

SOCIAL MEDIA AS A TOOL FOR PROTECTION OF CONSUMERS' INTERESTS AND RIGHTS

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Abstract. Complaining and getting effective redress can reduce or even offset consumer detriment and thus help reinforce consumers' confidence in the market (European Commission, 2015^B). Social networks, social networking and social media are now business tools used around the world by most industries. One of the main benefits of using social networks is the instant knowledge of what consumers are saying about seller/provider allowing respond quickly to this information. However it could be negative point for seller/provider in case when customers do not receive the value they had anticipated. The aim of the paper is to analyze the problems of consumer's interests and rights protection and find out whether social media could be used as a tool for protection of consumers' interests and rights.

Based on the EU consumers' surveys analysis, the model of four scenarios of consumers behaviour is created in cases when consumers are not satisfied with goods or services. Scenarios 2 and 3 are used by consumers less often, while Scenarios 1 and 4 are more positive for both - consumer and seller/provider since they allow solving problems without interaction of third parties, create communication flows, trustful relationship, good reputation of seller/provider and develop loyal fans from consumers' side. When companies are presented in social media they have more incentives to resolve the problem of consumers since the information about disloyalty can spread very fast and broadly. Therefore, social media is a natural tool enabling consumers to gain benefits, which help protect their rights.

Key words: social media, consumer, consumers' interests, consumers' behaviour, protection of consumers' rights.

JEL code: M310, M390, K290

Introduction

Better consumer conditions not only improve consumer welfare but can also benefit the economy as a whole. When consumers have the necessary confidence and knowledge they act as market drivers — by comparing offers, switching providers, complaining and seeking redress when their rights are breached — they reward the most efficient and innovative companies, stimulate competition, which in turn leads to improved productivity and growth.

On the supply side, effective consumer policies ensure a level playing field for companies, increase legal certainty and reduce compliance costs (Spakovica, Moskvins, Moskvins, 2013), (European Commission, 2015^B).

While both the incidence and the volume of e-commerce are growing rapidly in the EU, there is considerable untapped potential for further growth (European Commission, 2015^B). In this situation, social media start to play important role to inform consumers about goods and services and to get relevant feedback from consumers to seller/provider. The continuing

development of web-based and mobile technologies allow interactive communication between those creating the social media and their readers, followers, members and customers. Behavioural economics says that people are often not fully rational and not independent but tend to reproduce their peers' choices (European Commission, 2015^A). Social networks, social networking and social media are now business tools used around the world by most industries (Selling Skills, 2014). However, social media resources can be used not only in e-commerce. Buying goods and services in the direct retail sale and in the places, where services are offered, social media are useful for getting information about characteristics, quality, price of goods, services and references about experience of other people.

In this connection, the aim of the paper is to analyze the problems of consumer's rights protection through researching consumers' behaviour in situations of dissatisfaction with goods or services and consumers' attitude to the process of resolving consumers' problems from

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the side of sellers or providers and to find out whether social media could help to increase the satisfaction level of consumers in relationship with sellers or providers and hence could be used as a tool for protection of consumers' rights.

The study is based on the review of European Commission's documents, legislation and literature as well as on statistical data available from the European Commission's Analytical reports, the EU Consumer Conditions Scoreboard and Consumer Markets Scoreboard conducted in 2012, 2014 and 2015. In the study descriptive method and secondary data analysis are applied.

Research results and discussion

In an ideal world — where both consumers and retailers have full knowledge on consumer rights and legislation, and public authorities are successful in guaranteeing compliance with that legislation — consumer problems should not occur. However, in the real world, it is unavoidable that things go wrong. In those cases, consumers should know where to complain and be able to get redress quickly, simply and inexpensively (European Commission, 2015^B).

