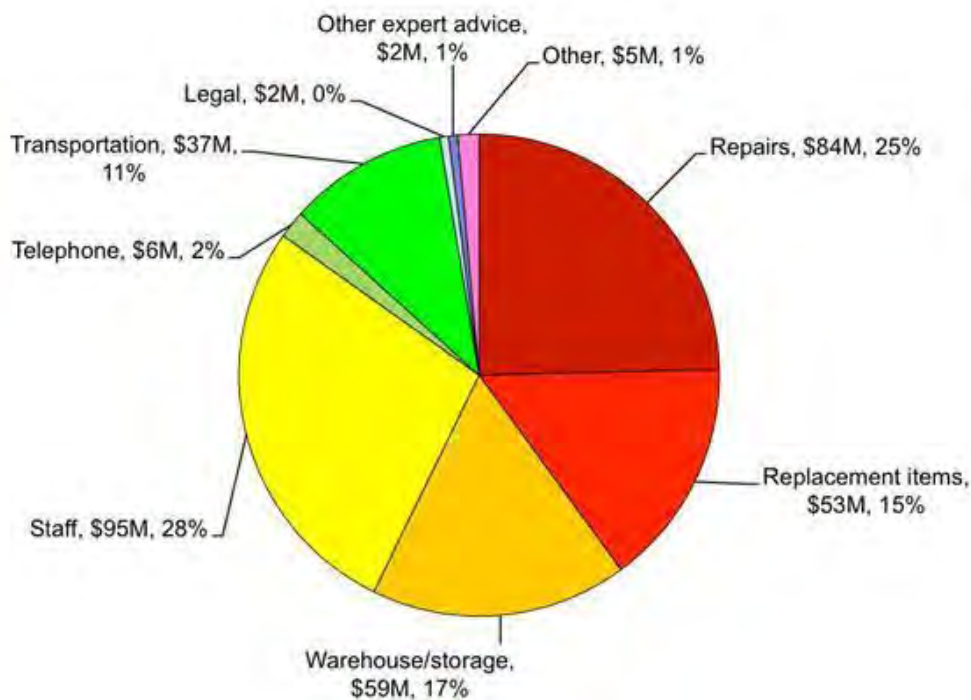
Manufacturers and importers spent a similar amount to retailers on such warranty claims at just over \$340 million a year. (refer Chart 7). Their costs included a stronger focus on repairs, replacement and warehouse/storage costs, and less on administrative/staff costs. But even with this stronger focus on product costs, retailers appear to spend more on replacements than the original manufacturers or importers of the products.

Across all manufacturers/importers of target goods, direct costs averaged \$128,000 a year per establishment – this varied by type of establishment.

- Those dealing with white goods averaged \$192,000 a year, and for small electronic goods the average was \$182,000 a year.
- While manufacturers averaged yearly costs of \$78,000 and importers \$132,000, those combining manufacturing and importing incurred an average \$166,000 a year.
- Overseas-owned establishments encountered higher costs (\$167,000 a year) than Australian-owned establishments (\$112,000 a year).
- Establishments that were overseas-owned and multi-location had particularly high costs, averaging more than \$298,000 a year. These costs related to sales and volumes well above the overall average.

Chart 7: The costs to manufacturers/importers
Asked of: All manufacturers/importers of target goods (n=123, wtd=2,668)

Total cost to manufacturers/importers = \$343 million
 (an average of \$128,000 per establishment)



Q15: I want to talk now about the cost to your business of dealing with more protracted warranty situations in relation to products like [PRODUCTS MANUFACTURED/IMPORTED]. By protracted that will generally be cases that take more than a week or two to sort out from when the customer first contacts you. How much do you think your business spends each year in dollars on [COST ITEM] for such protracted claims?

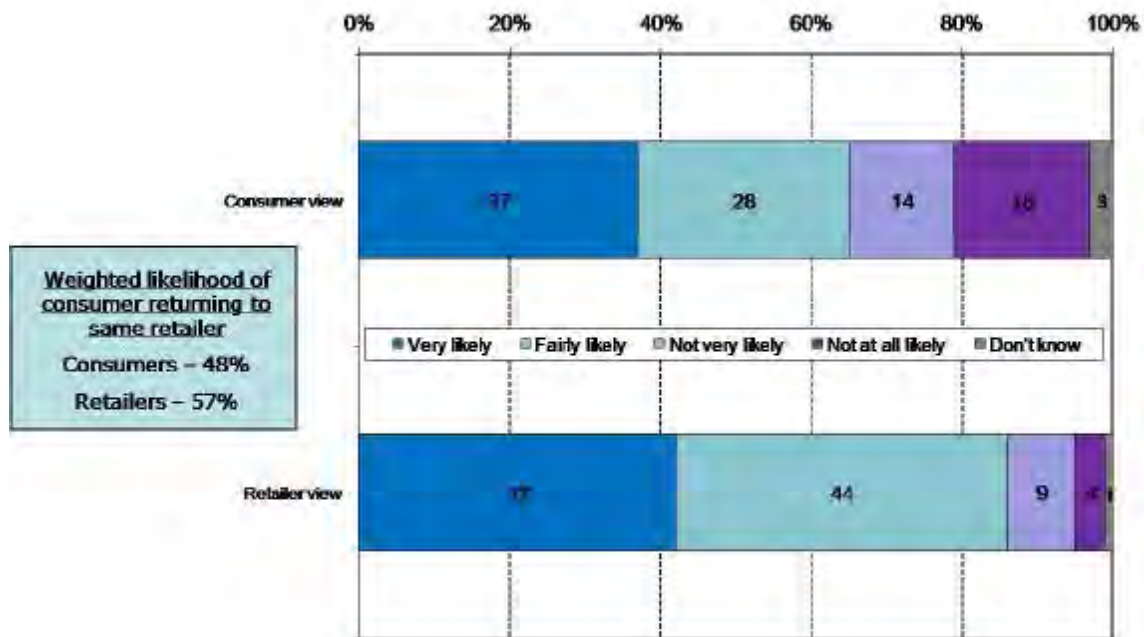
5.3. Reputational costs: Impact on the retailer

To assess the reputational costs of product problems, both consumers and retailers were asked about the likelihood of affected consumers returning to the same store to purchase similar goods in future (refer Chart 8). More than half of all problems appear likely to result in loss of future business to the retailers⁴, but retailers underestimate this potential impact.

“I know by law I have to bear the cost but we don’t always. It all depends on how loyal the customer is to me. The less they have bought off me the less I’ll look after them. It’s a cost to business without any reward” Retailer

While only four per cent of retailers felt that affected consumers were ‘not at all likely’ to return, 18 per cent of affected consumers felt that way about returning to the same retailer.

Chart 8: The reputational costs to retailers
 Asked of: All consumers experiencing recent problems (n=763, wtd=8.50M) and all retailers of target goods (n=500, wtd=13,010)



[CONSUMER SURVEY] Q20: So how likely would you be to go back to the same retailer to buy similar products in future? Would you say that you are...? [READ OUT – SINGLE RESPONSE]

⁴ This is derived from a weighted likelihood, where it is assumed that 90 per cent of those claiming to be very likely to return will actually do so, 40 per cent of those claiming to be fairly likely to return will actually do so, but only 10 per cent of others will actually return to the store.

The gap between the consumer view (48 per cent weighted likelihood) and the retailer view (57 per cent) is greatest for white goods, where retailers thought 62 per cent of customers would return but only 49 per cent of consumers were likely to do so.

The qualitative research suggests the likelihood of returning to retailer is largely determined by the attitude of staff in dealing with problem. Consumers will tend to be forgiving of the retailer if staff attempt to assist them in an efficient and friendly manner, but are less tolerant of retailers if staff give no assistance and act as though it is not the retailer's responsibility. Consumers equally acknowledge some retailers are better at dealing with problems than others, particularly the larger retailers who often accept returns with little or no explanation. Regional customers are limited by choice of retailer, so often cannot blacklist retailers.

“Generally forgiving of product faults so long as it's handled fairly and efficiently by staff. They (the retailer) bend over backwards to get your sale initially and then once you're locked in they couldn't give a sh#@t.” Consumer

“Things go wrong, I accept that. It comes down to how (the retailers) deal with the complaint as to whether I'd go back.” Consumer

“It all depends on how the staff treat you and their basic attitude. Some are really helpful, others are just plain rude and unhelpful – treat you like it's your fault.” Consumer

“Big retailers are good to take things back, they don't lose when you take things back.” Consumer

5.4. Reputational costs: Impact on the brand

When it comes to the impact of product problems on consumer likelihood of buying the same brand again in future, consumers take a harsher view than traders. Manufacturers/importers appear to be seriously underestimating the likely impact on their business (refer Chart 9).

After statistical weighting for likelihood of future purchase, only one in three consumers intend to buy again the brand with which they had a problem. While retailers see a similar outcome to consumers for the brand, manufacturers/importers are assuming that almost six in 10 affected consumers will return to buy their brand.

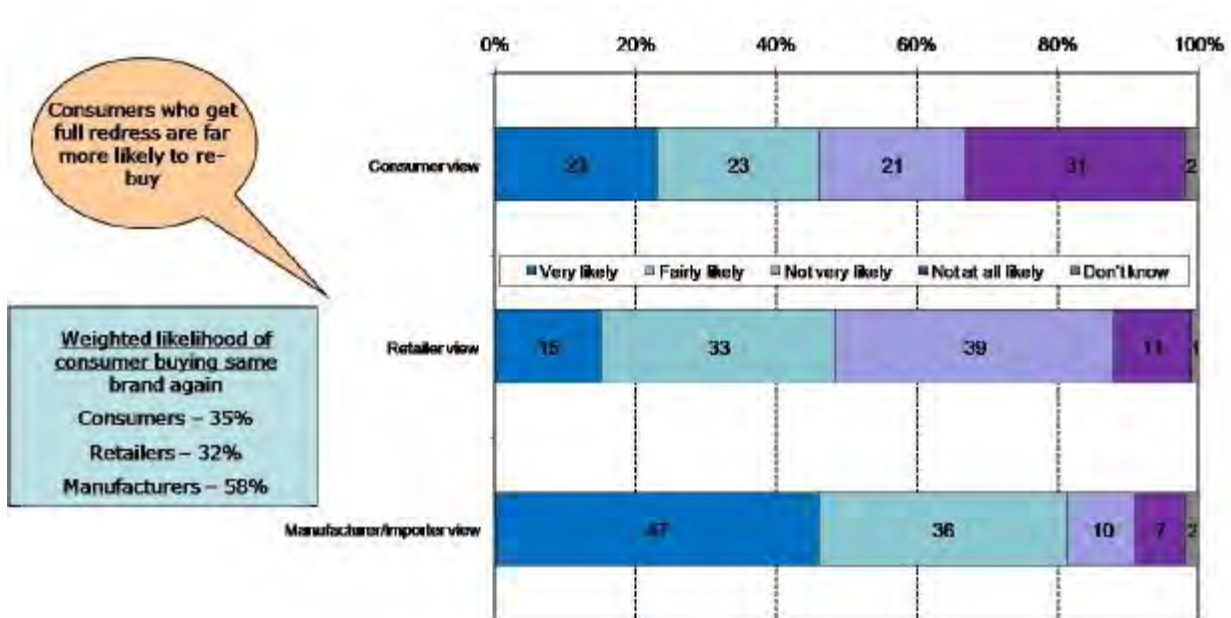
As was the case with retailers, white goods appear to be creating a false sense of security for traders.

- While 65 per cent of manufacturers/importers of white goods saw affected customers as likely to re-buy the brand, only 35 per cent of consumers held this view.
- Among the small sample of mobile phone manufacturers/importers this was even more marked – 86 per cent thought the customer would return, but only 36 per cent of consumers intended to do so.

Consumer likelihood of returning to the brand varied considerably:

- Consumers who received full redress for what they were seeking (refund, replacement or repairs) were more favourably disposed towards the brand (41 per cent weighted likelihood of buying again, against only 32 per cent of those who received no redress at all).
- Consumers who encountered higher detriment costs (30 per cent) and/or spent more time sorting out the problem (32 per cent) were less likely to intend to re-buy the brand.
- Consumers who experienced feelings of anger or worry were less likely to intend to buy the same brand again (about 32 per cent each).

Chart 9: The reputational costs to manufacturers/importers (the brand)
Asked of: All consumers experiencing recent problems (n=763, wtd=8.50M), all retailers of target goods (n=500, wtd=13,010), all manufacturers/importers of target goods (n=123, wtd=2,668)



[CONSUMER SURVEY] Q21: And how likely would you be to buy another product of the same brand as the one that you had the problem? Would you say that you are...? [READ OUT – SINGLE RESPONSE]

The qualitative research supports the above findings. The likelihood of a customer returning to that brand (manufacturer/importer) is based on a variety of factors, including the:

- number and magnitude of problems
- extent of choice available
- level of service when a problem arises.

Similar to retailers, consumers will be forgiving of a brand if good service is received when a problem is encountered. The qualitative research suggests that when helpful service is provided, customers actually become brand advocates, meaning manufacturers/importers have turned a negative brand experience into a very positive one.

Case study 1:

A consumer bought a vacuum cleaner for \$850.

The product came with a two-year manufacturer's warranty.

The consumer experienced a problem with the turbo head a week after the warranty expired.

Investigation revealed the fault resulted from not cleaning a filter.

The consumer did not know that cleaning was required.

The consumer rang the company to find out about buying a new turbo head.

To the consumer's surprise, the company offered to provide a new turbo head and filter for free.

"It turns out this was my fault - there was a filter which I didn't even know was there... Now I needed to know how to get a new one - so I rang them. This is when I got the biggest surprise of my life...she told me she would send me a new turbo head and filter for FREE." Consumer

Case study 2:

A consumer bought a combined DVD and VCR unit.

After about six months, the VCR stopped working.

The consumer contacted the manufacturer, who referred them back to retailer for repairs or replacement.

The consumer took the product to the retailer and within two weeks had a brand new system.

"They were very helpful... Next TV we buy will be [this brand] based on this experience and the positive experiences of friends and family have had with them." Consumer

Case study 3:

A consumer bought a small electrical grill and experienced a problem two years later, when the product was out of warranty.

The consumer contacted the manufacturer to see if they could get part replaced and were advised it would be cheaper to buy a new product.

The manufacturer offered to sell the consumer a new product at one third of the retail cost and deliver it direct to the consumer.

The consumer very satisfied with service received and happy with new grill.

5.5. Emotional costs to retailers and manufacturers / importers

Handling warranties creates moderate levels of stress for staff, particularly those working for retailers (refer Chart 10). Retailers have a much closer relationship with the customer and they feel more emotional costs than manufacturers. More than one in five retailers claimed that handling warranty and refund claims were very stressful for them and their employees. This is higher than the levels of stress reported by consumers, whose emotional experience was more to do with frustration and anger, than worry or stress.

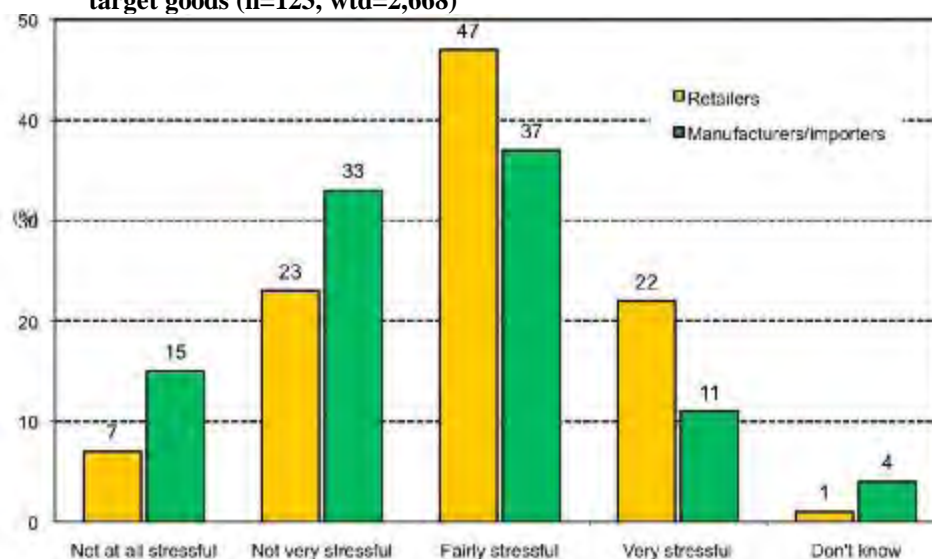
“It can be stressful. Don’t like to do it but you have to interrogate the customer.” Retailer

“If a customer threatens to go to consumer affairs, we lose interest and get angry” Manufacturer

Among traders, the highest levels of stress were claimed by:

- retailers of small electronic (33 per cent) and white goods (28 per cent)
- retailers belonging to large buying groups (25 per cent)
- owner-managers of retail outlets (25 per cent)
- retailers with no awareness of consumer statutory rights (24 per cent, against 12 per cent of those with partial or detailed knowledge).

Chart 10: The emotional costs to traders of dealing with product problems
Asked of: All retailers of target goods (n=500, wtd=13,010), all manufacturers/importers of target goods (n=123, wtd=2,668)



Q18: Would you say that you or other staff dealing with more protracted warranty situations find it to be generally...? [READ OUT – SINGLE RESPONSE]

6. THE CONSUMER'S EXPERIENCE

This section explores consumers' experience with recent problems with target goods, including:

- the nature of problems they experienced and when the problems happened
- whether the target goods were under warranty at the time
- what they sought, and what they received from traders
- whether they sought advice in relation to the problems.

Comparisons with traders' views on the process are made throughout.

6.1. What was the nature of the problem?

Most problems with target goods relate to physical faults, rather than unmet performance expectations or total product failure (refer Chart 11). Only about one in 10 problems that consumers experienced during the past two years related to total failure, with such situations slightly more likely for electrical goods (both small and large).

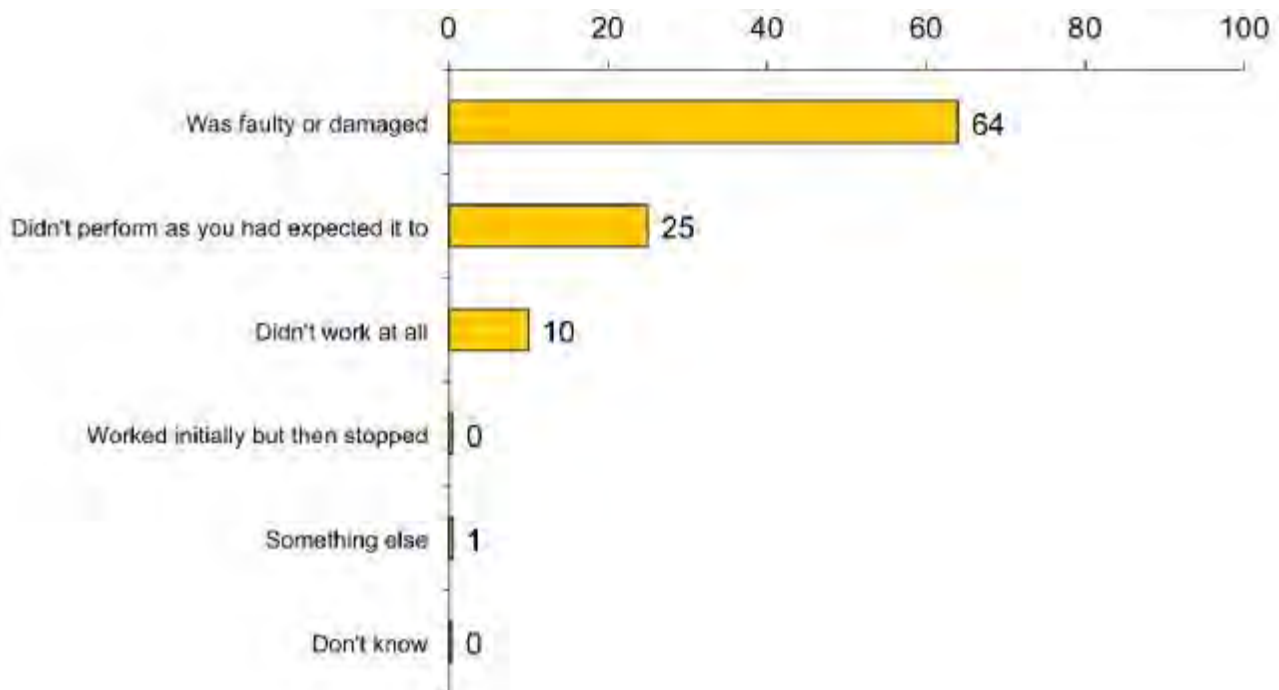
There were relatively few differences in this pattern of problems between different groups of consumers, but some of interest are:

- products for which consumers sought a refund (rather than replacement or repairs) were more likely to have not performed as the consumer had expected (31 per cent, against 21 per cent of products for which replacement or repairs were sought).

This suggests that where such problems arise, whether through misrepresentation or misunderstanding, the consumer is more likely to want to simply walk away from the product because it has not met their needs

- consumers who sought advice about problems through government agencies were more likely to do so for total product failure (25 per cent, against 10 per cent overall).

Chart 11: The nature of product problems
Asked of: All problems experienced by consumers (n=1,342, wtd=18.28M)



Q6: You mentioned that you experienced a problem with [PRODUCT] that was less than [2/5] years old when the problem occurred. Was the problem you experienced that the product...? [READ OUT – SINGLE RESPONSE]

Problems encountered by consumers can also include lack of technical support for products. This meant a product could not be used as intended, or extensive ‘run around’ by the consumer.

