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CONSUMER PROTECTION - AN INDUSTRY VIEWPOINT

By

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Industry must be consumer oriented if it is to survive. During the period of scarcity of the 1940s and early 1950s manufacturing industry in many countries was focussed on, and could afford to focus on, the production of goods. Then as the supply of goods gradually moved in step with, and began to outstrip demand, the pendulum began to swing in the other direction, and only those industries which had a strong market emphasis could hope to survive. The tariff barriers protecting Irish goods have been dropping since 1965 with the result that Irish manufacturers are now in an effective free trade area with Britain. The average tariff in 1973 against British goods entering Ireland will be about 8%. The pressure to produce which had been a feature of a highly protected Irish market has now given way to a strong marketing approach.

Thus Irish industry now exports 35% of its output - a greater proportion than most other EEC countries. Our economy is small, and open. For example, the 8% average duty which operates against British goods is the same as the present Common External Tariff of the EEC. We have thus made the transition from protectionism to free trade with our neighbouring island relatively painlessly.

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Inevitably, the share of competing imports on the home market has grown from 16% in 1966 to about 25% this year. This means that Irish manufacturers supply only 75% of the home market for the products which they currently produce. In some industries such as, chemicals, linen and cotton, leather manufacture, and non electrical machinery manufacture, the proportion supplied by home manufacturers is lower than 50%. Competition can, therefore, be seen to be very keen on the Irish market. An 8% tariff barrier is clearly not a major deterent for a British manufacturer interested in disposing of surplus production at a cost which will recover some overheads. Within three years the Irish market will be equally accessible for products from France, Germany, Italy and the other countries of the EEC and EFTA. Similarly, Irish tariffs against goods from "third" countries such as Japan and the United States will be down to the level of the Common External Tariff (at present 8%) by 1977.

The creation of a free trade area with fifteen other countries, and a low tariff protection against 'third' countries within four years, poses many problems for the Irish industrialist and consumer alike. On the one hand, there will be much greater consumer choice, and on the other hand, we require an increasing standard of living and more jobs. Achievement of both objectives will require a tremendous effort by all concerned.

Competition for Irish products on the home market is keen, and will grow more so. Industry must create more customers for its products by aggressive marketing, and meeting customer needs. Sixtyfive per cent. of the output of Irish industry is sold on the home market. Industry is expected to be the main supplier of extra jobs. Every percentage point lost on the home market has got to be replaced by additional exports. Already Ireland has among the highest percentage exports to output ratios in the EEC. The Irish manufacturer should have many advantages in supplying the home market. It is in the interests of the whole community that these are seen and used.

The interests of the consumer and the interests of industry must be identical. If there is conflict both will lose. Without the consumer industry cannot survive, without industry there will be no consumers. All of us wear two hats. We supply products and services to other members of the public, and simultaneously, consume products and services supplied by them. Thus 31% of the working population in Ireland are industrial producers, 27% are agricultural and 42% provide services.

The products of manufacturing industry are sold against four major criteria - quality, delivery, service and price. Manufacturing industry itself must purchase also against these criteria. Many firms will rate each supplier against these factors before deciding with whom he should place an order. The consumer also assesses his purchases against similar factors.

Quality : The manufacturer has to produce against a quality standard. Ideally, this should be objective though this is not always possible, for example, in fashion goods. This does not mean that there is no standard for these goods, but rather that the standard is subjective and related to taste. Even when a standard is measurable, such as size, weight, volume, electrical insulation, safety characteristics, there will always be slight variations in manufacture. Thus it is never possible to fill a bottle exactly to 100 cc's, or to make something exactly 10 grammes weight. There will always be slight variation and this is recognised by having an allowed tolerance. However, if goods are produced outside the allowed tolerance they must be rejected. National and international standards are available for many consumer products. This is very desirable. Otherwise at the time of purchase the consumer may feel he is getting a good bargain,only to realise later that the goods are not up to standard. Harmonised international standards and markings ensure fair competition, and are necessary to protect both the manufacturer and consumer. On the other hand, where standards vary from country to country, these are often used as non-tariff barriers to prevent competition.