1. Consumers' confidence, satisfaction, behaviour and relationship with sellers/providers

Consumers' confidence that their rights are respected and protected differs widely across the EU. Consumer confidence in the organisations responsible for the protection and/or respect of consumer rights (e.g. retailers) is very important, since a lack of trust may reduce consumers' willingness to engage actively in the market. According to Consumer Conditions Scoreboard (European Commission, 2015^B), seven out of ten

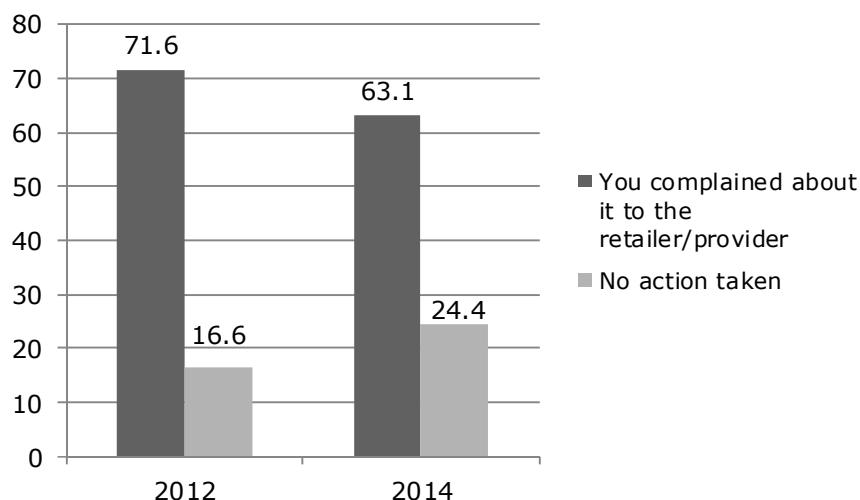
Jelgava, LLU ESAF, 21-22 April 2016, pp. 214-215 respondents (71%) are confident that retailers and service providers respect their rights as consumers. In Latvia, this indicator is lower (68%) in 2014 comparing with the EU-28.

Around 22% consumers say they have experienced a problem buying or using goods or services in the past 12 months, which they felt gave them a legitimate cause to make a complaint. Out of those, 76% took action to solve the problem while 24% did nothing about it. Compared to 2012, consumers seem to have experienced slightly fewer problems but are also somewhat less active in trying to solve them (European Commission, 2015^B). Typical complaint channels include appealing to the trader to amend the situation to the consumer's satisfaction or, if no consensus is achieved directly with the trader, going to a third body. Reaching an amicable solution with the trader is the best option, as it is efficient in terms of costs and outcomes for both parties. In line with these assumptions, the vast majority of respondents who felt they had a legitimate cause for complaint did contact the retailer or service provider directly (63%) (Figure 1). In 2014, consumers were somewhat less likely to complain to a retailer or service provider than in 2012. In-house customer service is by far the most common channel for receiving consumer complaints (74%) (European Commission, 2015^B). Also according to the Market Monitoring Survey undertaken in 2013 (European Commission, 2014), the party most likely to be contacted is the seller of the goods or the provider of the service (57%) — thus, the immediate and known point of contact and (in the case of (semi-)durable goods) the one legally responsible for any faults in the product.

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Source: authors' construction based on (European Commission, 2013), (European Commission, 2015^B)

Fig.1. Actions taken when encountering a problem, the EU-28, 2012-2014, %

A third of those who had a problem (31%) shared their bad experience with friends and family. But in case of using social media the essence of the problem will be known to a wider number of consumers.

There are different reasons why consumers do not complain despite feeling they have a

legitimate reason to do so. Four in ten said they were unlikely to get a satisfactory solution to the problem they encountered (40%) or thought it would take too long (38%), while a third (34%) said the sums involved were too small (European Commission, 2015^B) (Figure 2).



Source: authors' construction based on (European Commission, 2015^D)

Fig.2. Consumers' reasons for not taking action when encountering a problem in EU-28, 2014, %

It could be argued that small detriment is a valid reason not to complain, because the resources needed (and consequently the costs) for complaining could actually exceed any

(financial) loss incurred. Empirical analysis also suggests that the statement "the sums involved were too small" is very different from other reasons not to complain, while the statement

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"you were unlikely to get a satisfactory solution" can be considered as an umbrella category for the perceived difficulty of complaining. Overall, 80% of those who did not take any action were discouraged from complaining by the (perceived) difficulties, such as low likelihood of success, lack of information on whether and how to proceed or the expected length of the complaint procedure (European Commission, 2015^B).