“Bought [brand] phone to sync with computer to get contacts, calendar etc. [The retailer and carrier] couldn’t offer support to get it working even though when I bought the phone I’d asked that it could do what I wanted.” Consumer

“Bought [brand] phone outright and put extra credit on it. But the phone was using the Internet (unknowingly) and used \$50 credit overnight and nobody could figure out why. So we disconnected the Internet so it wouldn’t chew up the credit, even though I wanted to be able to use the Internet on the phone. There is no support for the technology today.” Consumer

“I was expecting a simple and easy resolution which was replacing the scanner instead of them (the retailer) asking me to go to ring the [the manufacturer] technical support (overseas) and sort it out by myself. This was totally waste of my time. After the phone conversation with the technical support they advised me to go back to [retailer] for replacement.... This experience gave me an impression that they (the retailer) just sell the products and if the product’s broken it’s the manufacturer’s problem. Nothing related to them, which I think was totally crap.” Consumer

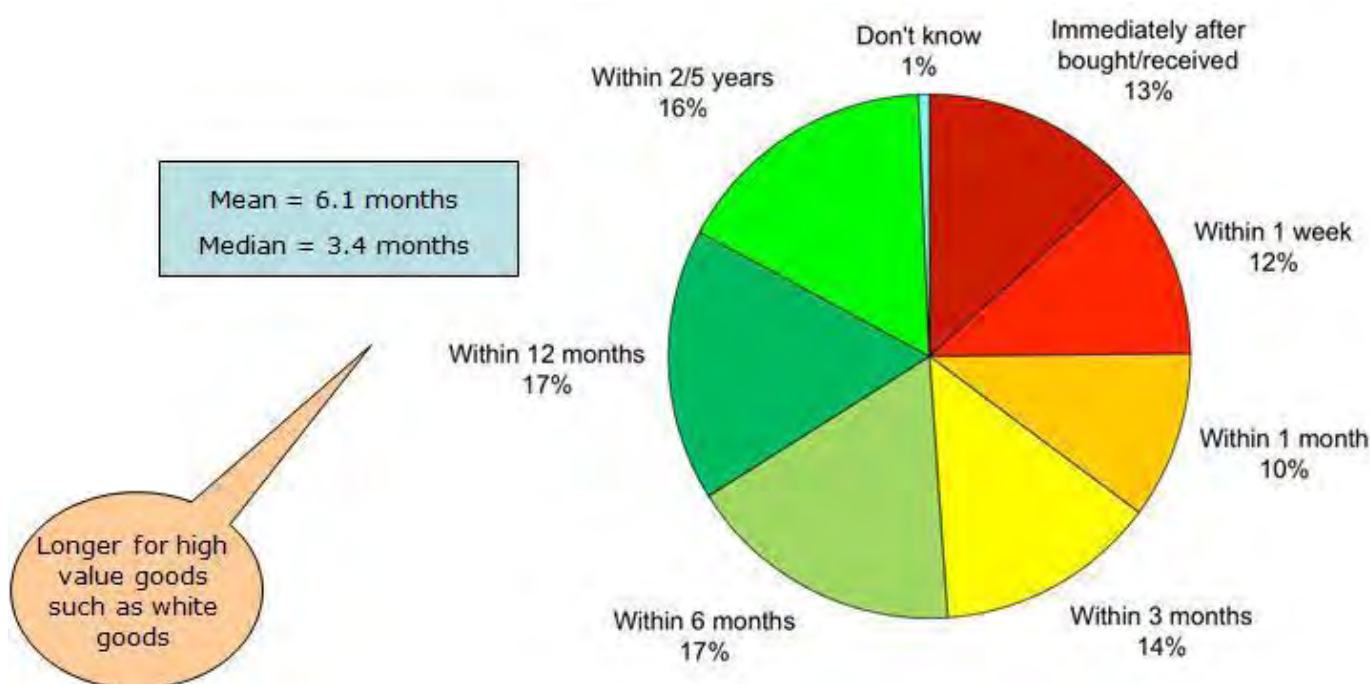
6.2. When did the problem arise?

Most consumers experience problems with target goods relatively soon after purchase – an average of six months. However, 35 per cent of problems arise within the first month, and half within the first three or so months (refer Chart 12).

This varies by product type. For small electrical products the median time after purchase when problems occur is 2.1 months, while for white goods it is 4.6 months.

Problems that consumers take to government consumer affairs/fair trading agencies arise within a much shorter timeframe – a median of 0.5 months. This reflects the greater concentration of total product failures among such cases, many of which were likely to have been apparent immediately after purchase.

Chart 12: The timing of product problems
Asked of: All problems experienced by consumers (n=1,342, wtd=18.28M)



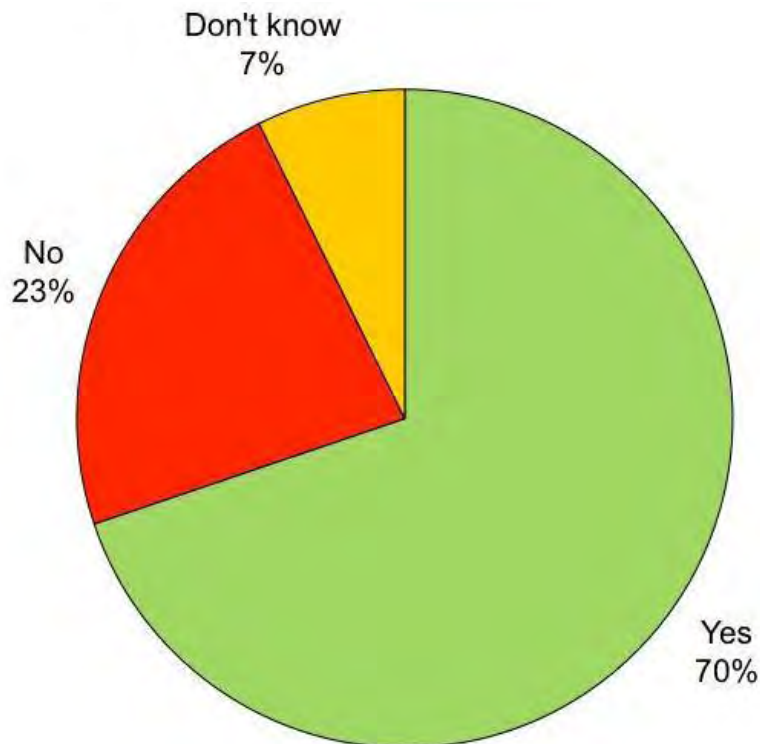
Q7: How soon after you bought or received the product did you realise that there was a problem with it? [DO NOT READ OUT – SINGLE RESPONSE]

6.3. Was the product covered by a warranty?

Since most consumers encountered problems soon after buying or receiving the product, seven in 10 products were still under warranty when the problem arose (refer Chart 13). This varies relatively little across a wide range of product and demographic characteristics. When products are under warranty, consumers are more likely to get what they are after in terms of refunds, replacements or repairs. The research showed:

- 80 per cent of problems where full redress was gained were under warranty
- in comparison, 73 per cent of those with partial redress, and 68 per cent with no redress were covered by warranty.

Chart 13: Whether products were covered by warranty when problems arose
Asked of: All problems experienced by consumers (n=1,342, wtd=18.28M)



Q8: Was the product covered by any sort of warranty at the time that you noticed the problem? [DO NOT READ OUT – SINGLE RESPONSE]

6.4. What sort of warranty?

Overwhelmingly it was a standard manufacturer's warranty in place at the time problems occurred (refer Chart 14). A small proportion of problems (about one in eight) were covered by extended warranties, even though a much higher proportion of consumers have bought such warranties at some time in their life.

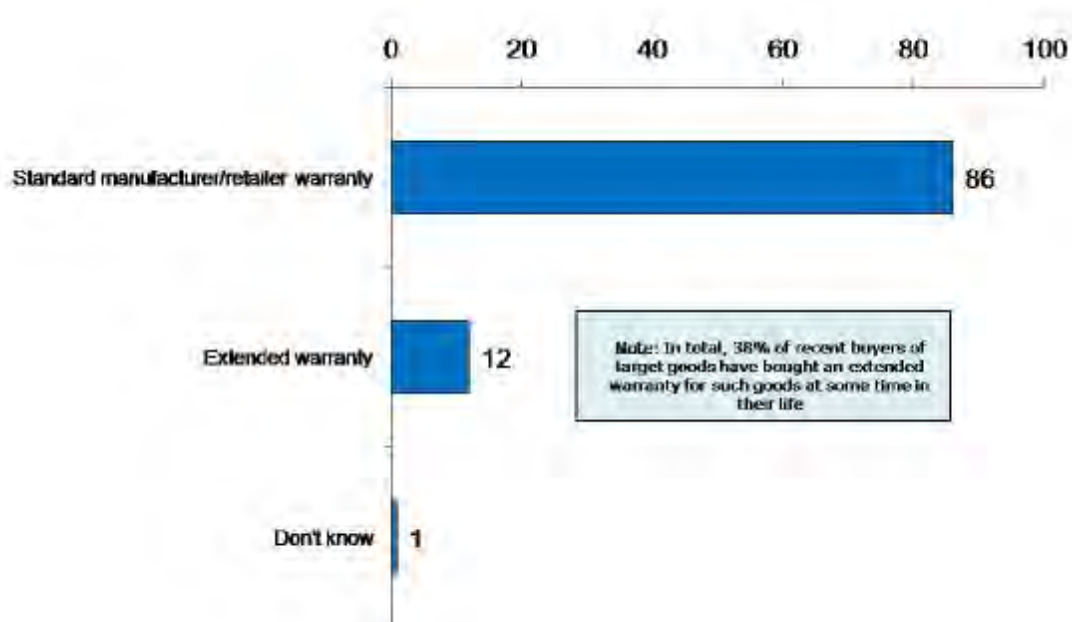
Extended warranties were more likely to be in place for problems with:

- white goods (20 per cent)
- large electrical goods (15 per cent)
- high value products generally – 18 per cent of goods worth more than \$500 at purchase, compared with only 7-10 per cent of lower value products.

Reasons for purchasing extended warranties are discussed more extensively in Section 7.

Chart 14: Type of warranty coverage

Asked of: All problems covered by warranty (n=951, wtd=12.72M)



Q9: What sort of warranty was that – was it a standard manufacturer's warranty or retailer warranty that came with the product, or an extended warranty that you had to pay extra for? [DO NOT READ OUT – SINGLE RESPONSE]

6.5. How long was the warranty for?

A 12-month warranty is clearly the norm – warranties covering goods with which problems were experienced had a median duration of 13 months (refer Chart 15). More than half (56 per cent) of all warranties were for 12 months exactly, with only 5 per cent for shorter durations.

Longer warranties were primarily for higher value products (white goods and large electrical had median durations of 15 and 14 months respectively) and/or for extended warranties (median duration of 25 months). The extended warranty share of all warranties rose from 13 per cent of 12-month warranties, to 18 per cent of two-year warranties, and 66 per cent of three-year warranties.

Chart 15: Length of warranty covering the products
Asked of: All problems covered by warranty (n=951, wtd=12.72M)



Q10: How long was that warranty for? [DO NOT READ OUT – SINGLE RESPONSE]

6.6. What did consumers do first?

Once consumers realised they had a problem with a product, they usually went straight back to the retailer (refer Chart 16). In seven out of 10 cases, consumers went initially to either the retailer or manufacturer. However, one in five simply disposed of the faulty product or did nothing because it was out of warranty. When consumers throw away faulty products, more than half buy a replacement product at their own expense.

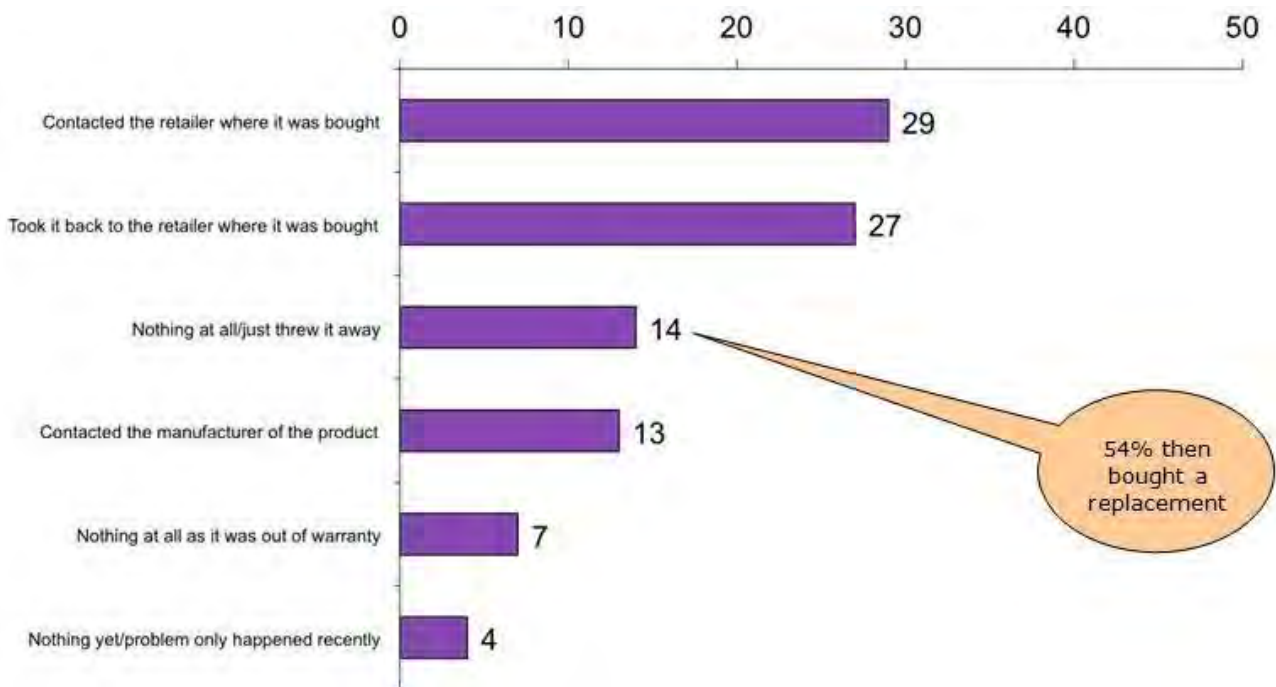
“Generally I don't bother getting things repaired, because like most people mentioned they pretty much work fine until the warranty runs out. I've had a couple of DVD players, which have stopped working under warranty, but didn't bother getting them repaired because they only cost \$40 odd dollars anyway and it was less effort to just replace them...” Consumer

A number of differences emerged in relation to initial actions taken by consumers:

- Small electronic and small electrical products were the most likely to be simply thrown away – 19 per cent and 17 per cent respectively.
- Consumers were more likely to contact the retailer if the product was covered by extended warranty (46 per cent, against 30 per cent with standard warranty, and only 24 per cent of those with no warranty at all).
- Those with problems with white goods were far more likely to contact the retailer rather than take the goods back (35 per cent and 12 per cent respectively).
- Consumers with detailed awareness of their rights were more likely to bypass retailers and go straight to the manufacturer about the problem – 15 per cent contacted the manufacturer, compared with only 10 per cent of those with no awareness of their rights.

This suggests that such consumers either know from experience that they are likely to gain redress more promptly and/or successfully via the manufacturer, or view the manufacturer as the appropriate point of contact because of their ‘ownership’ of the standard warranty.

Chart 16: Initial action taken after product problems arose
Asked of: All problems experienced by consumers (n=1,342, wtd=18.28M)



Q11: What did you do FIRST when you realised that there was a problem with the product? [DO NOT READ OUT – SINGLE RESPONSE]

The following case studies illustrate the spectrum of product problems consumers shared through the qualitative research, including the variety of response encountered from traders.

Case study 4: Resolved immediately

A consumer purchased titanium hair straightener at a cost of \$240 and experienced problems during the first week ('it blew up').

The consumer took the product back to the shop but was told they would send it away to get repaired and it could take up to three months.

The consumer was not happy with this response so the retailer sent them to the manufacturer direct. The manufacturer agreed to replace it on the spot.

The consumer was satisfied with this outcome.

"It's very annoying isn't it when you buy something new - you want to use it straight away. It's exciting, you want to play with your new toy. They should just replace it. You don't want to have to wait. You paid the money to have it and it's not doing what it should. That's not your fault is it?" Consumer

Case study 5: Resolved but not what consumer requested

A consumer purchased a DVD player, but the product was DOA- it never worked at all.

The consumer returned the product to retailer, who sent it away for repair.

After six weeks the product returned to the consumer and was still not working.

The consumer requested money back but was given store credit.

"Six weeks later I got it back to find out it still didn't work, what a waste of time that was. I just got my money back or, should I say, credits to use in the store. Money would have been better, but what can you do." Consumer

Case study 6: Repair partly at consumer's cost

A consumer purchased an LCD TV for \$1,900 two years ago. The TV stopped working one month out of warranty.

The consumer rang the manufacturer and was told the TV required a software upgrade, which would cost nothing. When the consumer contacted a sub-contractor for the software upgrade, they were advised the upgrade would not fix the problem.

The consumer again contacted the manufacturer, who admitted the consumer had been given wrong information. The manufacturer agreed to pay for the cost of parts and the consumer had to pay for labour.

The cost of the parts was about \$1,500 and the labour was about \$300.

Although the consumer had to pay \$300, they were extremely satisfied with outcome.

"The service repairer who fixed my TV told me that [brand] are the best company to deal with regarding repairs. The repair took about a week and I have not had a problem since. I was extremely happy with the outcome and now I recommend the company to others as a result of this speedy resolution to my issue." Consumer

Case study 7: Repair at consumer's cost

A consumer purchased a plasma TV (cost unknown) with a 12-month warranty.

They experienced problems one month after the warranty ran out.

The consumer contacted the retailer, whose response was "we are sorry sir, once it's out of warranty there is nothing we can do but here is the number to call".

The consumer contacted the service centre and they sent a repairer to fix the TV. The out-of-pocket cost for the consumer was \$100.

"I find it amazing how they seem to know exactly how much warranty to put on things, just enough so they don't have to repair anything." Consumer

Case study 8: Protracted dispute, resolved with intervention

A consumer purchased a \$600 washing machine and experienced constant problems.

After six weeks the machine wouldn't spin and would leave the water in the bottom of the machine, and also there was a screw loose in the barrel.

After several repair visits from the warranty call-out, the machine completely blew up.

The consumer was given a replacement machine but experienced problems after three months.

The consumer, fed up with faulty machines, demanded full refund. The manufacturer refused until a court date was set.

"In the end I had been through two machines within 12 months, so demanded a full refund, which was originally declined. It took lodging an appeal with the Department of Consumer Affairs to contact manufacturer with a court date for them to agree to fully refund me the money!" Consumer

Case study 9: No resolution

A consumer purchased a flat-screen projector TV for about \$4,000. The TV came with an 18-month manufacturer's warranty.

Just after the warranty expired, an error message advised that the lamp had to be replaced.

The consumer contacted the manufacturer, who advised the consumer to take it to a repair centre and have the lamp replaced at a cost of \$900. The error message continued to appear.

Since then, the consumer has found several threads in online forums suggesting this is a common problem. The consumer has not followed this up with the manufacturer.

"I have not bothered to follow up with the manufacturer and have just been left feeling bitter as we paid the \$900 for a replacement lamp and labour and apparently all for nothing... I have just given up as past warranty and occasionally my TV is fine but other times will not work at all. I was hoping for a TV that would be fine for another couple of years." Consumer

6.7. What redress were consumers seeking?

Consumers are generally very reasonable when it comes to the redress they seek. Most consumers wanted a fully usable product – so replacement or repair in a timely manner was sought; refunds were rarely the objective (refer Chart 17).

“I thought we would send it back to the manufacturer and have it replaced.” Consumer

*“I think when a product is brand new & doesn’t work it should automatically be replaced immediately.”
Consumer*

“All we wanted was it fixed quickly and not to take months when we had just purchased it three months earlier.” Consumer

“I expected that the phone would be repaired or replaced within the terms of the guarantee but that was not the case. ... I would have been happy with a replacement phone of a lesser value or even with a part refund of the repair cost.” Consumer

Consumers wanted a refund for only 8 per cent of product problems and this was disproportionately in relation to low-value purchases – small electronic/electrical goods. Such products were also a considerable focus for requests for replacements.

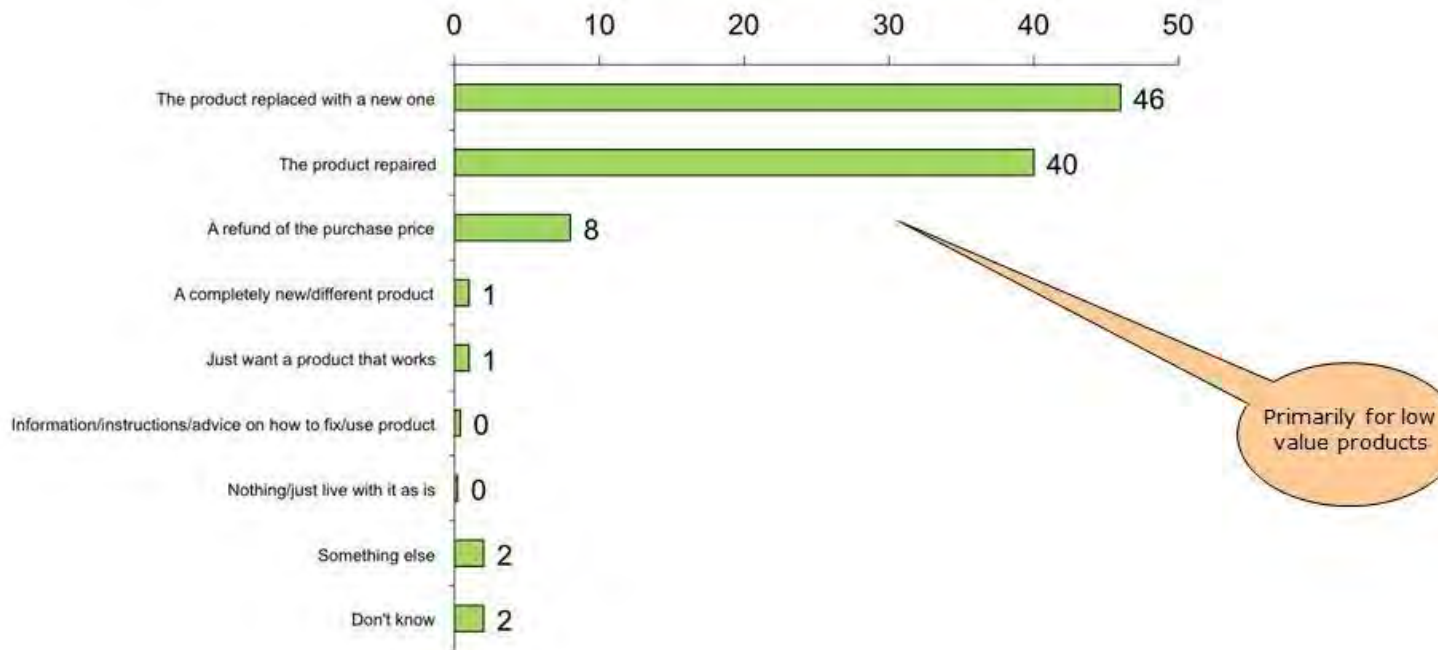
- 51-52 per cent of consumers faced with problems with such products wanted a replacement, compared with only 35 per cent of those experiencing problems with white goods.
- In the case of white goods, consumers more often wanted repairs carried out – 53 per cent, against 33-44 per cent of other products.