The efficient manufacturer knows the cost of his quality effort. Ensuring conformance to quality standards can often cost 20% of product cost. This includes the cost of preventing rejects in production by preproduction planning and training; the cost of rejecting components, or finished products which do not meet standard including repairs under guarantee and customer dissatisfaction; and the cost of the screening process to ensure that faulty goods do not reach the customer.

The goods purchased must always be of acceptable quality to the buyer. His concept of quality is improving continually. International standards, where they exist, provide a guarantee for the consumer. For most products, however, consumer reaction is the main indicator for the manufacturer on whether his products are of acceptable quality. The fact that 35% of the output of Irish industry is exported, over 90% to the EEC and North America, indicates that Irish industry is capable of meeting the most exacting quality standards.

Delivery : Consumers expect to purchase most goods ex stock. More expensive standard goods, however, are often made to order with a delivery period of, say, six weeks. This reduces the cost of storing the finished goods and means that they can be sold at a more competitive price. As competition increases many of these high priced products are becoming available ex stock. The price may be higher, but the customer is prepared to pay for immediate availability.

Affluence, however, generates a demand for product differentiation, and products made to customer requirements. These will probably continue to be supplied primarily from the home market. Competition will focus on reliability of delivery, quality, price and service.

__Service__ ; Service is a key factor for the purchaser of consumer durables. Sales literature about the product; technical knowledge of the salesman; and after sales service availability and cost are all important. Very few people will risk purchasing a consumer durable if the nearest service workshop is 1000 miles away.

__Price__ : Finally, there is the question of price. A survey carried out some years ago of British industrial purchasing officers indicated that 50% of them would not be prepared to switch supplier for a 5% reduction in price. This indicates the weighting placed on non-price factors even in industrial raw materials, and components.

There is a danger that Irish goods will become less competitive even on the home market unless we succeed in keeping our rate of inflation in line with that of our competitors. At present it is not. The Irish Consumer Price Index has risen by 10% in the year to the end of February. The C.P.I. in Britain, our main supplier, has risen in the same period by 7%, and Britain is now operating a stringent prices and incomes policy which, if successful, could reduce the rate of price increase of British goods to 3 or 4%. There is no sign of an immediate reduction in the Irish rate of price increase. The Confederation strongly urges the adoption of a Prices and Incomes policy in Ireland to reduce the rate of inflation.

It is clear that quality, advertising, brand loyalty, delivery, service and price are all factors which influence any buying decision.

<u>The Effects of EEC</u> : If it is assumed that free competition puts pressure on prices, thus benefiting the consumer, then consumers have benefited from the Common Market since 1958. Tariff reductions, however, are not the only measures taken.

Three aspects of EEC Commission policy are worth noting :

a) <u>Maintaining free movement of goods</u>

The Commission is taking steps to ensure that Member States do not apply fiscal measures of any kind which might be just as effective as tariff barriers in closing down markets to foreign firms.

b) <u>Improving free movement of goods</u>

The most common form of non tariff barrier is the absence of international standardisation of technical regulations. The Council of Ministers has already approved directives such as those relating to dyestuffs, preserving agents, criteria of purity, and anti-oxygenic agents in food products, and proposals have been sent to the Council relating to about fifty products in the food, engineering, chemical, and textile sectors. The Confederation, through its industry associations, is consulted on these proposals and their suitability for Irish manufactured products.

The Merchandise Marks Order introduced by the former Minister for Industry and Commerce could act against the interests of both industry and the consumer in two ways :

1. Its provisions do not harmonise with those favoured by the European Commission, or by seven of the nine EEC countries. It would, therefore, be a non tariff barrier until European legislation superceded it.

2. It would create a double charge cost for Irish industry which would eventually have to be passed on to the consumer through higher prices.

The Confederation has, therefore urged that the Order should either be modified to harmonise with probable EEC legislation, or postponed until EEC Commission proposals are agreed, probably later this year.

c) <u>Application of Rules of Treaty of Rome</u>

The Commission also has power to prevent agreements between firms which would restrict competition.

Irish industry welcomes the development of the Consumer Movement. Industry exists to serve the consumer. Consumer needs can be identified by research, or they can be articulated by the Consumer Movement. The interests of industry and the consumer must be convergent.

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