Satisfactory remedy can reduce or even offset consumer detriment and enhance consumer confidence (European Commission, 2015^B). In discussing consumer behaviour, it is thus important to look not only at the level of problems and the proportion of complaints made but also at consumers' satisfaction with the way their complaints have been handled by sellers/providers. The Competition and Consumer Protection Commission, which was established in 2014, undertook the first consumer detriment survey (Competition and..., 2014). This study seeks to measure the level of consumer detriment experienced in Ireland when a goods or service delivery is not as intended or falls short of consumer expectations.

Respondents who claimed that they would definitely or likely need to purchase the goods or service in question were asked if there were any ways they would attempt to avoid similar problem occurring in the future with such products. Suggestions included using a different company or service in the future (14%) and/or researching the product/service more before purchase (13%) (Competition and..., 2014).

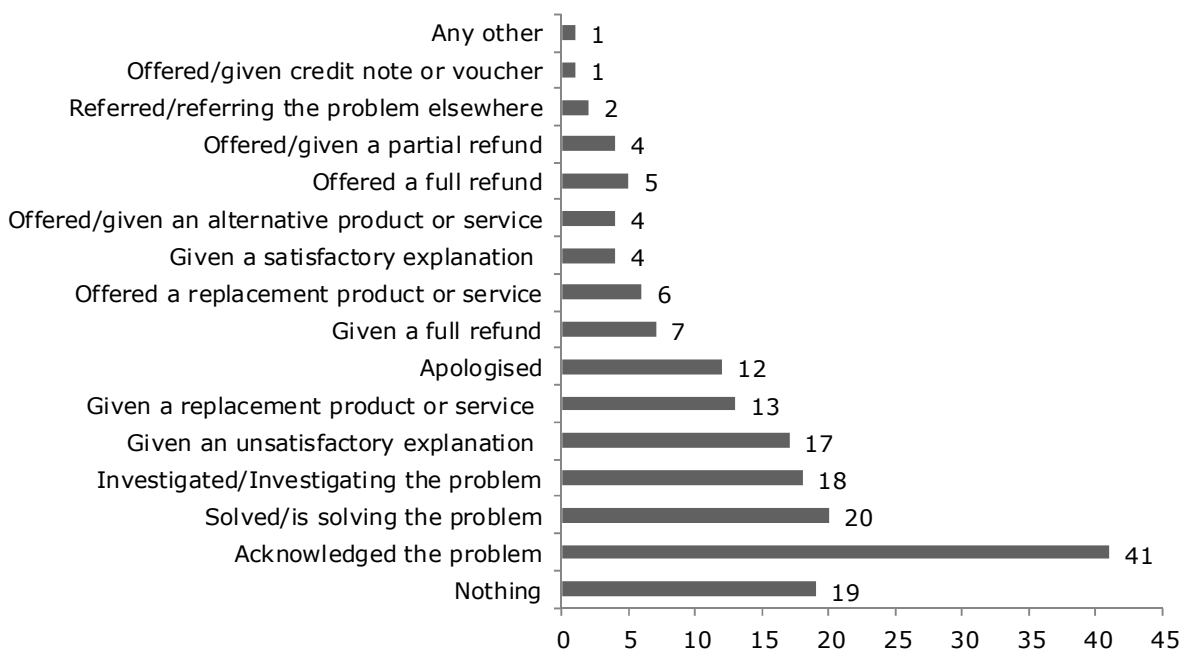
It is important also to analyse the actions taken by the company or firm that provided the

Jelgava, LLU ESAF, 21-22 April 2016, pp. 214-217 problematic goods or service, as the level of company responsiveness can provide a pivotal role in consumers' overall experience of detriment (Figure 3). A company or firm handling an issue well could potentially alleviate the overall inconvenience and effects of experiencing a problem with a goods or service for the consumer, while a negative or absent response could further exacerbate the problem. The analysis displayed above shows the actions taken by companies or firms according to respondents who had made at least some contact with the company or firm regarding the problem. For one fifth of such respondents (19%), the company or firm providing the goods or service had reportedly done nothing in response to the problem. Such a response, or indeed a lack of, was most apparent among respondents reporting a completely unresolved problem, constituting nearly half of such respondents (38%). For two in five respondents, the company had at least acknowledged the problem (41%). Given that one third of respondents (32%) state their likelihood of using the company has been affected a great deal also state that the company had done nothing highlights the necessity of company or firm responsiveness and reactivity when faced with a consumer problem, even at the very simple end of the scale. In relation to the types of action taken by the company or firm, just over one in ten respondents (13%) were reportedly given a replacement product or service, while 7% were given a full refund (Competition and..., 2014)