This may be a matter of effort – the difficulty in getting a faulty refrigerator or washing machine back to the retailer or manufacturer is considerably greater than for smaller products such as an iron, toaster or iPod.

However, the preference for repairs may also reflect a general satisfaction with the product, despite the fault.

Chart 17: Nature of redress sought by consumers

Asked of: All problems where consumers sought redress (n=1,034, wtd=14.00M)



Q12: Did you want...? [READ OUT – MULTIPLES ALLOWED]

6.8. Did they get what they wanted?

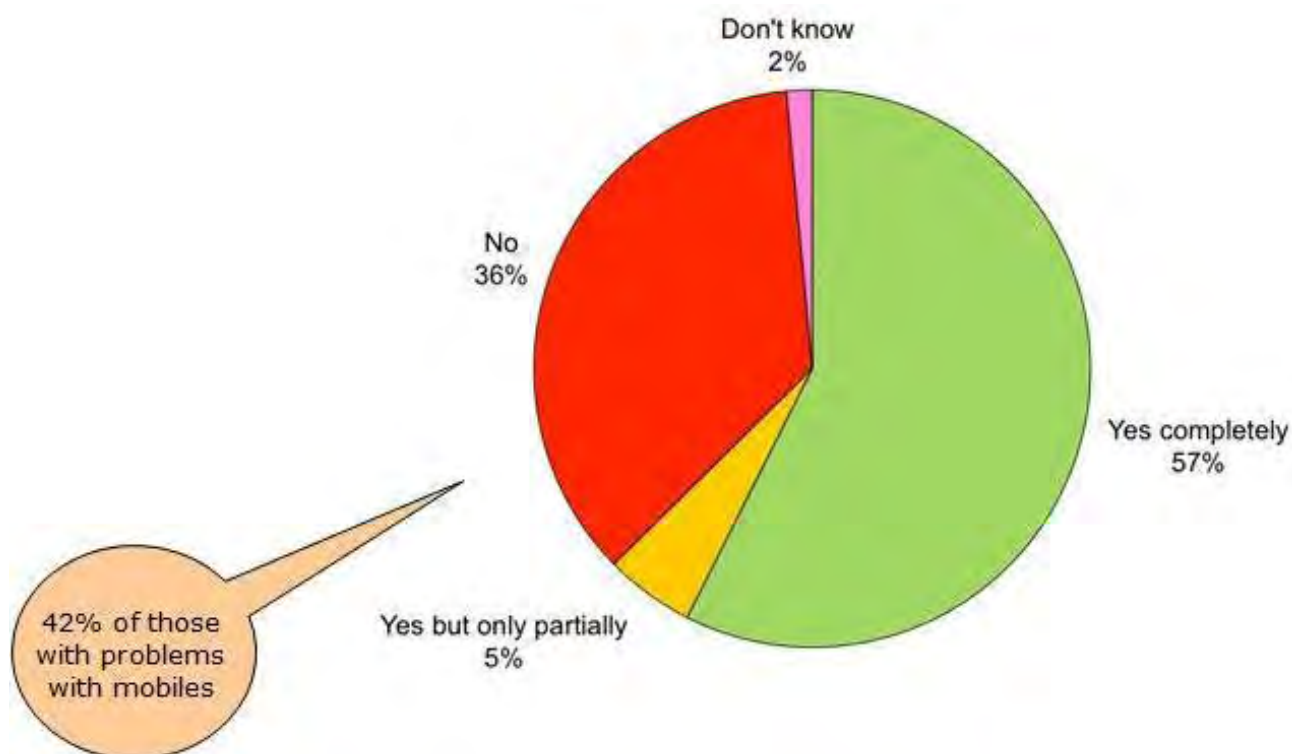
A small majority of consumers received the redress they sought (mostly replacements/repairs). However, more than a third got nothing of what they sought (refer Chart 18). This outcome leaves considerable room for consumer dissatisfaction.

The extent to which consumers gained no redress at all varied substantially:

- 42 per cent of problems with mobile phone handsets, compared with 31 per cent of small electrical goods
- 45 per cent of problems where the product was out of warranty.

Seven out of 10 such problems occurred within 12 months of purchase, so may have been covered by statutory warranties.

Chart 18: Whether full or partial redress was gained
Asked of: All problems where consumers sought redress (n=1,034, wtd=14.00M)



Q13: And were you completely successful in getting [REDRESS SOUGHT]? [DO NOT READ OUT – SINGLE RESPONSE]

Case study 10: Problem resolved with no help from trader

A consumer purchased a computer and had experienced graphics card problems within the warranty period.

The consumer took it back to retailer to be looked at by the in-house service department.

The consumer was advised it probably wasn't a graphics card problem, but the whole motherboard. The retailer said they couldn't do anything about it and that they were too busy.

The consumer purchased another graphics card for \$60 and the computer worked fine.

"I expected for my computer to at least be looked at, not the response 'it's probably this problem and we can't fix'...nothing was done, no help offered." Consumer

Case study 11: Problem left unresolved

A consumer 'purchased' flip mobile phone – the cost of phone was 'nil' on a \$49 cap.

In the first few months, the customer had the phone replaced five times through her service provider.

The problems included a battery issue (not holding a long charge) and other minor problems.

"In the end I've just put up with it... I do really love the phone and still have the last replacement now." Consumer

6.9. What happened in cases of partial or no redress?

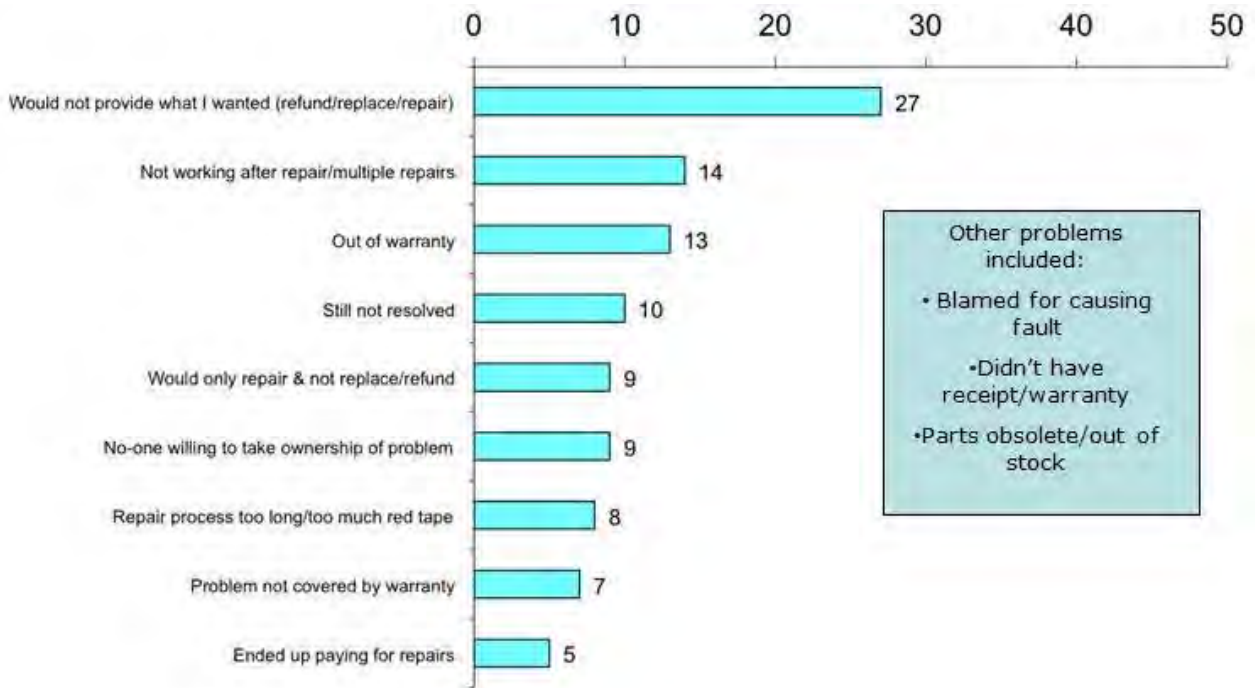
The key problems related to a mismatch between what consumers wanted (refund/replace/repair) and what traders were prepared to offer them, particularly for mobile phones and small electronic goods (refer Chart 19). Unsatisfactory repairs, delays and red tape also cause dissatisfaction. The source of discontent varies considerably between different products:

- For white goods, a key problem was that the product was still not working properly after repairs (and sometimes multiple repairs) – 24 per cent, against 8-12 per cent for small electronic/electrical goods and mobiles. Large electrical products also had such problems (19 per cent)
- In the case of mobile phone handsets, redress was often not given because the product was out of warranty (18 per cent, compared to 9-12 per cent of other products).

The qualitative research also highlighted that in many cases no redress was received because the manufacturer claimed the consumer was at fault, particularly in relation to mobile phone handsets.

“I bought an (brand) mobile phone and had trouble with it from the very beginning. I took it back to (retailer) on three separate occasions and the staff removed the battery, cleaned the terminals and we began again. Finally the phone would not work... so I took it back yet again and it was sent away for repair. Though it was well within its guarantee period, it was maintained that I had mistreated the phone and that I was responsible for its repair. I am fanatical about my phones so I knew this was not the case. Though in each case the staff stated that this model has many problems and that many had been returned, I could still get no satisfaction and was hit with a repair bill of \$220.” Consumer

Chart 19: What led to consumers not receiving full redress
Asked of: All problems where consumers received partial or no redress (n=436, wtd=5.75M)



Q14: Why do you say that? What did they do? [PROBE FULLY] And what else?

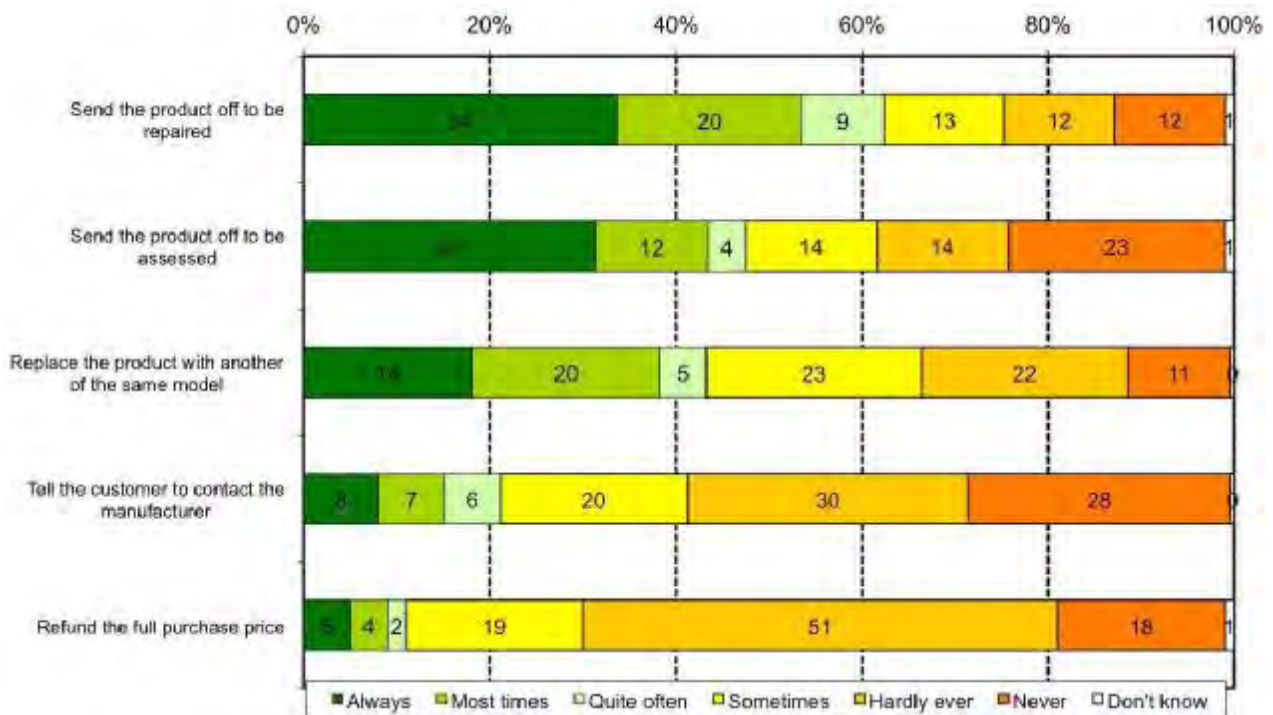
6.10. What do retailers say they are doing?

In line with customer preferences, refunds are infrequently given by retailers; the norm is to send the product away to the manufacturer or service centre, either to be assessed or repaired (refer Chart 20).

Much of what retailers claim to be doing aligns with what consumers are seeking and what consumers say is happening. However, two areas of discrepancy are:

- consumers were more likely to seek a replacement (46 per cent of problems) than repairs (40 per cent), but retailers were far more likely to claim to be mostly or always repairing than to be offering a replacement product
- very few retailers claim to tell customers to contact the manufacturer, but almost a third of consumers claimed that this is precisely what happened when they contacted the retailer (Section 5.12 provides more detail on this issue).

Chart 20: What retailers claim to be doing most often
Asked of: All retailers (n=500, wtd=13,010)



Q11: When a customer contacts you or brings back any [SELECTED PRODUCT] because they consider it to be faulty, and this occurs within the manufacturer's warranty period, how often would you...? [READ OUT – SINGLE RESPONSE TO EACH]

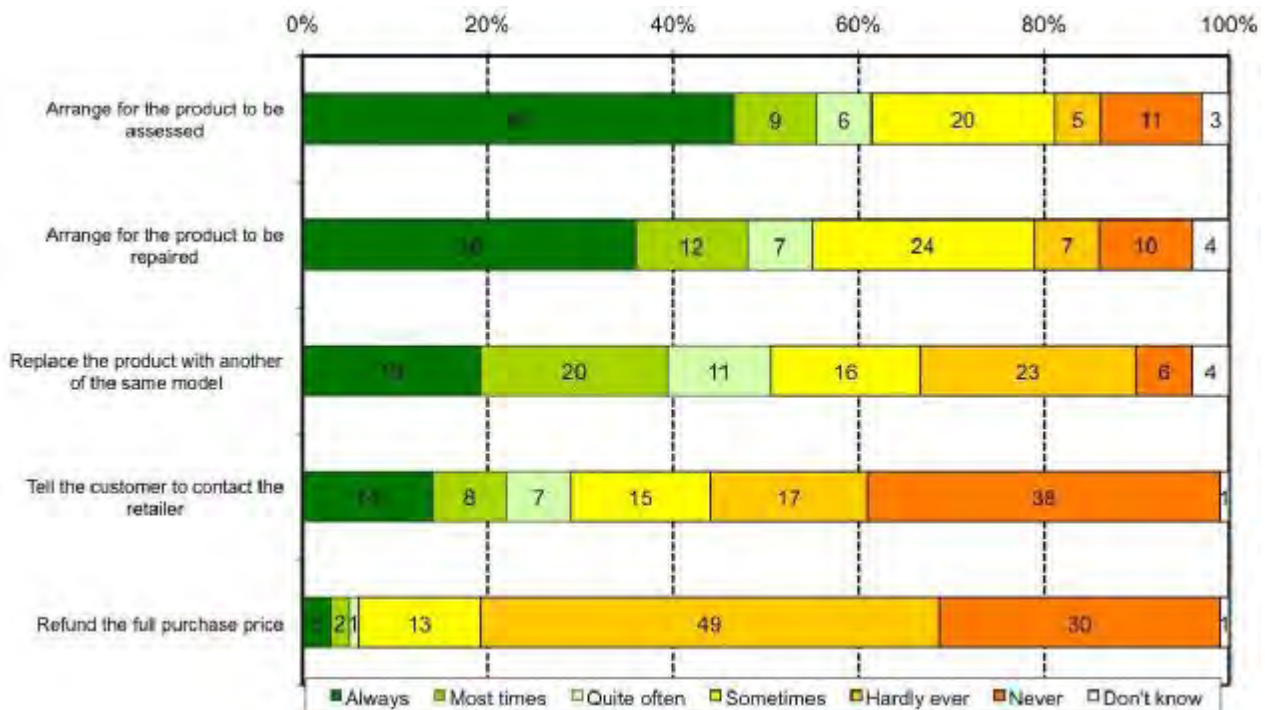
6.11. What do manufacturers/importers say they are doing?

Manufacturers/importers claimed to be adopting similar approaches to retailers, although they appear even more likely to seek an assessment of the fault before acting (refer Chart 21). For more than half of all manufacturers/importers, arranging for an assessment occurs in most or all cases.

This is particularly marked for mobile phone handsets and small electronic goods; 61 per cent always do this, and 11 per cent do so most times in relation to such smaller technology-based products.

This focus on referral is also particularly marked among respondents whose role is as a warranties or customer care manager (72 per cent always refer for assessment), or who have less experience in their role (57 per cent if less than five years, 39 per cent if more).

Chart 21: What manufacturers/importers claim to be doing most often
Asked of: All manufacturers/importers (n=123, wtd=2,668)



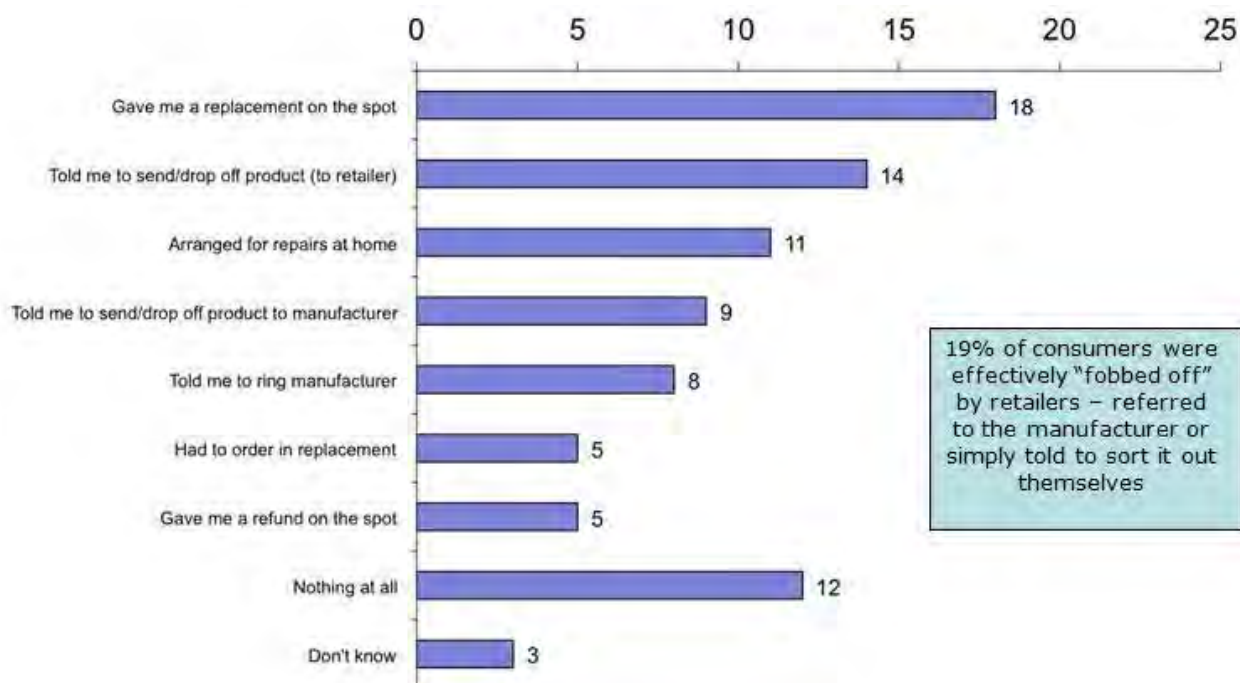
Q11: When a customer contacts you or brings back any [SELECTED PRODUCT] because they consider it to be faulty, and this occurs within the manufacturer's warranty period, how often would you...? [READ OUT – SINGLE RESPONSE TO EACH]

6.12. What did traders do when contacted by consumers?

Consumers reported that almost a quarter of retailers sorted things out on the spot, mostly by giving consumers a replacement, or in some cases a refund (refer Chart 22). Traders were proactive in other ways too – arranging for faulty goods to be picked up for repair, for repairs to be carried out at the consumer’s home, and ordering replacements not in stock when the consumer called or visited.

However, almost one in five consumers said they were ‘fobbed off’ – told to contact the manufacturer or send/drop off the product to them, or simply told that there was nothing wrong and they (the consumer) should sort it out themselves. This was more likely to happen with higher value products, and particularly large electrical goods (20 per cent of problems with such products).

Chart 22: Action taken by trader after being contacted
Asked of: All problems where consumers sought redress (n=1,034, wtd=14.00M)



Q15: What did the [RETAILER/MANUFACTURER] do when you contacted them? [DO NOT READ OUT – MULTIPLES ALLOWED]

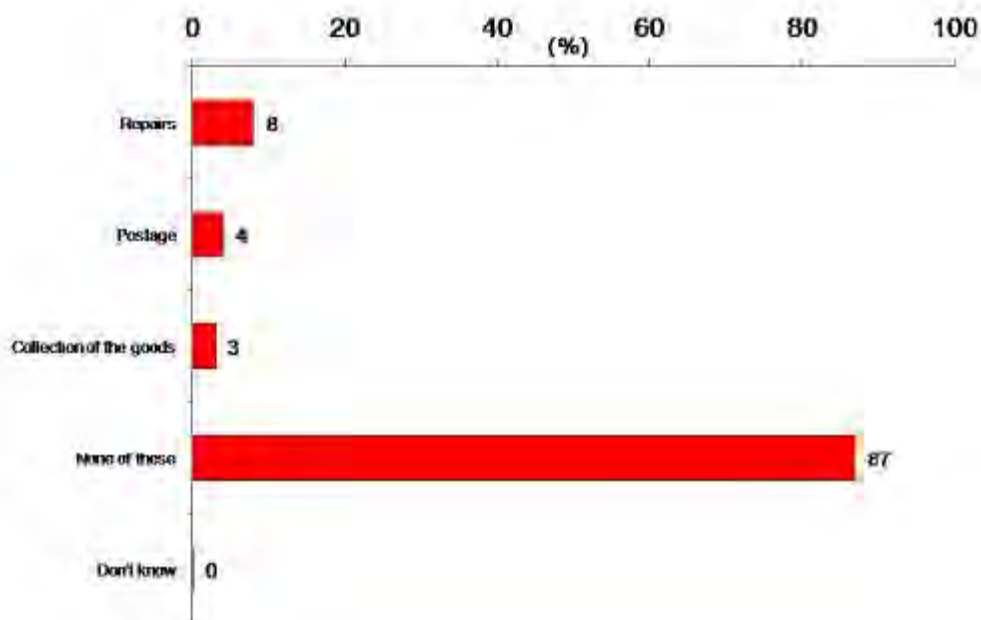
6.13. Did consumers have to meet delivery or collection costs?

When faulty goods have either to be transported to the manufacturer or service centre, or repaired on-site at the consumer's home, one in eight consumers are asked to meet delivery or collection costs (refer Chart 23). Primarily they have to pay for the cost of repairs rather than transportation of goods.

- Repair costs were more likely to be met by consumers in relation to small electronic goods and white goods (11 per cent).
- Consumers with mobile phone handset problems were more likely than others to have to pay postage costs (6 per cent, compared with 3 per cent for other product categories).

Meeting such costs, particularly for repairs, was also more likely when the product was out of warranty.

Chart 23: What transport/delivery costs were met by consumers
Asked of: All problems where product had to be transported or repaired at home (n=373 consumers, wtd=5.10M)



Q16: Did you have to pay any of the costs, such as for...? [READ OUT – MULTIPLES ALLOWED]

Some traders acknowledge passing on some costs to consumers, particularly transportation and assessment costs. Regional consumers in particular can be penalised most for transportation costs.

*“Low end phones – charge customer minimal fee \$7 each way; high end phone – don’t charge customer”
Retailer*

“We try to get customers to do it themselves (return to base) – we tell them to get it to Canberra themselves” Retailer

*“Outside service areas – customers are required to deliver back to their nearest store at their own cost”
Manufacturer*

“Some manufacturers put service centre every 1,000km yet state customers must use their centre’s – can make things difficult as customers are required to cover costs to closest repairer” Manufacturer

“There was nothing mentioned to us at the time of purchase that if there was a problem that the item would have to be returned to the manufacturer at our cost, and nor was it anywhere on the docket. It was on a small sign in the store. You might say fair enough, but it was the way the message was conveyed that was most disappointing - almost as if ‘we’ve done the sale now bugger off’.” Consumer

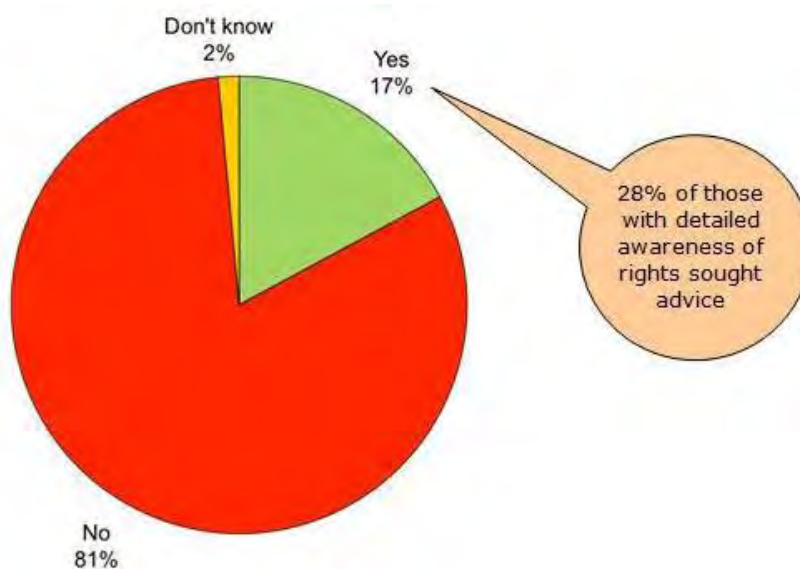
*“Had a slide (mobile) phone, had to pay a service fee of \$50 so they could test it to see if it was my fault”
Consumer*

6.14. Did consumers seek external advice?

Relatively few consumers sought advice from others when they did not receive the redress sought (refer Chart 24). Consumers sought advice on only one in six product problems where they received only partial or no redress. This was more likely among:

- consumers with detailed (unaided) knowledge of their rights beyond manufacturer's warranties – 28 per cent sought external advice, against only 16 per cent of less informed consumers
- young consumers (16-24 year olds – 22 per cent sought advice) and middle-aged consumers (23 per cent of people aged 45-54)
- consumers from non English-speaking backgrounds (24 per cent, against 16 per cent of other consumers).

Chart 24: Whether consumers sought advice when they didn't get redress
Asked of: All problems where consumers received partial or no redress (n=436, wtd=5.75M)



Q17: Did you seek advice from someone else when you didn't get the result that you were after from the [RETAILER/MANUFACTURER]? [DO NOT READ OUT – SINGLE RESPONSE]

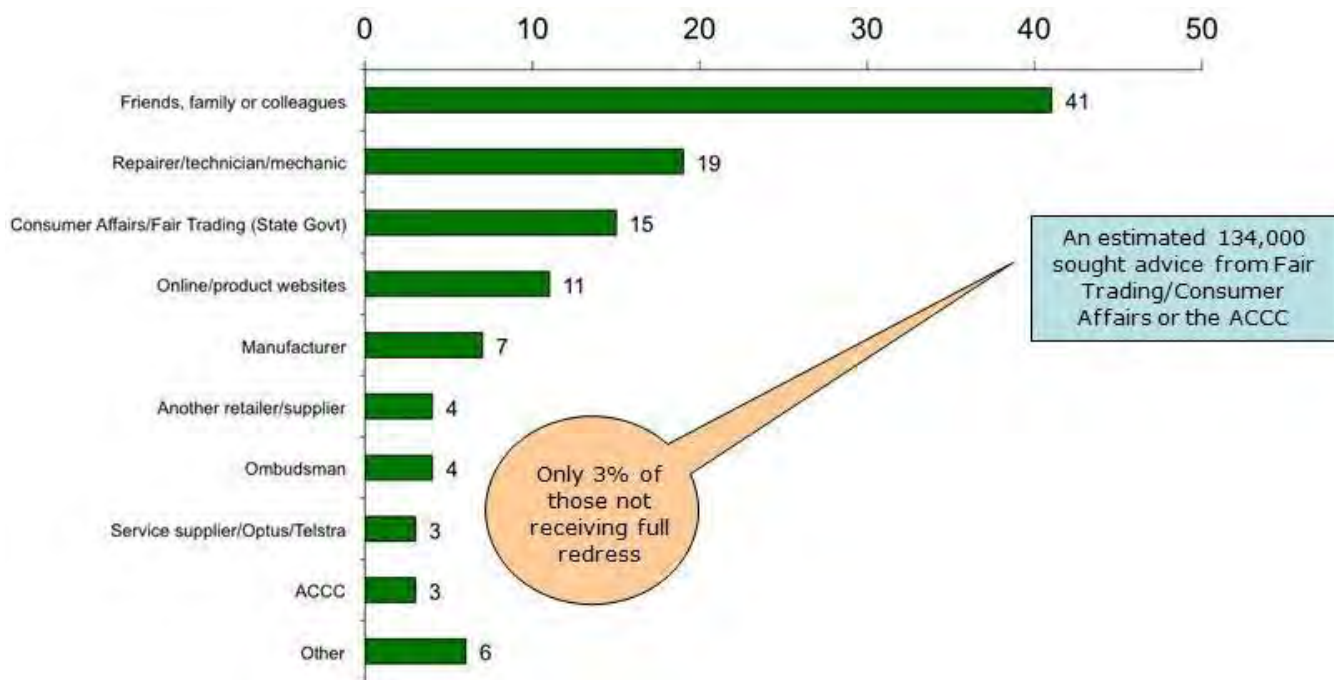
6.15. Who did they turn to for advice?

Consumers place a strong reliance upon personal and technical sources of advice; government agencies play a relatively limited role at present (refer Chart 25). More than four in 10 consumers seeking advice simply consulted friends, family or colleagues, drawing on personal experience with similar situations.

Technical sources of advice included repairers or technicians, product websites and the manufacturer – together, such sources were used for one in three product problems.

Government agencies (state/territory consumer affairs/fair trading, and the ACCC) appear to have been used by very few affected consumers – an estimated 134,000 consumers contacted such agencies in relation to 176,000 product problems during the two-year period. This equated to only three per cent of problems where the consumer did not gain the full redress sought.

Chart 25: Who consumers sought advice from when they didn't get redress
Asked of: All consumers who sought advice (n=79, wtd=0.99M)



Q18: Who did you seek advice from? [DO NOT READ OUT – MULTIPLES ALLOWED]

6.16. How long did it take to sort out the problem?

Most problems are sorted out within a week and take less than three weeks on average to resolve (refer Chart 26). In fact, just under three in 10 problems are sorted out on the day that they are first noticed by consumers. This portrays the process as relatively speedy but many quick resolutions did not deliver what the consumer sought. For example, a quick resolution was when the consumer decided to throw the product away rather than seek a replacement, refund, or repairs.

Aside from this substantial number of quickly resolved problems, about one in seven problems take more than a month to resolve. These problems are more prevalent in relation to higher-value white goods and large electrical goods.

The qualitative research indicates that sometimes the timeframe for repairs is a significant issue for consumers. Although consumers may be discontent with current practice, they believe they have little recourse when it comes to timeframes.

“They just seem to expect that we should be able to go without a dishwasher or a washing machine for 4-6 weeks without offering any replacement.” Consumer

“The length of time (six weeks) was unacceptable. It was just fortunate that I had another small spare fridge I could use.” Consumer

Mobile phone handset repairs can also be particularly frustrating, with some consumers claiming to wait over six weeks for phone to be repaired. However, this is often not a major issue because most consumers have access to an old phone that they can use as a replacement.

The qualitative research also highlighted that delays in repairs can be partly due to including the retailer in the process. Some traders did acknowledge this problem and suggest that including the retailer in the service loop often extends the repair time unnecessarily.

*“If customers go via retailer, this delays overall repair time, adding 10-15 days generally.”
Manufacturer*

“It just adds another layer, and time.” Manufacturer

“When I had a problem with my phone, [the retailer] said it would take three weeks to get fixed. Took it to the [brand] shop and problem fixed in 24 hrs. Point is sometimes it pays to go out of your way to deal with manufacture directly. The agent [salesperson] is only there to get his commission and figures it is not his problem if it doesn't work.” Consumer

In keeping with other results, more informed consumers were able to sort out problems more quickly.

- Consumers with detailed (unaided) awareness of their statutory rights took an average of 2.1 weeks, compared with 2.8 for those with partial knowledge, and 3.1 for those with no knowledge of their rights at all.
- Consumers who sought advice from government consumer affairs/fair trading agencies had particularly protracted problems, lasting an average of 14 weeks, with 11 per cent taking more than 12 months to sort out.

This provides a further indication of the intransigent nature of the disputes presented to government agencies, compared with the overall pattern of product problems.

Chart 26: Time taken to sort out product problem
Asked of: All problems where consumers sought redress (n=1,034, wtd=14.00M)



Q19: How long did it take to sort out the problem from when you first contacted the [RETAILER/MANUFACTURER]? [DO NOT READ OUT - SINGLE RESPONSE]

7. EXTENDED WARRANTIES

This section explores the consumer's experience and perceptions of extended warranties including:

- how many consumers have ever purchased an extended warranty
- why they purchase them or not
- what concerns, if any consumers have about them
- trader's views of extended warranties.

7.1. How many consumers have ever purchased an extended warranty?

In total, extended warranties have been purchased by 38 per cent of consumers at some stage in their life. Consumers from non English-speaking backgrounds and those aged over 65 have a higher uptake of extended warranties than other segments.

Twelve per cent of problems were experienced when the product was covered by an extended warranty. More vulnerable consumers are more likely to have experienced a fault while the product is under extended warranty.

- Consumers aged 16 – 24 years and those aged over 65 are more likely to have experienced a problem with a product while under extended warranty (20 per cent and 19 per cent respectively compared with the average of 12 per cent)
- Similarly non English-speaking background and lower income consumers (earning less than \$15,000 a year) have a higher rate of problems experienced under extended warranty (20 per cent and 21 per cent respectively).

7.2. Reasons for purchasing or rejecting extended warranties

For many consumers, extended warranties offer 'peace of mind'. For this reason, they are more often purchased for items costing more than \$500.

Extended warranties are typically purchased for white goods and large electrical items, because these are products consumers intend to keep for a longer period.

“We have taken one out on a brand new TV which I believe is worth the small extra cost. We extended the warranty to five years which is the bare minimum that I would expect a quality TV to perform at its optimum.” Consumer

“We bought an extended warranty (five-year?) for our washing machine. While it hurt a bit paying extra at the time, we figured that the \$80ish dollars it cost us was about the cost of a call out fee to get an independent fixer to come out. We've had no problems with it so far - had the machine three years. Just got my fingers crossed that it won't break the week after warranty.” Consumer

“My wife and I recently bought a clothes dryer. We were asked if we wanted an extended warranty on it. Although we had to pay a bit extra we accepted the offer. We thought it was a good idea as it would save costs in the long run.” Consumer

“If you have spent a lot of money on a product, a few extra dollars is worth a few extra years of insurance.” Consumer

Consumers who have purchased and successfully used extended warranties believe they are great value because they had their items repaired or replaced at no cost to them.

“We have extended warranty on both our HDTV and digital video camera. We took our digital video camera to the recommended repairer when it packed up and they took care of everything at no charge whatsoever. I'd definitely recommend extended warranty, but they're even better if you can get the store to chuck it in at no charge.” Consumer

“I bought a washing machine a few years back, and took out the extended warranty, and was glad I did, as once the original warranty out, I got a problem with the washer about a year later. I rang them up, and they sent a repairman out within a short time, and the problem was fixed with no expense on my part. I was very happy as it could have cost me a few hundred dollars, so I usually always take out an extended warrant on things I buy now.” Consumer

While extended warranties make sense to some consumers, others feel the sales tactics can be hard to refuse; creating a sense of fear in the consumer. Consumers quoted stories of sales people using fliers that compare several manufacturers' service call-out fee to the cost of the extended warranty. Others cited salespeople talking about many breakdowns after the product is out of warranty.

“I often find this is pushed on you when no-interest finance is being used. The theory is that you are not actually spending real money at the time so it is easier for the buyer to justify the extra expense.” Consumer

“We took out an extended warranty was on a new plasma TV ... It had a two year warranty but we paid extra to extend the warranty to five years. Its costs much more to extend and almost brings the cost of the item to more than the discount 'deal' offer which they have give you. They encourage the extra warranty to be taken out and make it sound like a good deal.” Consumer

But for some consumers, spending more on an extended warranty cannot be justified.

“I find that extended warranties are a con. If you are spending in excess of \$500 on an item then you would expect it to be well manufactured. It is basically you gambling against them in respect to their product quality. A good manufacturer should offer a lengthy warranty as standard practice to show that they have confidence in the quality of their goods.” Consumer

“I am not really a fan of extended warranties, I think they are just a money spinner!” Consumer

When consumers are more informed about their statutory rights, their view of extended warranties changes. They feel they are paying for something they already have the right to expect.

“Now I know, I say noooooooooo to extended warranties.” Consumer

“I think all the big essentials should have at least five years ... a washer, fridge or dryer you want at least five years.” Consumer

“I’d like to think five years could be standard and maybe 8 -10 years could be the extended warranty period.” Consumer

And many feel the increased use of extended warranties comes at the expense of standard (manufacturer) warranties, which seem to be getting shorter.

“I sometimes wonder if the manufacturers are happy to see the shorter warranty period since it ‘forces’ consumers to buy new ones. Cynical, but there you have it.” Consumer

*“This year we have changed our Express from standard two-year cover to one-year cover and two-year parts only cover – it’s a sign of the times, a lot of manufacturers are now doing the same thing.”
Manufacturer*

7.3. Perceived issues with extended warranties

Beyond the basic premise of paying for something that should be expected, consumers do readily cite what they perceive to be significant issues with extended warranties, including:

- lack of clarity and knowledge of who offers the cover
- limitations of what is covered
- lack of transparency in pricing or commissions.

Consumers are not always well informed about what they are purchasing and who is providing the extended warranty. The finer details of extended warranties are often not explained to consumers at the time of purchase, so consumers are not necessarily getting what they expect when problems with their products arise. The quantitative research supports these findings, showing 32 per cent of consumers with an extended warranty receive no redress.

“I got extended warranty on my fridge it started playing up so I called [manufacturer] and stated that I had extended warranty but because the [provider of the extended warranty] had shut down the warranty went with them and was no longer valid. It cost me a few hundred dollars to repair.” Consumer

“We expected that [retailer] would look after the matter for us ... they did sell me the [brand] warranty so I think that they have a duty of care to ensure that the warranty they sell at least meets their own customer service standards.” Consumer

“Anytime I have taken out extended warranties, it always appeared that if a problem arose it wasn’t under warranty.” Consumer

“I’ve taken the option of extended warranties when I’ve bought a few things - especially the damned phones, but I’ve been disappointed every time because I’ve found later there is always some loophole for them to wriggle through so they fail to fulfill that promise of continued ‘excellent service’.” Consumer

Lack of transparency in terms of pricing or commissions on extended warranty sales creates several problems. It appears sales people get incentives to sell extended warranties and this can interfere with market forces. Salespeople may not have the incentive to inform consumers of different manufacturer warranties, if it is in their interest to sell an extended warranty. Also, consumers are not informed of the full product price including extended warranty until final point of purchase. This means they cannot compare the ‘real’ cost, which also interferes with market forces.

“Sales staff do seem keen to push them so commissions must be good. At no time has any salesperson every sat down and talked me through the warranty as to what it covers/doesn’t cover and who will repair it/replace it.” Consumer

“I know that extended warranties cost more than the advertised price of the item I'm buying. For instance, if I'm buying a computer at a sale, and have the option of an extended warranty, it usually brings the computer's price up to the price I'd pay if it wasn't on sale.” Consumer

7.4. Traders' views of extended warranties

Traders readily defend extended warranties on the basis that it is the consumer's choice whether they buy an extended warranty. Traders readily point out that extended warranties can save consumers money in the longer term by not having to pay call out fees or repair costs.

“If the customer wants to pay for extended warranty they can.” Retailer

“One service call during that period covers cost for up to five years.” Retailer

“Sell quite a few and I'd like to sell more ... people buy then because they don't have confidence in products anymore.” Retailer

“They (consumers) are covered by statutory warranties but only to reasonable degree – e.g. service call costs \$100 call-out plus service; these costs not covered under statutory warranty.” Retailer

“If parts no longer accessible, our extended warranty will replace product.” Manufacturer

8. KNOWLEDGE AND RESPONSIBILITY

This section explores what consumers and traders know about consumer rights in relation to warranties, and who takes responsibility for refunds, replacements, and repairs. It includes:

- understanding of statutory rights
- trader responsibility for faults at various points in time from purchase
- who consumers prefer to deal with.

8.1. What do consumers know of their statutory rights? (Unaided)

Consumer awareness of statutory warranties is very low. Beyond manufacturer and retailer warranties, consumers have only a vague awareness of other protection. While many may cite the government organisations they can go to for assistance, few know much about what those organisations can do for them or about the laws that protect them.

“I am sure there are laws which protect the consumer however I cannot think of any – I just am not aware of them.” Consumer

“I believe there are laws in place but am not sure as to the nature of them, but there is always consumer affairs.” Consumer

“I believe that there are laws that protect the consumer, but they are written in ‘legalese’ so that the average person does not have a clue as to what they are actually covered under.” Consumer

“I know there are but I have no idea what they are.” Consumer

Very few consumers have clear knowledge of their rights under federal or state legislation (refer Chart 27). Almost half claimed to know of no rights beyond the standard manufacturer’s warranty. While about one in five knew the relevant government body (state or federal), hardly any were able to specify what those bodies offered them, or specifically what they as consumers are entitled to under consumer laws.

About 18 per cent of consumers taking part in the target product categories had ‘detailed awareness’ of their rights. But only 13 per cent of consumers were aware of the key elements of the statutory warranty – the right to return a faulty product and expect the trader to make good by way of repairs, a refund or a replacement product.

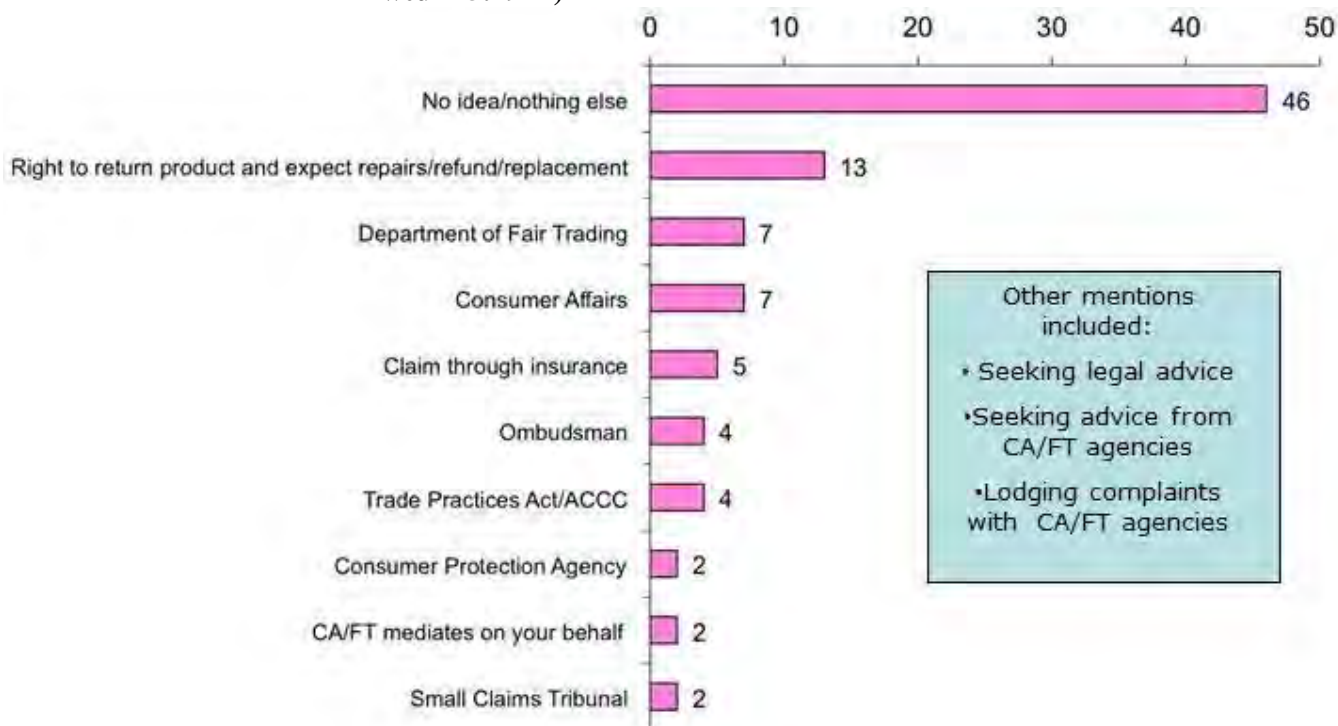
This highest level of awareness varied between different groups of consumers:

- 18 per cent of consumers in WA, and 17 per cent in SA
- 18 per cent of consumers aged 65 and over, and 16 per cent of those aged 55-65.