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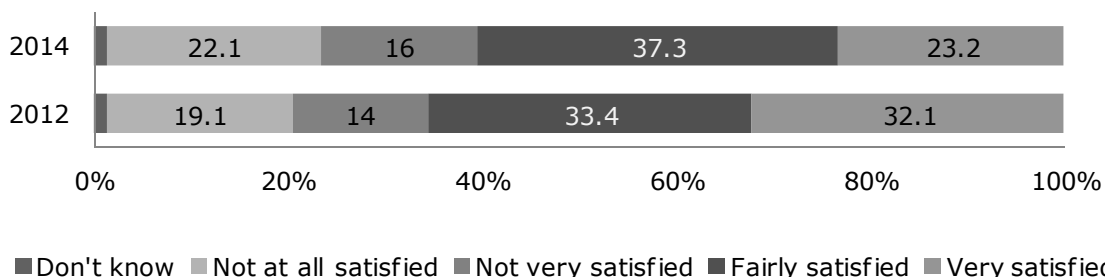


Source: authors' construction based (Competition and..., 2014)

Fig.3. The actions taken by the company or firm that provided the problematic good or service, %

Respondents in the EU were also asked several further questions evaluating how well they felt the company performed in meeting their needs throughout the experience of the problem

with the goods or service (European Commission, 2015^D) (Figure 4). In 2014, 38% of the respondents were not satisfied with companies' actions in resolving consumers' problems.

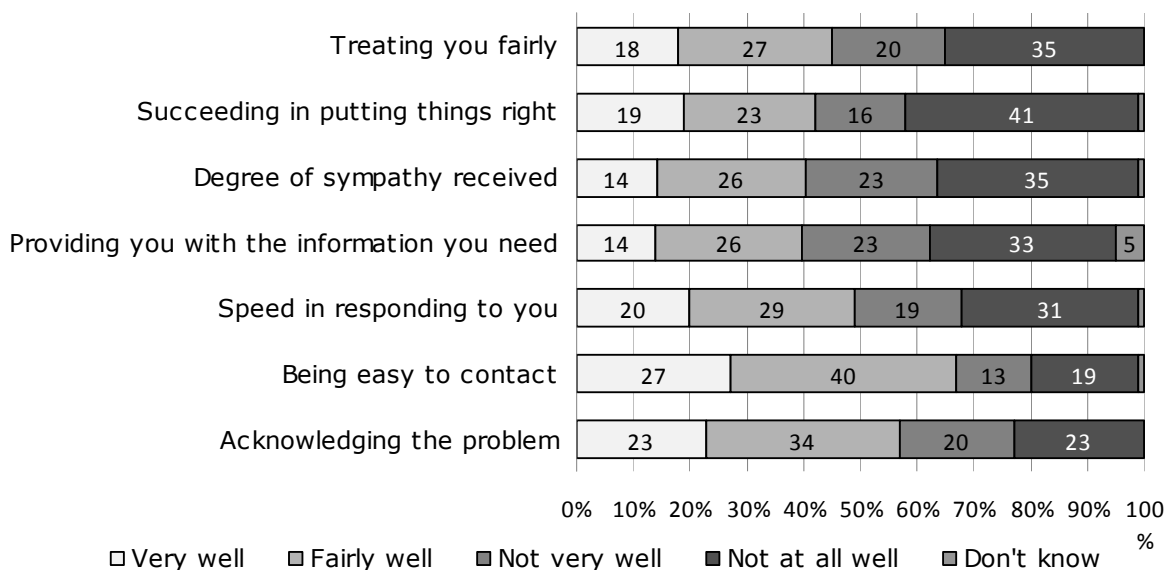


Source: authors' construction based on (European Commission, 2015^D)

Fig.4. Consumers' satisfaction with complaint handling by retailer or service provider in EU-28, 2012-2014 (%)

For businesses, successful handling of complaints is an important factor in increasing consumer loyalty (European Commission, 2015^D). As displayed in Figure 5, companies performed best in terms of ease of contact, with nearly two-thirds of respondents who contacted the

company or firm believing the company performed well in this regard (67%). Similarly, over one in two respondents felt the company performed well in acknowledging the problem (57%).