While 16-24 year olds were also above average in their awareness of their rights (15 per cent), they were also more likely to have no knowledge at all (58 per cent), and less likely to mention state government agencies (six per cent, mentioned consumer affairs/fair trading, against 14 per cent overall)

- only 10 per cent of consumers from non English-speaking backgrounds had high awareness of their rights (compared with 14 per cent of other consumers). This group was far more likely to have no knowledge (59 per cent), and, like younger consumers, less likely to mention consumer affairs/fair trading agencies (seven per cent)
- consumers with pension or health care cards had higher awareness of the statutory rights (18 per cent), but made fewer mentions of state agencies (10 per cent), and they were more likely to claim no awareness at all (54 per cent).

Chart 27: Consumer awareness of statutory rights (unaided)
Asked of: All who have bought/had problems with target goods (n=2,616, wtd=15.49M)



Q26: Apart from standard manufacturer and retailer warranties that come with a product when you purchase it, and any extended warranties that you pay extra for, what sort of protection do you know of that is available to all consumers who purchase goods that are faulty or damaged, don't work, or don't perform as expected? [PROBE FULLY] And what else?

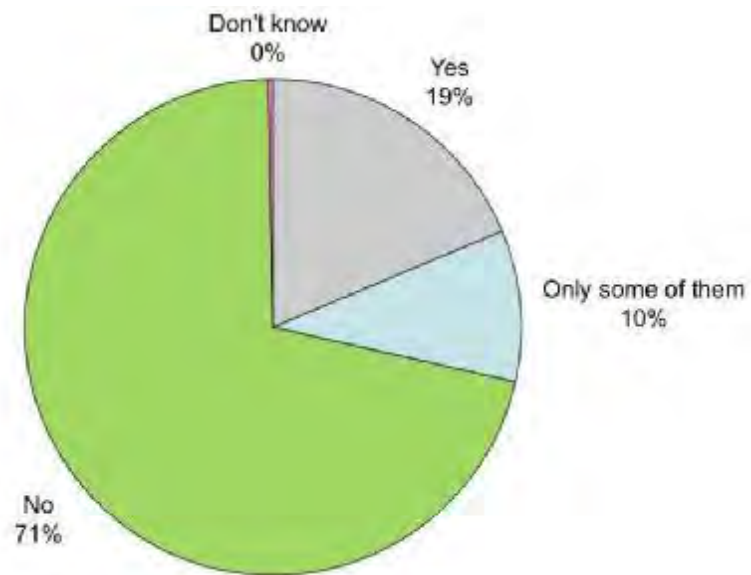
8.2. What do consumers know of their statutory rights? (Aided)

Even when a succinct definition of the key entitlements under federal and state consumer laws was read to them, more than seven in 10 consumers of the target goods claim to have not heard of their statutory rights (refer Chart 28). Among the remaining 29 per cent, one in three claimed to have only partial awareness of these rights. In light of the lower level of unaided awareness, however, we have some doubts about the 19 per cent of consumers who claim to be fully aware of their rights.

The extent to which this level of claimed full awareness varies demographically is less marked than we have seen for unaided awareness.

- Awareness generally increases with age, from 15 per cent for consumers aged 16-34, to 19 per cent for consumers aged 35-54, and 22 per cent for those aged 55 and over.
- Aboriginals and Torres Strait Islanders had far lower awareness – three per cent (although this is based on only n=52 sample).
- Consumers on personal incomes above \$75,000 a year had the highest awareness (25 per cent).

Chart 28: Consumer awareness of statutory rights (aided)
Asked of: All who have bought/had problems with target goods (n=2,616, wtd=15.49M)



Q31: Under consumer protection laws, you have the right to seek refunds, replacements, or repairs in situations where the product you buy is faulty or doesn't do what you expected it to do. These rights are separate from any warranty that may be offered by the manufacturer or retailer when you purchase the product. They apply even after the manufacturer's warranty period expires, if it would be reasonable to expect the product to last longer than this. Were you aware of all these rights before now? [DO NOT READ OUT – SINGLE RESPONSE]

8.3. What do traders know of consumer statutory rights? (Unaided)

It is not just consumers who lack awareness of consumer statutory rights – about half or more of all traders were unaware of the existence of any such rights (refer Chart 29).

Detailed knowledge of consumer rights under the law was uncommon, particularly among retailers.

- About 16-17 per cent of retailers and manufacturers/importers were able to demonstrate reasonably full understanding of consumer rights.
- A further 10 per cent of retailers and 25 per cent of manufacturers/importers knew of the existence of fair trading/consumer affairs laws, but were unable to provide any further detail on what provisions existed under such laws.
- 15 per cent of retailers actually considered consumers' own insurance to be the protection available to them beyond the manufacturer's warranty – this was mainly mentioned by retailers of mobile phones (37 per cent mentioned insurance as a consumer protection).

*“Know that even after warranty period there is still responsibility to customers but I don't know what.”
Retailer*

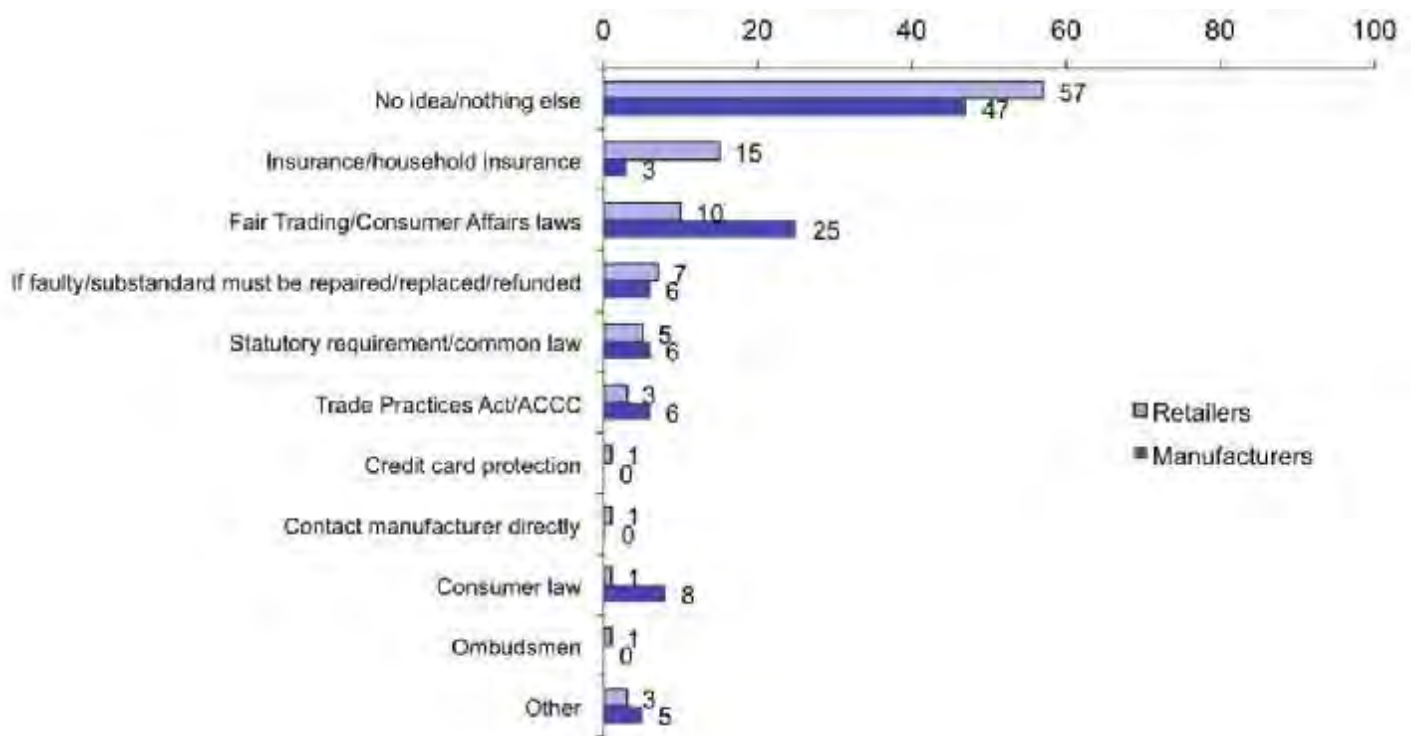
“I'll admit I don't know the obligations infinitely well.” Retailer

“Language is so legal, hard to understand – not very familiar.” Retailer

While 47 per cent of manufacturers/importers and 57 per cent of retailers claimed to have no knowledge of any additional protection available to consumers, this varied considerably, and was highest for:

- manufacturers/importers and retailers of electrical goods – both small and large (up to 68 per cent unaware of any additional protection for consumers)
- independent retailers (64 per cent unaware of any additional protection for consumers)
- Australian-owned manufacturers/importers (53 per cent unaware, compared to only 23 per cent of those from overseas-owned establishments)
- customer care specialists in retail outlets (61 per cent unaware)
- warranties and customer service managers in manufacturing/importing establishments (50 per cent unaware).

Chart 29: Trader awareness of consumer statutory rights (unaided)
Asked of: All retailers (n=500, wtd=13,010); all manufacturers/importers (n=123, wtd=2,668)



Q6: Apart from standard manufacturer or retailer warranties that come with a product when a customer purchases it, and any extended warranties that they pay extra for, what sort of protection do you know of that is available to all consumers who purchase goods that are faulty or damaged, don't work, or don't perform as expected? [PROBE FULLY] And what else?

8.4. Trader understanding of consumer law provisions

When presented with a series of statements of consumer law (some correct, some not), traders were uncertain at best about which actually apply under the law (refer Charts 30 to 32 – each statement is discussed below).

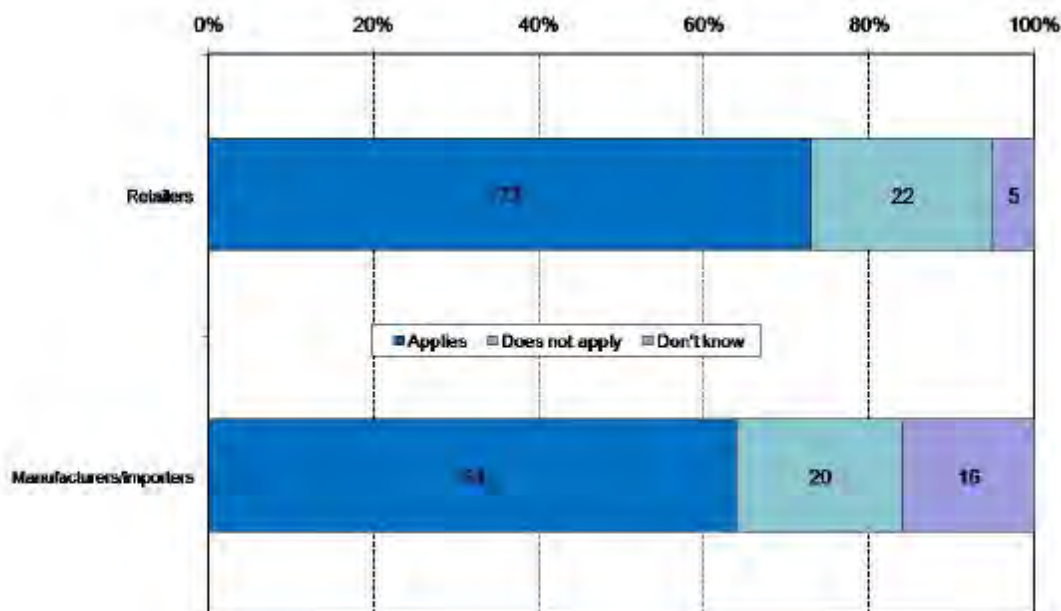
Firstly, they acknowledge an obligation to give refunds on faulty products when sought by customers, as is actually provided under consumer law (Chart 30). But 22 per cent of retailers and 20 per cent of manufacturers/importers do not consider this to be an existing right for consumers. They include:

- independent retailers (28 per cent) and franchisees (24 per cent)
- overseas-owned manufacturers/importers (41 per cent).

“Willingness to refund in this period (DOA) depends on how much the customer insists.” Manufacturer

Chart 30: Whether traders believe that “A retailer has to give a full refund if requested by the customer where the goods were faulty at purchase or didn't perform as expected”

Asked of: All retailers (n=500, wtd=13,010); all manufacturers/importers (n=123, wtd=2,668)



Q8: In your understanding of consumer laws, which of the following conditions apply? [READ OUT – SINGLE RESPONSE TO EACH]

When it comes to the (incorrect) proposition that goods must be returned in their original packaging, manufacturers/importers in particular question whether there is such a statutory requirement (Chart 31). Retailers, however, are divided on this issue – as many of them see it as a requirement as do not.

- 57 per cent of mobile phone retailers and 56 per cent of large electrical goods retailers incorrectly view this as a statutory requirement.
- It is a particularly prevalent view among retail franchisees (59 per cent).

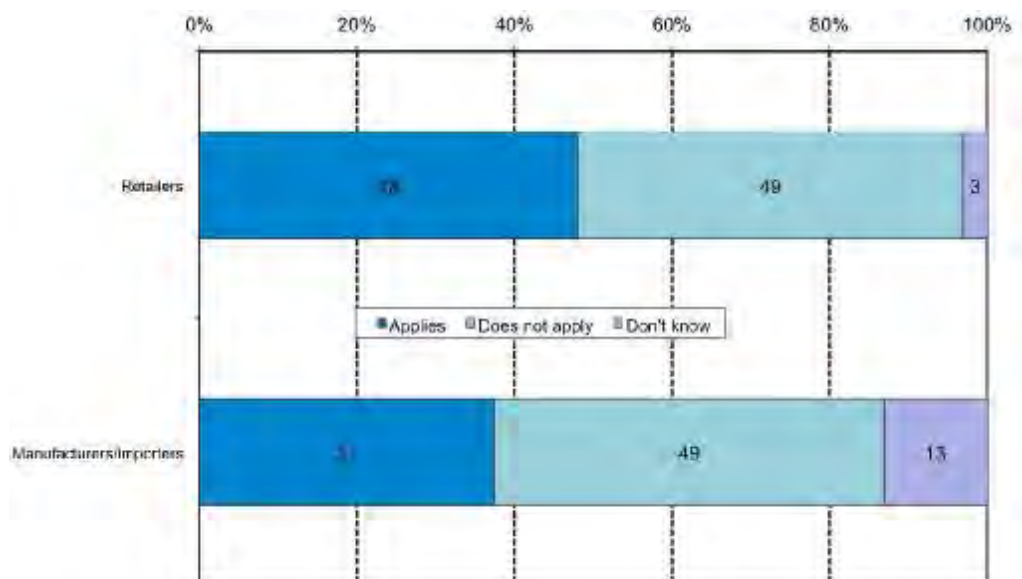
“Manufacturers say they need the box but it’s unreasonable say for a fridge.” Retailer

*“We will reject if not all (packaging) there, then it’s up to the retailer how they choose to deal with it.”
Manufacturer*

“For DOA – need box, receipt – everything.” Manufacturer

Chart 31: Whether traders believe that “Consumers have to return the goods in their original packaging if they were faulty at purchase”

Asked of: All retailers (n=500, wtd=13,010); all manufacturers/importers (n=123, wtd=2,668)



Q8: In your understanding of consumer laws, which of the following conditions apply? [READ OUT – SINGLE RESPONSE TO EACH]

Faced with a fairly comprehensive summary of implied statutory warranties, traders seem to be uncertain about their validity as a consumer right (Chart 32). For example, almost half of all retailers consider that there is no entitlement to repairs after a warranty expires, if it was reasonable to expect the goods would last longer than the warranty.

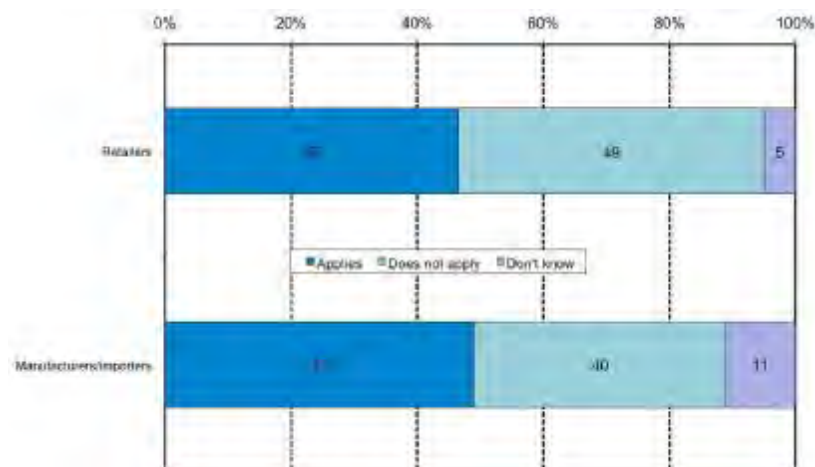
- White goods retailers did best on this – 65 per cent considered the statement to apply under consumer laws.
- However, 53 per cent of independent retailers and 51 per cent of franchised retailers did not believe that it applied.

“Once it’s out of warranty that’s it – there’s nothing we can do,” Retailer

- More than half (58 per cent) of customer care specialists in retail outlets said the condition as applied under the law.

Chart 32: Whether traders believe that “After the manufacturer’s warranty has run out, consumers are entitled to repairs to faulty goods if it is reasonable to expect that the goods should last longer than the warranty”

Asked of: All retailers (n=500, wtd=13,010); all manufacturers/importers (n=123, wtd=2,668)



Q8: In your understanding of consumer laws, which of the following conditions apply? [READ OUT – SINGLE RESPONSE TO EACH]

8.5. How long do traders take full responsibility for faults?

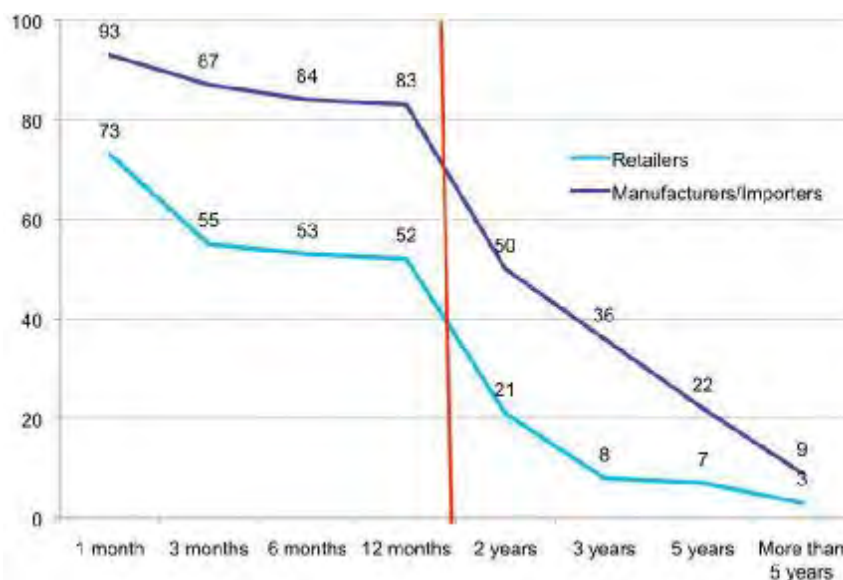
Almost all manufacturers/importers of target goods accept responsibility for dealing with product faults up to the end of the typical 12-month warranty period, but one in four retailers deny such responsibility from the start (refer Chart 33). Beyond 12 months, however, both quickly view faults as someone else's problem.

The situation after 12 months is, to some extent, expected. However, the high level of opting out by retailers even after only one month from purchase is concerning.

- 36 per cent of mobile phone retailers consider themselves not responsible one month after purchase.
- 29 per cent of retail franchisees similarly pass responsibility elsewhere at this point.

Chart 33: How long after purchase traders accept full responsibility for faults

Asked of: All retailers (n=500, wtd=13,010); all manufacturers/importers (n=123, wtd=2,668)



Q1: When a customer buys any [SELECTED PRODUCT] from your store/a retailer, do you think that your company has full responsibility for dealing with faults that arise within [READ OUT TIME PERIODS UNTIL NO/DON'T KNOW RESPONSE] of the date of purchase?

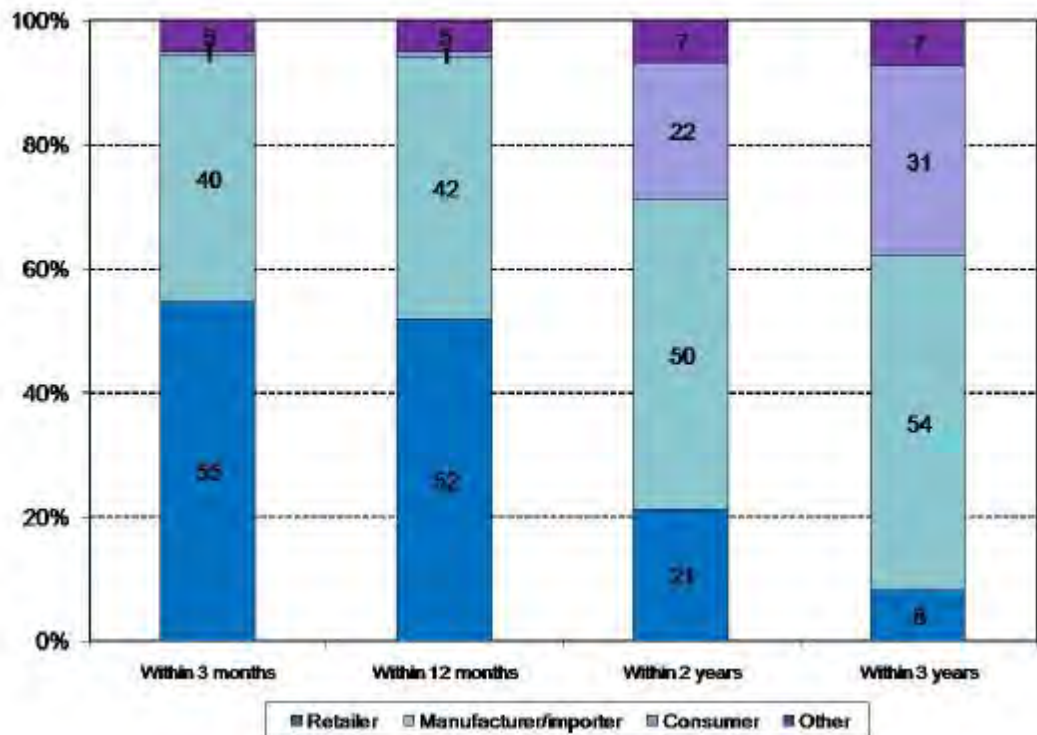
8.6. Who do traders consider to be responsible for faults?

Retailers view the responsibility for repairing faulty goods as shared with manufacturers/importers in the first 12 months, but regard it as increasingly the consumer’s concern after that point. In contrast, manufacturers/importers accept their own full responsibility during the first year, but regard anything that happens after 12 months as increasingly the consumer’s problem to deal with (refer Charts 34 and 35).

“Retailers are merely agents who sell our products – we are ultimately responsible.” Manufacturer

Chart 34: Who retailers consider responsible for faults at different times

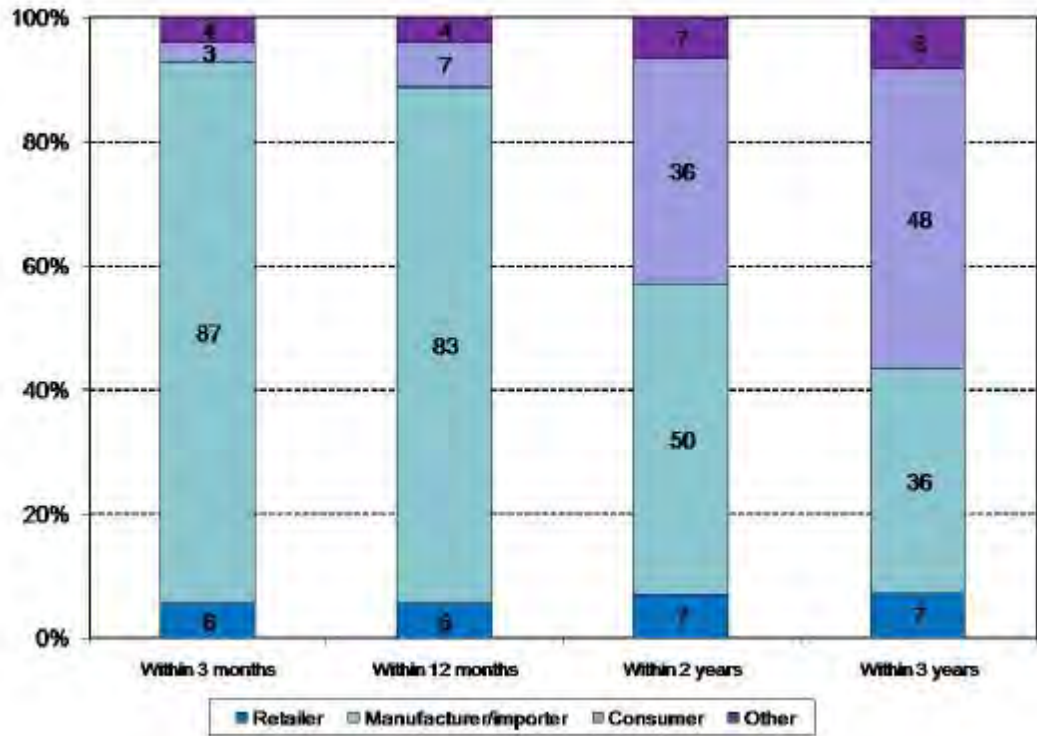
Asked of: All retailers (n=500, wtd=13,010)



Q2: If your company is not responsible for dealing with faults after [TIME PERIOD], who is responsible? [DO NOT READ OUT – MULTIPLES ALLOWED]

Chart 35: Who manufacturers/importers consider responsible for faults at different times

Asked of: All manufacturers/importers (n=123, wtd=2,668)



Q2: If your company is not responsible for dealing with faults after [TIME PERIOD], who is responsible? [DO NOT READ OUT – MULTIPLES ALLOWED]

8.7. Who do consumers prefer to deal with?

Consumers prefer to return to where they bought the faulty product to sort things out (refer Chart 36). They favour manufacturers in relation to problems with mobile phones and white goods (27 per cent of each), although retailers are still preferred.

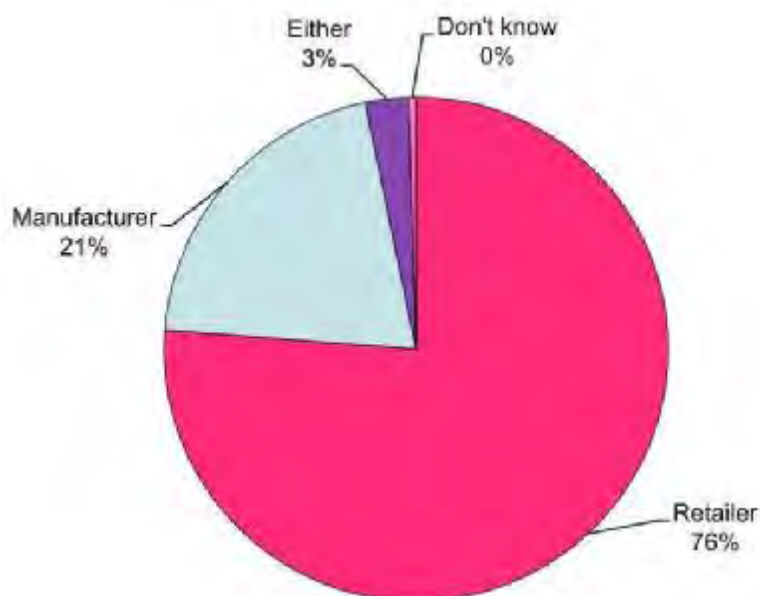
Consumers with greater/more detailed awareness of their consumer rights express stronger preference for dealing with retailers:

- 84 per cent of those with detailed knowledge, against 78 per cent of those with partial knowledge, and 73 per cent of those with no knowledge at all.

Informed consumers may be more assertive of their rights, believing that it is up to the retailer to deal with the manufacturer rather than them.

Chart 36: Consumer preference for dealing with retailers or manufacturers

Asked of: All who have bought/had problems with target goods (n=2,616, wtd=15.49M)



Q28: Who would you prefer to deal with if you have a problem with goods you've purchased – the retailer or the manufacturer? [DO NOT READ OUT – SINGLE RESPONSE]

9. EXPECTATIONS OF WARRANTIES

This section explores what consumers and traders consider to be reasonable time frames for dealing with fault claims. It includes:

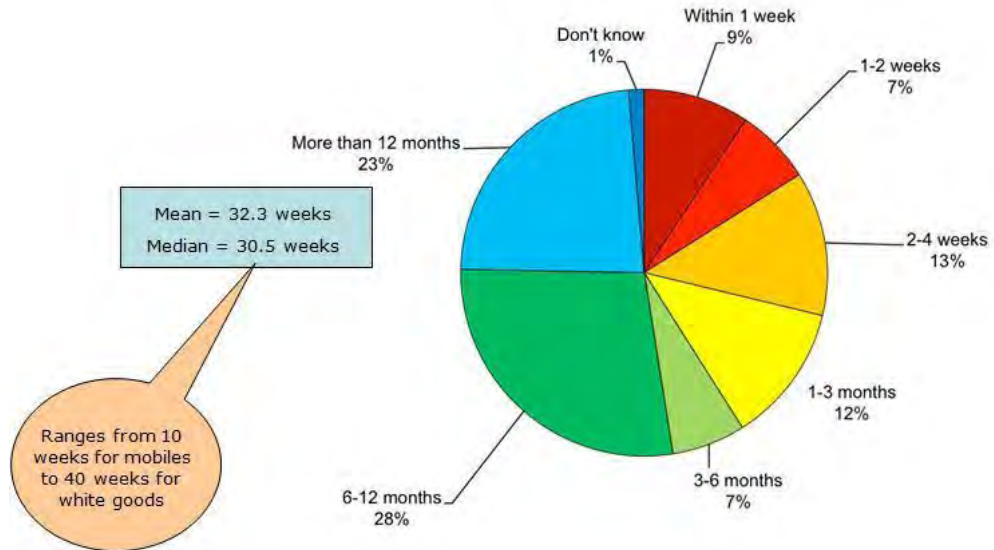
- how long consumers expect to be able to receive a refund or replacement in case of total product failure
- trader views on time frames for accepting products as DOA
- trader views on time frames for responsibility for repairs after that DOA period.

9.1. How long do consumers expect to be able to receive a refund or replacement?

In the case of total product failure, most consumers believe they should be able to receive a refund or replacement for up to six or seven months after purchase (refer Chart 37). While this does not correspond with the trader definition of 'early life failure' or 'dead on arrival' (DOA), it nevertheless represents what consumers believe to be an entitlement to a new product or their money back for a substantial time after purchase.

- The median expectation rose with increasing cost and size of products, from 10 weeks for mobile phone handsets, to:
 - 16 weeks for small electronic goods
 - 30 weeks for small electrical goods
 - 35 weeks for white goods
 - 39 weeks for large electrical goods.
- Perhaps reflecting their greater focus on mobile phones and small electronic goods, younger consumers had far shorter time expectations for refunds and repairs:
 - 8.6 weeks for consumers aged 16-24
 - 9.5 weeks for consumers aged 25-34.

Chart 37: Consumer expectations of refund/replacement after purchase
Asked of: All who have bought/had problems with target goods (n=2,616, wtd=15.49M)



Q27: When you buy any [SELECTED PRODUCT] that don't work at all, how long did after you buy such goods do you think you should be able to return them and expect to receive a refund or replacement product? [DO NOT READ OUT – SINGLE RESPONSE]

9.2. What do traders consider to be the DOA timeline?

Traders take a quite restrictive view of DOA, with most considering that it extends no more than two weeks after purchase. This is particularly the case for retailers (refer Chart 38).

- Seven per cent of retailers consider products that are DOA should be returned within a day of purchase, and 47 per cent within the first week.

This was not influenced by product portability – the median DOA for white goods retailers was 8.9 days, against 12.6 for mobile phones and 13.4 for small electrical goods;

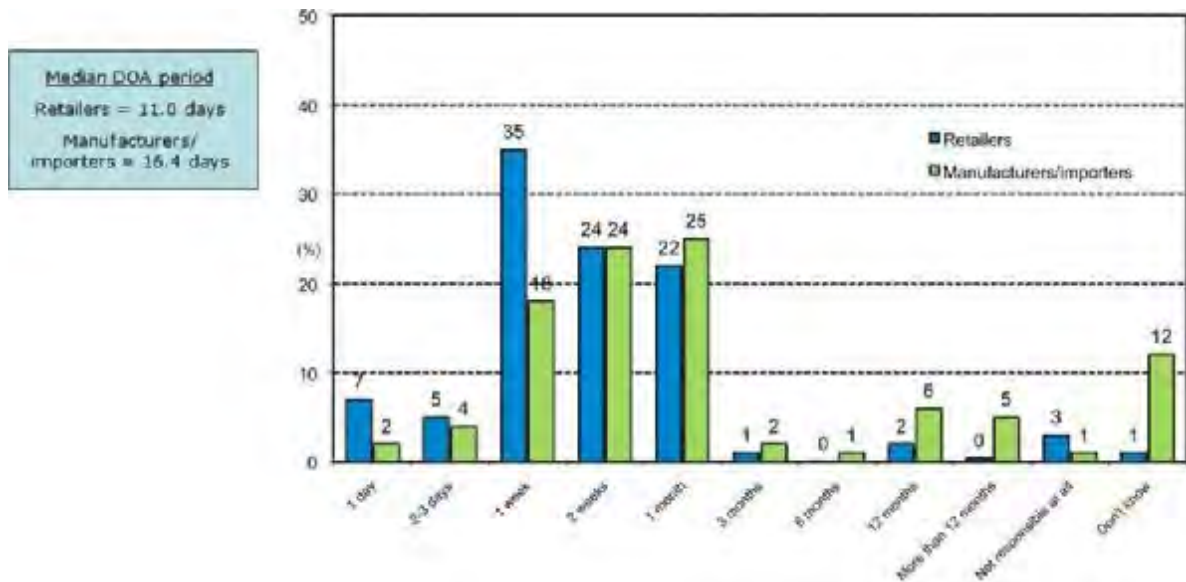
“DOA 1-2 weeks. Outside of that it’s a repair job.” Retailer

“Refund only if not working immediately (few days) after purchase.” Retailer

- Independent retailers and franchisees had the most limited view of DOA – medians of nine days, with 54 per cent of independent retailers allowing one week at most.

Chart 38: Trader views on the time limit for DOA

Asked of: All retailers (n=500, wtd=13,010); all manufacturers/importers (n=123, wtd=2,668)



Q3: Products are often referred to as ‘dead on arrival’ or DOA if they have a major fault when purchased, or a major failure soon after purchase. What do you consider a reasonable time period for accepting responsibility for [SELECTED PRODUCT] as DOA? Typically that would mean that you would replace the faulty product at no cost to the customer, or offer them a full refund of the purchase price. [DO NOT READ OUT – SINGLE RESPONSE]

9.3. How long do consumers expect to be able to have products repaired at no cost to them?

Consumers' views on how long repair entitlements should last cluster strongly around the typical 12 month warranty period – 54 per cent nominated either 6-12 months or 1-2 years (refer Chart 39). However:

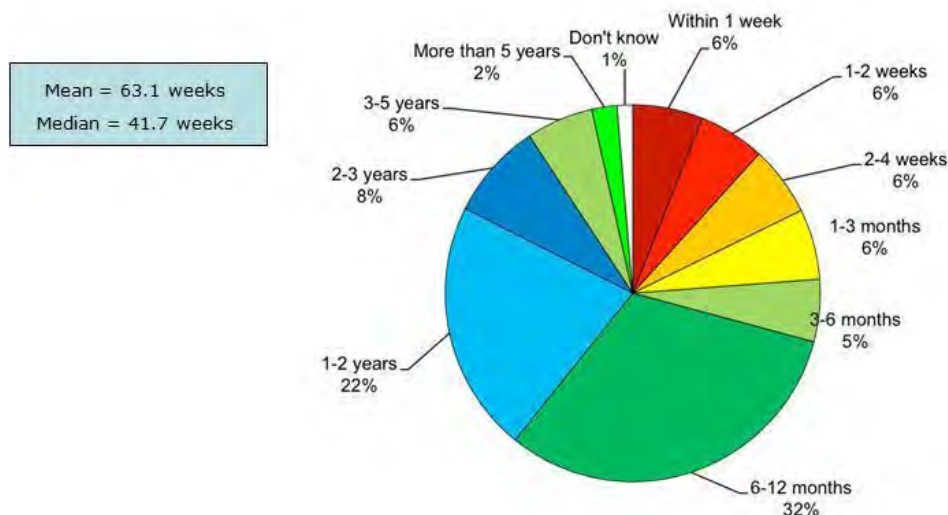
- 18 per cent saw this entitlement as only lasting for a month or less, including six per cent who only saw a one week 'window' to get free repairs.

This rose from only one per cent of consumers with detailed awareness of their rights, to five per cent with partial awareness, and eight per cent with no awareness at all

- while there were few differences in median expectations between different demographic groups, consumers aged 16-24 were far more likely to only expect free repairs within the first month (27 per cent).

Chart 39: Consumer expectations of repairs after purchase

Asked of: All who have bought/had problems with target goods (n=2,616, wtd=15.49M)



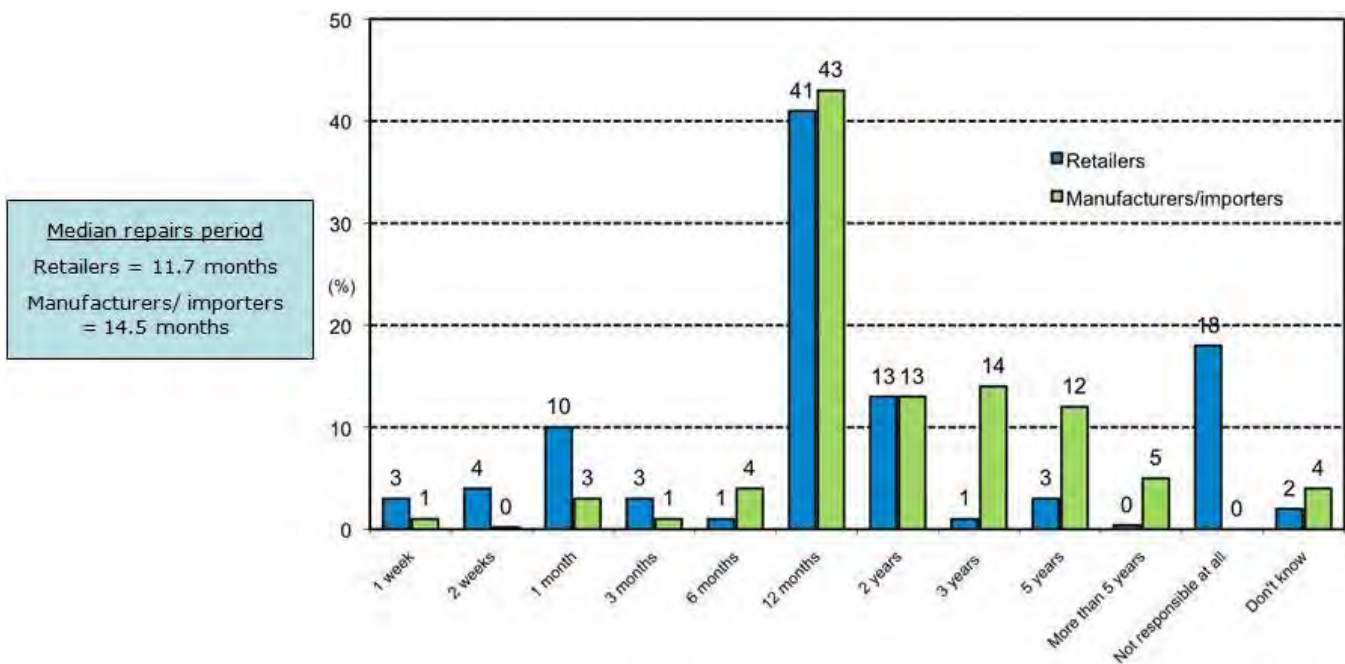
Q29: If the [SELECTED PRODUCT] is faulty but can be repaired, how long after you buy it do you think you should be able to have it repaired at no cost to you? [DO NOT READ OUT – SINGLE RESPONSE]

9.4. What do traders consider to be the timeline for being responsible for repairs?

The standard 12-month manufacturer’s warranty appears to largely define business perceptions of ‘reasonable’ time frames for providing free repairs (refer Chart 40). About four in 10 retailers and manufacturers/importers view 12 months as the limit for providing this service. However, 18 per cent of retailers consider there to be no responsibility for repairs at all – they see this as primarily the manufacturer’s responsibility.

Chart 40: Trader views on the time limit for responsibility for repairs

Asked of: All retailers (n=500, wtd=13,010); all manufacturers/importers (n=123, wtd=2,668)



Q4: And what do you consider to be a reasonable time period after purchase for accepting responsibility for repairs to faulty [SELECTED PRODUCT] once the initial DOA period has elapsed? [DO NOT READ OUT – SINGLE RESPONSE]

9.5. How long do consumers expect spare parts to be available?

Many consumers do not think about the issue of spare parts until a problem arises.

“My daughter bought a MP3 and needed the screen glass replaced four months later because it cracked when she fell over. It still worked perfectly fine and we just wanted a new glass. We tried many repairers even [the manufacturer] themselves and got told ‘we don't repair [that model] you will have to buy a new one’. Having had others repaired in the past with similar faults, we were annoyed to find no one could help and the \$400 we paid for it in the first place (just four months earlier) seemed inconsequential to all the people we talked to. To this day it still works fine, looks ugly and we wonder, what is the point of the warranty?!” Consumer

Most consumers expect spare parts to be available for the ‘life of the product’. But consumers recognise that some technology changes quickly, and that requiring manufacturers to stock spare parts for everything would inhibit innovation. For this reason consumers’ expectations of spare part availability for technological products, such as mobile phone handsets, is as little as 12-24 months. It seems consumers would usually choose to replace rather than repair these products.

However, for other products, the expectation of spare parts availability is much greater.

- For white goods the expectation is that parts would be available for more than 10 years (up to 20 years for some), as consumers would seek to repair goods rather than replace them.
- Similarly for larger electrical items, the expectation of availability is at least five years.

10. REACTIONS TO STANDARDISED GUIDELINES

This section explores consumer's expectations of warranty coverage and protection under consumer law, including:

- whether warranties should be uniform or vary by product
- whether warranties should be universal
- how traders react to the idea of standardising DOA timeframes and statutory warranty periods.

10.1. Do consumers want a 'one size fits all' warranty?

Consumers recognise that the same warranty for all goods would provide a minimum safety net, and they feel this would protect the lower end of the market.