Source: authors' construction based on (Competition and..., 2014)

Fig.5. Evaluation of meeting consumers' needs, %

The respondents were split evenly in terms of their experience of the companies' speed in responding to them, with just under half reporting this had been performed well (49%), while a similar proportion believed this had not been performed well (50%). Four in ten respondents considered that the company or firm had performed well in providing them with the information they needed (40%). Over half of the respondents did not rate highly the degree of sympathy received, taking steps to put things right, succeeding in putting things right, and/or treating the respondent fairly.

2. Benefits of social media for protection of consumers interests

Social media refer to the digital version of those traditional formats such as television, radio, newspapers and magazines that are now accessible online and also is the collective of online communications channels dedicated to community-based input, interaction, content-sharing and collaboration. Websites and applications dedicated to forums, microblogging, and social networking are among different types of social media. The continuing development of

web-based and mobile technologies allow interactive conversation and immediate exchange of information and use of social media by businesses to reach the consumer. The consumers can now interact with the electronic media they receive by uploading their own video, text, photographs, documents and comments to sellers/providers blog, website or page on a social network to create consumer generated content. Creating it on social network page of seller/provider is very similar to a client referral of sellers'/providers' goods or services.

One of the main benefits of using social networks is the instant knowledge of what consumers are saying about seller/provider allowing respond quickly to this information (Pros and Cons of..., 2016). But it could be the negative point for seller/provider in case when the customers did not receive the value they had anticipated. For example, consumers can send an email relating their experience and expectation of a refund. If their complaint is not dealt with immediately, they will share the story of their "experience" virally, sending their comments to their friends and relatives. As a result, companies' reputation could be impacted

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positively or negatively depending upon how they monitor and respond to such an online complaint and reputation would depend on consumers' satisfaction level. Therefore, interaction with clients is one of the keys to building the online and social relationship that companies seek to achieve. To further the two-way communication, the consumer is invited to join the conversation by commenting on products and services. The company can develop relationship with the customer by asking about the customer's preferences. With this information seller/provider can use an individual approach to find decision in case of consumer's dissatisfaction or a problem.

Social sites can offer companies a fast and efficient way to build and grow long term customer relationships. According to the 2015 Social Media Marketing Industry Report (Stelzner, 2015), most companies are using social media to develop loyal fans (69%). Of those who have been using social media for at least one year, 64% found it useful for building a loyal fan base. Facebook, Twitter, LinkedIn, Google+, YouTube, Pinterest and Instagram were the top seven platforms used by companies, with Facebook leading. More than half of the companies (52%) choose Facebook as their most important platform.

Based on the research, surveys' analysis, and requirements of legislation, it is concluded that consumers have four scenarios to act in case of experiencing some problem with a good or a service (Figure 6).