"I think if you purchase a product you should be able to expect that it will last a reasonable enough time to make the purchase worthwhile. It's unfair and ethically irresponsible to assume that since someone can only afford a basic version of a product they can't expect it to last long or work properly."

Consumer

"I think it is reasonable for all products to have the same kind of warranty regardless of what it is or how much it costs. I mean for me to buy a \$30 toaster, that's a lot of money, and if it breaks in a short period of time I shouldn't have to go and fork out another \$30 for another one." *Consumer*

"This would be a mandatory safety net for consumers." *Consumer*

Most consumers expect protection beyond the minimum standard. Table 2 below provides a summary from the qualitative research of consumers' expectations on the life of different products. Consumers argue that some products are inherently expected to last longer than others:

- a washing machine is expected to last for at least five years
- a toaster or kettle could reasonably be expected to only last 12 months
- mobile phones are generally expected to last 12 months, although if bought under contract it is reasonable to assume they would last the duration of the contract (often two years)

- price and brand also factor into the equation especially in some categories such as large electrical and white goods.

“I feel that the cheaper items such as the \$50 toaster should have a minimum of 12 months warranty and that products higher up on the price scale should have a longer term of warranty based on the price. It wouldn’t be right to have say 12 months on a \$2,000 washing machine and 12 months on a \$50 toaster. You’re paying a large amount of money for what should be a quality item and last the distance.”

Consumer

“I believe the warranty should be reflective of the price you’ve paid for the item.” Consumer

“I think the manufacturers have over the years cut corners when making their products and in doing so, have lowered consumer's expectations about what is a reasonable ‘life timeframe’ for their products

Consumer

“The ATO has depreciation schedules. Computers are depreciated at one third per year owned. This implies a three-year ‘asset life’. Maybe this could/should be used (or perhaps a fraction of it). This would put the onus back on the manufacturer to ensure there is enough design /build quality to make the product last.” Consumer

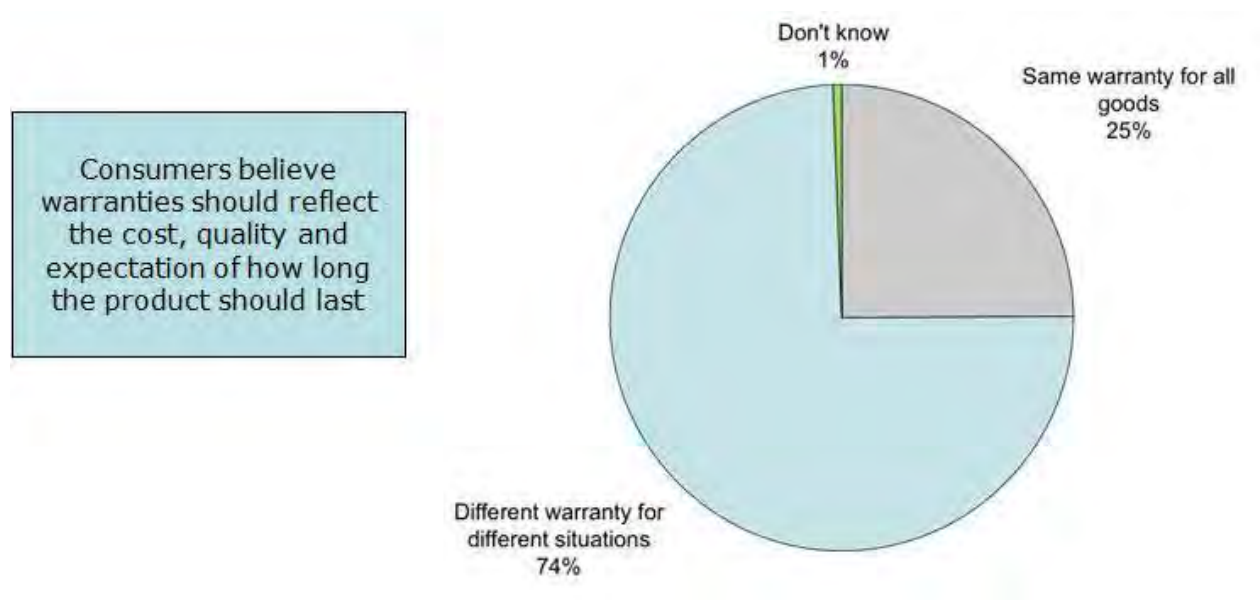
Table 2: A qualitative summary of consumer expectations of expected life

	Expected Life	Varying expectation based on price / brand
Small electrical appliances worth over \$50 [this includes things like an iron, kettle, coffee maker, toaster, hair dryer, or vacuum cleaner]	12 months	No
Any small electronic entertainment products worth over \$50 [this includes things like an iPod or MP3 player, games console, GPS satellite navigation, or digital camera]	12 months	No
Mobile Phone Handsets	1 – 2 years	No
Large electrical appliances [this includes things like a television, home entertainment system, CD or DVD player, digital set top box, computer, or printer]	1 – 5 years	Yes
White goods [this includes things like a refrigerator, freezer, washing machine, dryer, dishwasher, or stove]	5+ years	Yes

The quantitative research also indicated that consumers recognise the need for warranty periods to accommodate factors such as how long products are expected to last (refer Chart 41). About a quarter consider that all goods should carry exactly the same warranty. This mix of views varied very little across a broad range of consumer demographic characteristics.

Chart 41: Consumer expectations of warranty flexibility

Asked of: All who have bought/had problems with target goods (n=2,616, wtd=15.49M)



Q34: Do you think that all goods should have the same warranty, regardless of price or the type of product, or should there be different warranty periods for different situations? [DO NOT READ OUT – SINGLE RESPONSE]

10.2. Do consumers always see warranties as appropriate?

Almost five in every six consumers want some form of warranty coverage for all goods that are sold (refer Chart 42), arguing that it is a form of quality control, without which there would be no consumer protection.

“It doesn’t matter what it costs - there should be some warranty otherwise you might as well not buy it just throw your money out the window.” Consumer

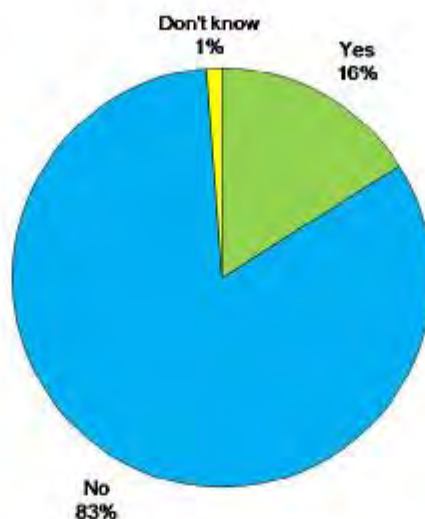
“There needs to be an expectation on manufacturers of a basic level of quality.” Consumer

Those that disagreed with the concept of universal warranty coverage included:

- consumers from Victoria and the ACT (21 per cent)
- younger consumers – 26 per cent of people aged 16-24 and 20 per cent of people aged 25-34. Only 10-11 per cent of people aged 35-54 year olds held this view
- consumers on the highest personal incomes – 24 per cent of those earning over \$100,000 a year.

Chart 42: Consumer expectations of warranty universality

Asked of: All who have bought/had problems with target goods (n=2,616, wtd=15.49M)



Q35: Do you think that any goods should be allowed to be sold without any warranty at all? [DO NOT READ OUT – SINGLE RESPONSE]

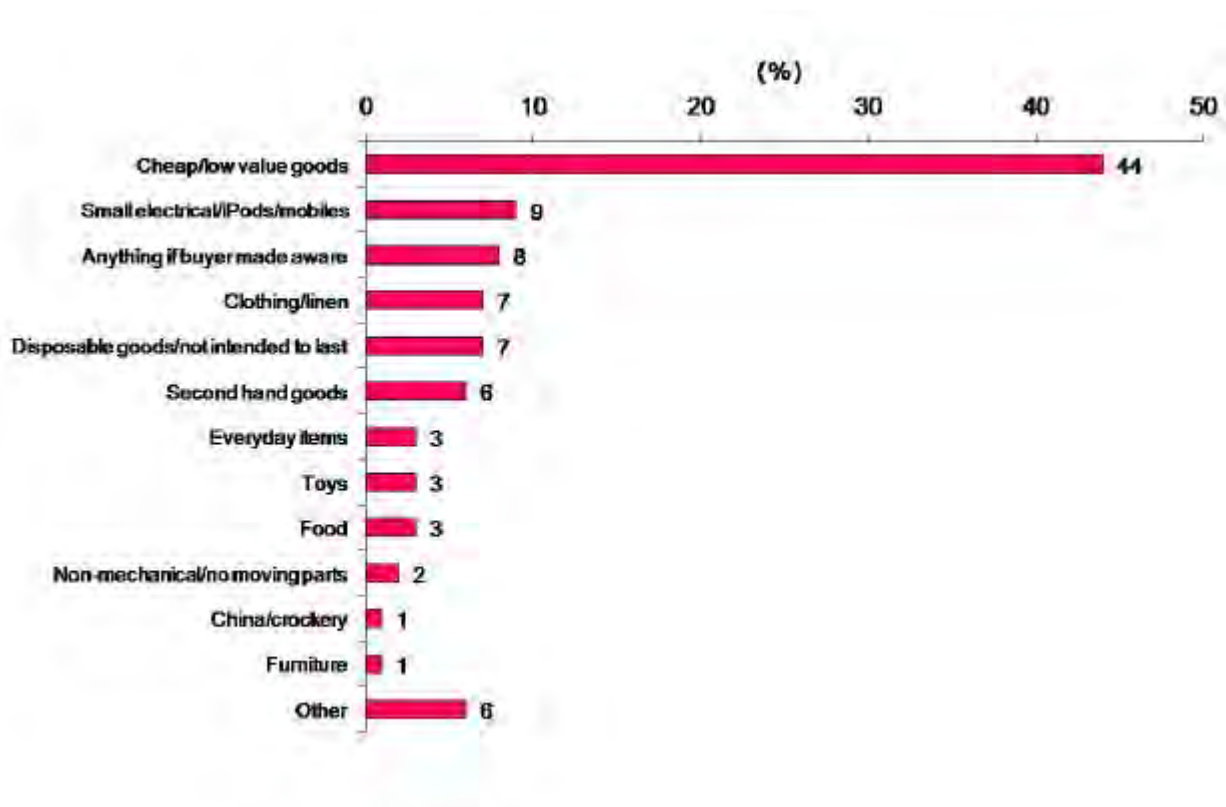
10.3. What goods are not seen as needing warranty coverage?

Consumers who do not see a warranty as always applicable nominate cheap/low value goods to be exempt from warranty (refer Chart 43). They also nominated:

- goods perceived as disposable or not intended to last
- secondhand goods
- any product, so long as the buyer was made aware of the absence of warranty coverage.

Chart 43: Consumer views on appropriate goods to exempt from warranty

Asked of: All who do not favour universal warranty coverage (n=399, wtd=2.49M)



Q36: What sort of goods would it be reasonable to sell without any warranty? [PROBE FULLY]

10.4. How do traders feel about a standard DOA time frame?

Traders generally agree better guidelines would help all involved, clarifying obligations and ensuring everyone is operating under the same rules.

“Uniformity would be good for consistency – benefits all.” Retailer

“Guidelines would help sharpen up manufacturers’ act.” Retailer

“The industry in regards to warranties and returns is currently in an abysmal state.” Retailer

“I’m a big believer in guidelines because then you know how to operate and everyone is on the same page.” Manufacturer

“The law doesn’t really seem to be a back up for manufacturers at all ... it’s almost like you have to warrant things for a life time.” Manufacturer

“The whole structure definitely needs to be reviewed.” Manufacturer

“There’s no set regulation ... it’s too grey.” Manufacturer

However the issue comes down to what guidelines actually entail. While quite receptive to DOA guidelines, manufacturers have more concerns, especially in relation to how long the DOA period would be. For instance, manufacturers would be likely to reject a one-month DOA period as excessive and not consistent with current practices (typically 1-2 weeks).

“Introducing something like that would only end up driving prices up and that’s not what we want at the moment.” Manufacturer

“It kind of defeats the purpose of being DOA if it extends to things one month old.” Manufacturer

“One month DOA? Not good idea because average is 14 days –it would be a significant cost impact to business.” Manufacturer

“I just know how often DOA’s are actually products that have simply not been installed correctly by the customers.” Manufacturer

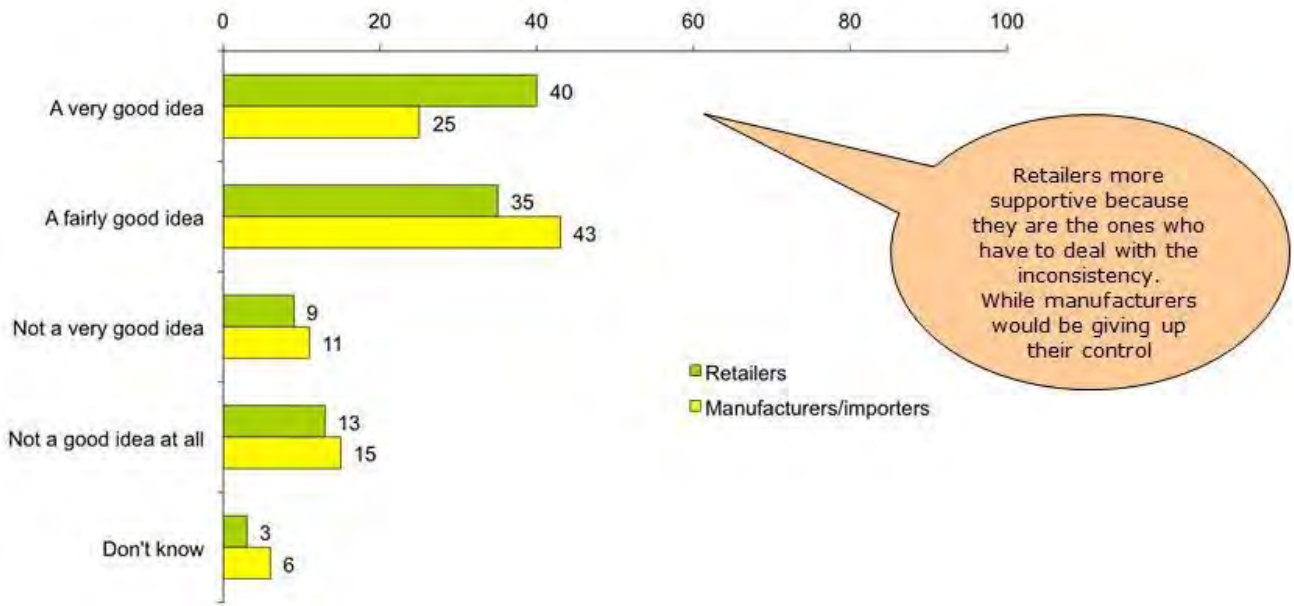
The quantitative evidence confirms that traders are quite receptive to the concept of standardising DOA definitions, and that manufacturers are more muted in their support (refer Chart 44). About seven in 10 view this as a good idea, but a core of almost a quarter appears to be opposed to standardisation, particularly:

- mixed manufacturing/importing concerns (38 per cent consider it not a good idea)
- overseas-owned establishments (31 per cent opposed).

This may reflect a ‘loss of control’ of the manufacturer warranty, and also as imposing greater complexity or costs on multinational operations.

Chart 44: Trader views on standardising DOA timeframes

Asked of: All retailers (n=500, wtd=13,010); all manufacturers/importers (n=123, wtd=2,668)



Q9: If state and federal governments set a standard timeframe in which a customer could return [SELECTED PRODUCT] as DOA and expect to receive a replacement product or full refund, would you consider that to be...? [READ OUT – SINGLE RESPONSE]

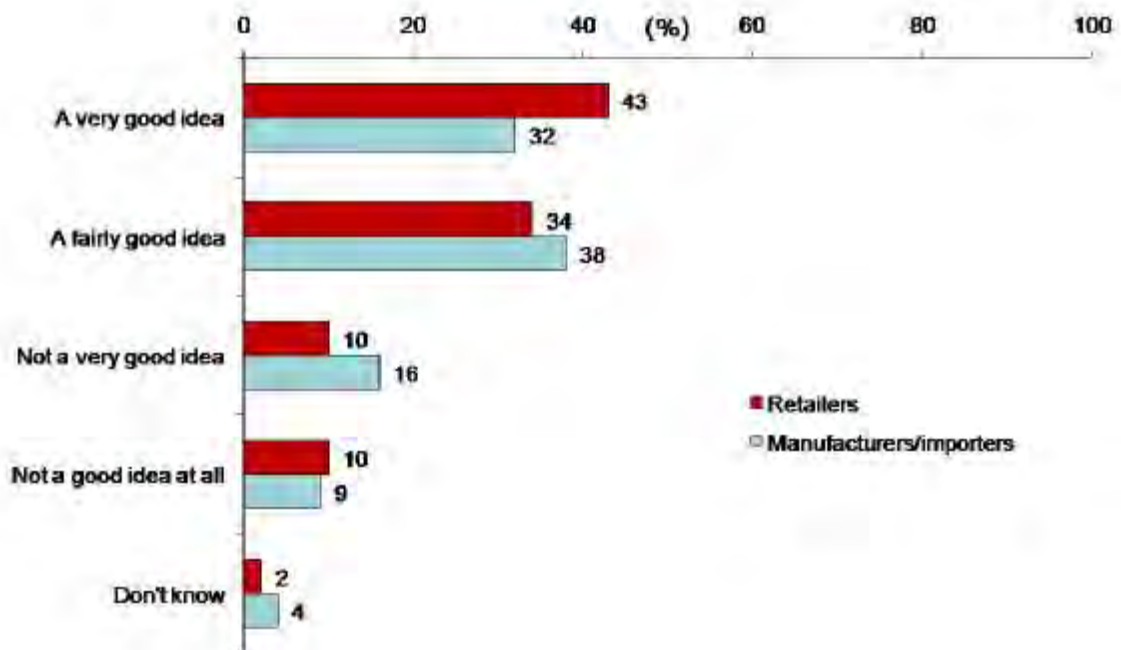
10.5. How do traders feel about a uniform statutory warranty period?

Uniform statutory warranty periods are also welcomed by most traders (refer Chart 45). There is more concern among manufacturers/importers, particularly overseas-owned establishments (35 per cent opposed).

The same issue of losing control of their own standard (multinational) warranty is likely to be behind this reaction.

Chart 45: Trader views on standardising statutory warranty periods

Asked of: All retailers (n=500, wtd=13,010); all manufacturers/importers (n=123, wtd=2,668)



Q10: And what about if state and federal governments set a uniform statutory warranty period for [SELECTED PRODUCT], would you consider that to be...? [READ OUT – SINGLE RESPONSE]

11. BARRIERS AND COMMUNICATIONS

This section explores key barriers to consumers exercising their rights in relation to warranties, and how consumers and traders prefer to be informed about rights and obligations. It covers:

- why consumers do not feel better protected when they learn of their rights
- how traders view their consumers' responsibilities in relation to warranties
- where both parties expect to find information about consumer rights
- what format they would prefer such information to be in.

11.1. Does knowing their rights give consumers confidence?

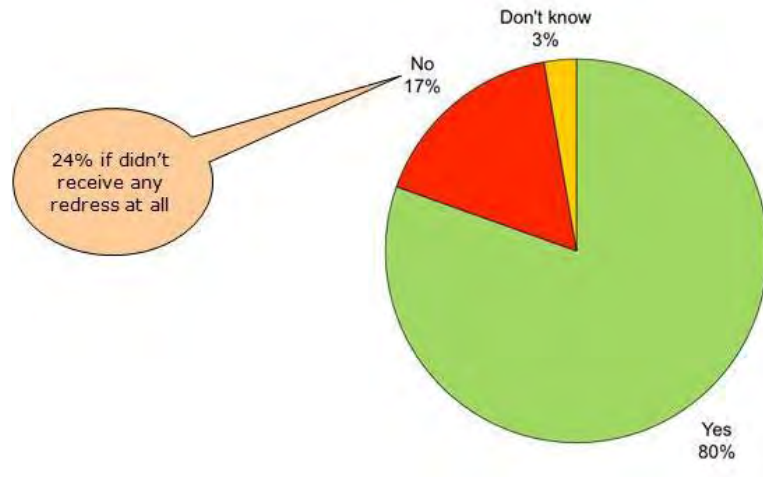
For most consumers, being made aware of their statutory rights increased their sense of being protected when they buy goods (refer Chart 46).

"I didn't know this, if I did I would have quoted this to the manufacturer so I didn't have to pay for the repair as my plasma was less than a month out of warranty." Consumer

However, for one in five this is not the case, particularly for consumers who received no redress for their recent product problems.

- 24 per cent claimed to feel no better on hearing of their rights, compared with 19 per cent of those who gained partial redress, and 17 per cent of those who gained full redress.

Chart 46: Consumer confidence when made aware of their rights
Asked of: All who have bought/had problems with target goods (n=2,616, wtd=15.49M)



Q32: Does knowing that you have such rights make you feel any better protected? [DO NOT READ OUT – SINGLE RESPONSE]

While consumers do feel better protected when informed of their rights under existing laws, it does not mean consumers feel empowered to act on these rights.

“Although that sounds great in theory, you end up the piggy in the middle in between the manufacturer and the retailer both pointing fingers at each other telling the consumer it’s the other party you need to address for a refund! This is where the issue escalates and frustration rises.” Consumer

“The Trade Practices Act is all well and good but I think it would depend on the cost of the article and how much you are prepared to yell scream and jump up and down. I still think if it is a small amount they hope you will eventually just give up.” Consumer

“I do know of these rights and they are good. I just need to be less intimidated to pursue them.” Consumer

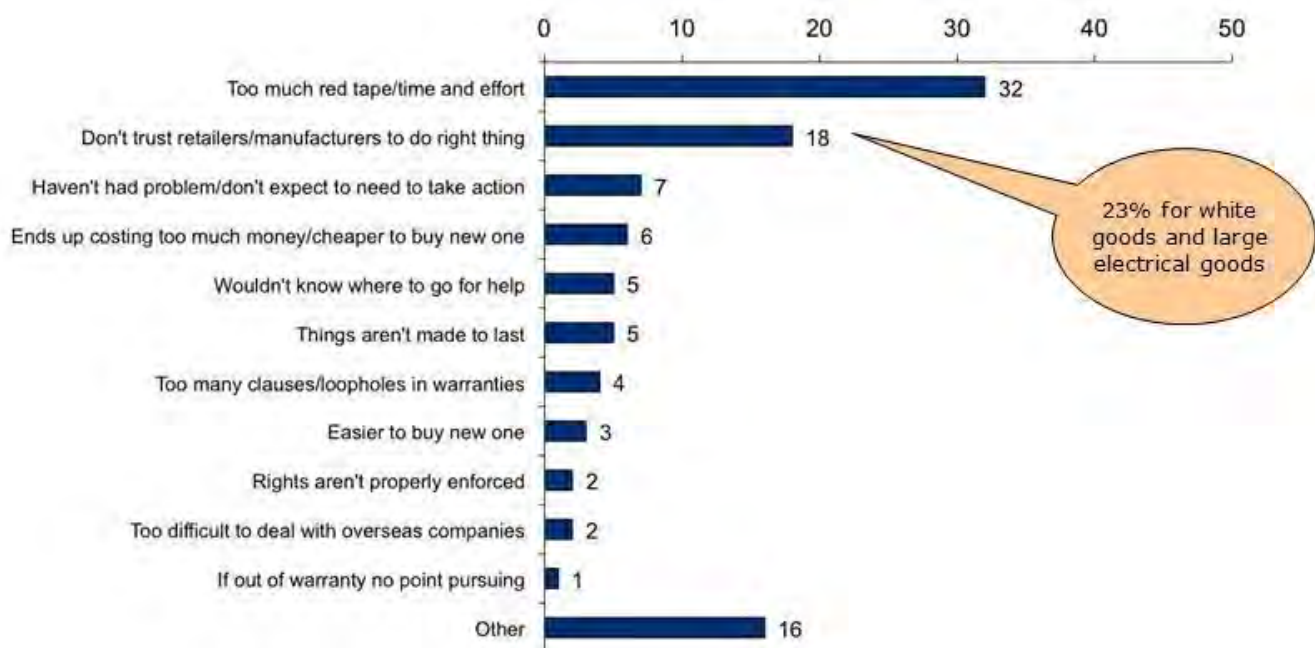
11.2. What is holding back their confidence?

Even with knowledge of their statutory rights, many consumers see it all as too much work, or do not believe that things will be set right in any case (refer Chart 47). A range of other issues are also at work, including:

- trust – 18 per cent do not trust retailers or manufacturers to “do the right thing” by them, and two per cent do not think that their rights are properly enforced in any case
- apathy – six per cent see it as a situation that ends up costing too much money, so see it as more cost-effective to simply buy a new product.

Chart 47: Reasons for not feeling confident when rights were known

Asked of: All not feeling better protected on hearing of rights (n=449, wtd=2.61M)



Q33: Why do you say that? [PROBE FULLY] And what else?

The qualitative research indicates that while lack of awareness of rights is part of the issue, it is not the only barrier. There are numerous barriers (refer Table 3) that result in consumers not feeling empowered to act on their statutory rights.

Table 3: A summary of barriers to consumers exercising their statutory rights

Barrier	Explanation	In consumers' words
Perceived to be lengthy process that is unlikely to result in positive outcome	<p>Time-consuming and not worth the effort</p> <p>Lack of knowledge of successful outcomes reinforces feeling it doesn't happen often</p>	<p><i>"A feeling that the end result will not be of a positive conclusion ending in a waste of time."</i></p> <p><i>"Definitely just the time factor and the amount of harassment and stress that is incurred in following these things up knowing full well that you still could be fighting a losing battle."</i></p> <p><i>"Lack of time. Cost factors. You don't want to become consumed by it. There is always a limit to how much stress you can take. In the end is it worth it."</i></p> <p><i>"It is reassuring to know the law is on my side but that doesn't always mean justice will prevail without involving lengthy and costly means."</i></p>
Retailers/salespeople don't know the law	<p>Reinforcing the issue of confrontation is retailers/salespeople's lack of knowledge of the TPA</p>	<p><i>"Sometimes the salesperson makes you feel confused and angry, because they just won't listen to what you tell them."</i></p> <p><i>"I worked in retail when I was younger and no one ever told me about TPA so I guess probably most retailers don't know about it especially the younger part time staff that just work weekends. You only do what you are told."</i></p>
Retailers/manufacturers play the 'blame game'	<p>With neither party prepared to take responsibility</p>	<p><i>"Because the manufacturer blames the retailer, and the retailer blames the manufacturer – in the end the blame goes around and around with no resolution, and it's a shame that the issue then has to be escalated."</i></p>
Ambiguous law	<p>The law cannot empower consumers if there are 'grey areas'</p>	<p><i>"Problem is – get someone to define the term 'reasonable' in court and make it stick."</i></p> <p><i>"I wonder how 'reasonable to expect' is quantified and whether it could ever actively result in replacement of product."</i></p>
Intimidation/embarrassment	<p>People don't like confrontation, and retailers can make customers feel they are asking for something they are not entitled to</p>	<p><i>"I feel embarrassed about taking things back as most of the time the staff members refuse and make a scene out of it."</i></p> <p><i>"Feel like embarrassing to return goods and fear that we could be insulted for daring to ask or a refund."</i></p> <p><i>"I get nervous that whoever you're dealing with will treat you like you're stupid. I hate being patronized. Another big reason is that it seems like you're fighting a huge battle to get anywhere."</i></p>

For these reasons, consumers will only pursue their rights (in full) when ‘it’s worth it’. Typically this relates to a dollar value in excess of \$1,000 (in terms of cost to them). A minority will pursue on principle alone.

“The time to pursue options becomes relevant when you know that your quest is correct and precise and when the opposition is denying you all rights... at this point you can either, give up or begin to live a life of enormous emotional, financial and stressful difficulty. Whatever an issue is it always has a cost factor and that is why we do not pursue these matters.” Consumer

“You’d need to carefully weigh up whether you were likely to win or not.” Consumer

11.3. What do traders feel about consumer rights?

Retailers and manufacturers/importers favour the status quo (of manufacturer warranties and consumer responsibility), despite having relatively limited knowledge of what consumer rights actually exist (refer Table 4). The prevailing view is:

- statutory warranties are clear enough now (even though most do not know what they are)
- manufacturer’s warranties offer enough protection to consumers (who should be looking out for themselves anyway).

Table 4: Trader views on consumer rights

Asked of: All retailers (n=500, wtd=13,010); all manufacturers/importers (n=123, wtd=2,668)

Statement	Retailers (% agree)	Manufacturers/Importers (% agree)
Statutory warranties provide businesses with clear guidance on their obligations	62	72
Manufacturers’ warranties provide sufficient protection for consumers	73	86
It’s up to the consumer to ensure that they understand their rights under statutory warranties	86	85

Q19: The Trades Practices Act gives consumers the right to seek refunds, replacements or repairs in situations where the product they buy is faulty or doesn’t do what they expected it to do. This is called a statutory warranty. Do you agree or disagree that...? [READ OUT – SINGLE RESPONSE TO EACH]

11.4. What do traders feel about their responsibilities?

Retailers and manufacturers/importers are in accord about the basic overall responsibility of manufacturers and importers for offering and managing warranties, and assessing more complex claims. However, they strongly disagree on overall responsibility for all warranty issues (retailers see it as not their responsibility), and for transporting faulty goods (neither want to accept responsibility for this) (refer Table 5).

Table 5: Trader views on their responsibilities
Asked of: All retailers (n=500, wtd=13,010); all manufacturers/importers (n=123, wtd=2,668)

Statement	Retailers (% agree)	Manufacturers/Importers (% agree)
We shouldn't be responsible for all warranty and refund issues, they should	84	28
Retailers just have to accept the way that manufacturers and importers offer and manage their warranties and refunds	57	71
Retailers shouldn't be responsible for warranties or refunds if they can't accurately assess fault claims	76	64
Retailers should bear the costs of transporting faulty goods to the manufacturer or service centre	21	62

Q19: The Trades Practices Act gives consumers the right to seek refunds, replacements or repairs in situations where the product they buy is faulty or doesn't do what they expected it to do. This is called a statutory warranty. Do you agree or disagree that...? [READ OUT – SINGLE RESPONSE TO EACH]

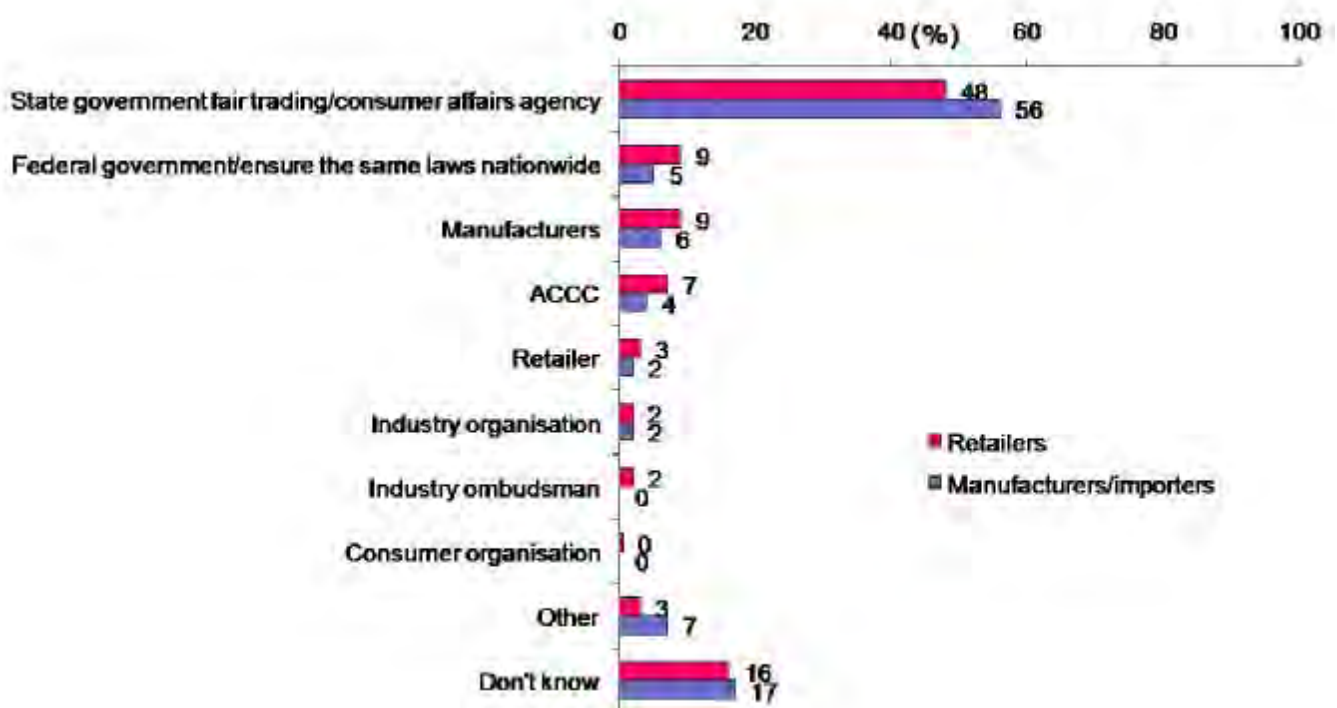
11.5. Who do traders think should have primary responsibility for warranties policy-making and monitoring?

Both retailers and manufacturers/importers agree that relevant state government agencies (fair trading/consumer affairs bodies) should have primary responsibility for setting policy, providing information and undertaking compliance activities in relation to warranties (refer Chart 48). This aligns with the primacy of state over federal government law in traders' awareness of consumer rights, discussed earlier in this report.

Industry peak organisations are mentioned, but very infrequently. Few traders see responsibility for warranties policy-making and monitoring as resting with the individual manufacturer or retailer.

Chart 48: Trader views on appropriate bodies to manage warranty policy

Asked of: All retailers (n=500, wtd=13,010); all manufacturers/importers (n=123, wtd=2,668)



Q20: What organisation do you think should have primary responsibility for setting policy, providing information to traders and consumers, and investigating and taking action where problems arise with warranties? [DO NOT READ OUT – SINGLE RESPONSE]

11.6. Where do consumers expect to find information about their rights?

Consumers, who apparently have very limited awareness of their rights under consumer laws, turn to a wide array of sources for further information - notably government and traders (refer Chart 49).

About a third of consumers mention government agencies, including:

- state government fair trading/consumer affairs agencies (27 per cent)
- ACCC (4 per cent)
- ombudsmen and government websites generally (two per cent each).

Younger consumers have a somewhat different pattern of information search:

- 31 per cent of consumers aged 16-34 would turn to an internet search engine, against 21 per cent of the 35-54 age group and only 13 per cent of those aged 55 and over.
- only 18 per cent would contact state government fair trading/consumer affairs agencies, compared with 32 per cent of consumers aged 35 and over.

This indicates a need for such agencies to raise their profile among younger consumers and/or ensure a suitable web presence that is readily able to be located by such younger consumers.

Chart 49: Preferred information sources on consumer rights [Consumers]

Asked of: All who have bought/had problems with target goods (n=2,616, wtd=15.49M)



Q38: If you needed to find out more about your rights in relation to getting a refund, replacement or repairs for a product that you bought, where would you think you would find such information? [DO NOT READ OUT – MULTIPLES ALLOWED]

11.7. What form do communications need to take for consumers?

To empower consumers in relation to their statutory rights, communications need to be simple and easy to understand. This means they need to be:

- clear and concise
- in layman’s terms, not legalese
- black and white, without room for interpretation.

“We need as much clear information as possible to be able to feel like we have the right to take things further if there is a problem with our dealings with the warranty process. A knowledge that it is OK to take something back if it doesn’t perform the way it should or is faulty in workmanship and the guidelines for that need to be spelled out much clearer than they have been in the past, so that both the retailer and the buyer feel like they are doing the right thing.” Consumer

*“The information should be easily accessible by all consumers and not have to go hunting for it!”
Consumer*

Consumers also need the information to be readily available and therefore accessible through a number of channels including:

- at point of purchase, preferably signage within the retail store
- with the product warranty cards and on manufacturer website
- available on government agencies’ websites.

“Instead of being in small print at the bottom of a warranty (which I think most people don’t even take the time to read... I know I usually don’t unless something goes wrong... it should be in plain sight. In simple terms so that everyone can easily understand it with phone numbers or other contact information for further avenues of appeal if the first level doesn’t work out. Basically I think it should be made as plain as the nose on your face, in layman’s terms.” Consumer

“Perhaps a sign behind the counter (on the wall, not under the counter so it can’t be seen) that outlines the basic rights and responsibilities of the consumer with the option to ask the sales assistant for a more detailed brochure if more information is required/desired.” Consumer

“Make the retailers responsible for letting consumers know what their dispute resolution system is. This should be on signs near the cash register, on a document (a short one) given to each customer when they buy their goods, or a very short message on the bottom of a tax invoice. Consumer

Consumers, when faced with options for receiving information about their rights in relation to refunds, replacements and repairs, exhibit a strong preference for a simple checklist, available from the retailer (refer Table 6). They want something similar to a warranty card, a simple insert that comes with the product. Alternatively, succinct and clear signage could meet their needs.

They express no strong preference for having information available over the phone or in person. If the information is to be made available via main media, however, their strong preference is for television ahead of radio. This is a common tendency in advertising and communications research – people tend to favour the most dominant medium, television, by default.

Table 6: Consumer preferences on information format

Asked of: All who have bought/had problems with target goods (n=2,616, wtd=15.49M)

Element	Preference
Level of detail	81 per cent a simple one-page checklist 14 per cent a detailed guide Five per cent either
Format	46 per cent a printed publication like a leaflet 38 per cent on a website 16 per cent either
Mode of enquiry	47 per cent available over the phone 36 per cent in person 15 per cent either
Location	61 per cent available from the retailer 22 per cent from the relevant government agency 16 per cent either
Media preference	61 per cent TV 17 per cent radio 19 per cent either

*Q39: Would you prefer information that is provided about your rights in relation to refunds, replacements and repairs to be...?
[READ OUT PAIRS OF INFORMATION FORMATS– SINGLE RESPONSE TO EACH]*

11.8. Where do traders expect to find information about their rights and obligations?

Traders focus strongly on state government fair trading/consumer affairs agencies as their first stop for information about consumer laws, in contrast to consumers (refer Chart 50). Traders were more than twice as likely as consumers to nominate such agencies. They also were:

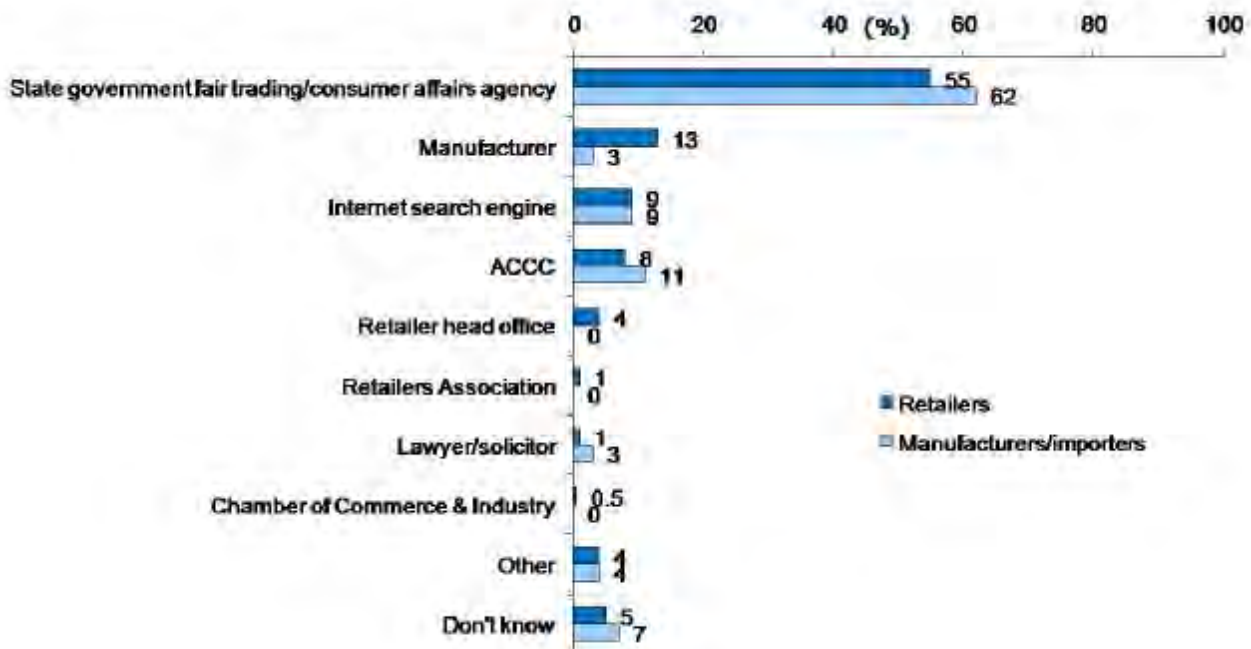
- far more likely to mention the ACCC (particularly manufacturers/importers)
- far less likely to rely on an internet search engine (both retailers and manufacturers/importers - nine per cent).

These results suggest that although traders have limited clear knowledge and understanding of consumer statutory rights, they do know where to go in order to find such information.

Independent retailers, identified earlier in this report as a group of potential concern, are actually more likely to turn to state government agencies - 55 per cent of independent retailers nominate state government agencies, compared with 48 per cent of those from buying groups and 47 per cent of franchisees.

Chart 50: Preferred information sources on consumer rights [traders]

Asked of: All retailers (n=500, wtd=13,010); all manufacturers/importers (n=123, wtd=2,668)



Q21: If you needed to find out more about your obligations and rights in relation to customer warranties, where would you think you would find such information? [DO NOT READ OUT – MULTIPLES ALLOWED]

11.9. What format would traders prefer consumer information to be in?

Traders, like consumers, want information about consumer rights and their own obligations in a simple format (refer Table 7). Traders prefer concise information but detailed enough to ensure there are no ambiguities.

“For manufacturers – needs to be detailed enough to understand the policy. For consumers – simple.”
Manufacturer

“Not too brief – thorough in what it says, so not open to misinterpretation.” Retailers

Traders prefer to access information online rather than in print. This preference for online information is particularly pronounced for independent retailers and franchisees (56 per cent and 58 per cent respectively), and Australian-owned manufacturing/importing operations.

Retailers have no strong preference about where information should be available. But manufacturers/importers prefer consumer information to be available from the relevant government agency, rather than being distributed by the manufacturer.

Ensuring traders are motivated to learn about their own obligations will be the biggest challenge.

“I am aware of the basics, so I’d only read it if I have to – I have better things to do.” Retailer

Table 7: Trader preferences on information format

Asked of: All retailers (n=500, wtd=13,010); all manufacturers/importers (n=123, wtd=2,668)

Element	Retailer Preference	Manufacturer/ Importer Preference
Level of detail	76 per cent a simple one-page checklist 18 per cent a detailed guide 6 per cent either	67 per cent a simple one-page checklist 23 per cent a detailed guide 9 per cent either/one per cent don't know
Format	50 per cent on a website 31 per cent a printed publication like a leaflet 19 per cent either	65 per cent on a website 18 per cent a printed publication like a leaflet 18 per cent either
Mode of enquiry	59 per cent available over the phone 23 per cent in person 17 per cent either/one per cent don't know	55 per cent available over the phone 25 per cent in person 17 per cent either/three per cent don't know
Location	39 per cent available from the retailer 38 per cent from the relevant government agency 23 per cent either/less than one per cent don't know	71 per cent from the relevant government agency 17 per cent available from the manufacturer/importer 10 per cent either/less than one per cent don't know
Media preference	53 per cent TV 17 per cent radio 24 per cent either/five per cent don't know	37 per cent TV 27 per cent radio 29 per cent either/eight per cent don't know

*Q22: Would you prefer information that is provided about consumer rights in relation to refunds, replacements and repairs to be...?
[READ OUT PAIRS OF INFORMATION FORMATS- SINGLE RESPONSE TO EACH]*

APPENDIX: QUESTIONNAIRES

DISCLAIMER:



And



While every care has been taken to ensure the results are accurately presented within the limitations of the sample size, **Latitude Research** and **On Track Research** accept no responsibility for the outcome of actions taken as a result of data, statements or opinions contained herein.