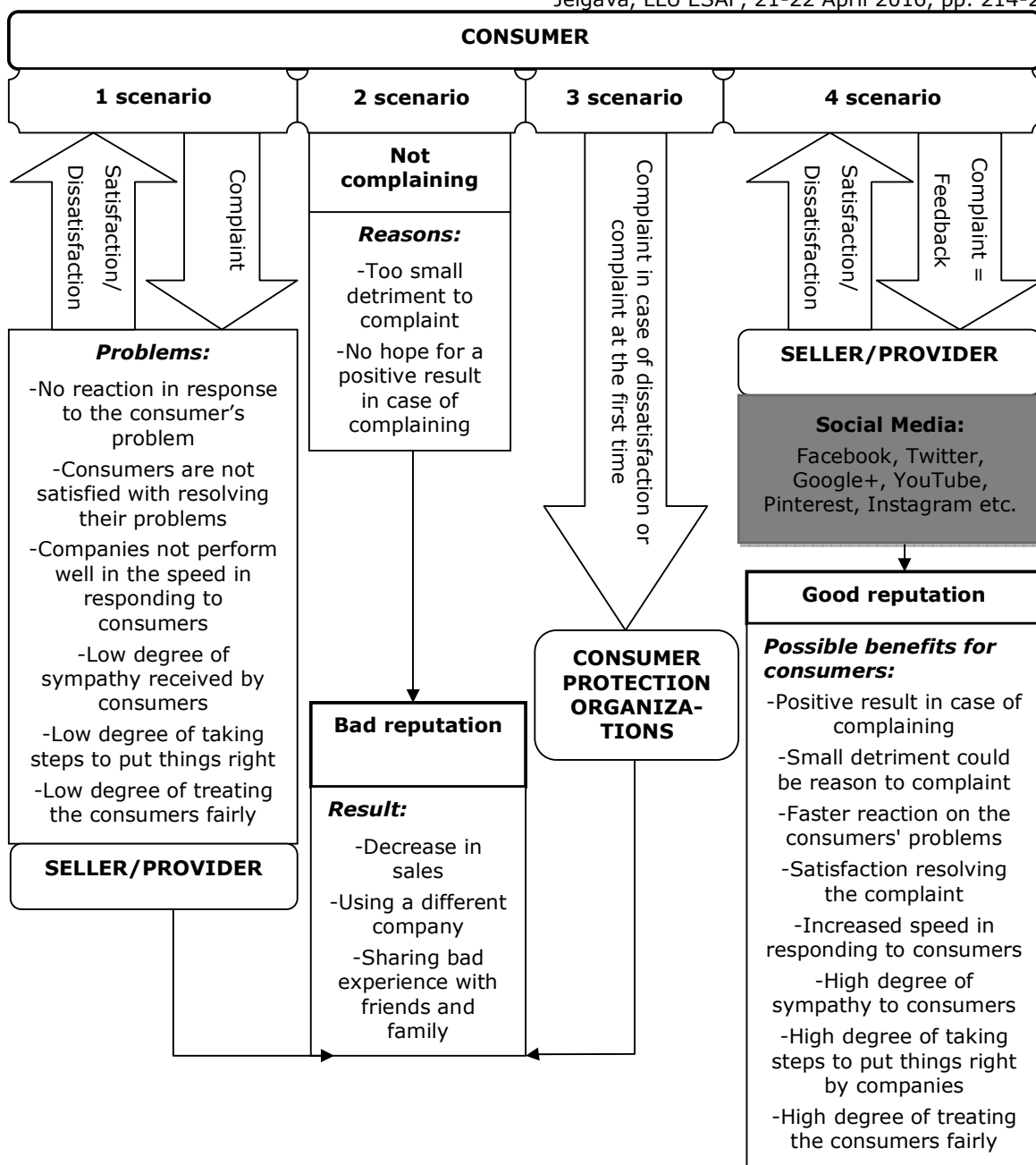
The first scenario foresees complaint from consumer to seller/provider without intervention of third parties, for example, consumer protection organisations. In this case, according to the consumer surveys analysed above,

Jelgava, LLU ESAF, 21-22 April 2016, pp. 214-220 consumers sometimes are not satisfied with speed in reacting on problems, resolving problems and responding on them, degree of sympathy received, treating the consumers fairly and degree of taking steps to put things right. However, smart seller/provider will try to find decision of the problem and consumer will be satisfied. Otherwise, reputation of seller/provider will suffer. **The second scenario** foresees not complaining possibility due to the lack of hope for a positive result in case of complaining and too small detriment. As a result, seller/provider does not receive any complaint but actually the problem will continue to exist since it is not resolved. Reputation of seller/provider would suffer that would lead up to switching on another seller/provider. **The third scenario** foresees that consumer will complain directly to the consumer protection organizations. Consumers can do that in cases when they are not satisfied with the result of the complaint resolution by seller/provider or if they have decided to do that without interaction of seller/provider. In both cases, it means that consumer and seller/provider do not have good communication, dialog and trustful relationship that would influence reputation of seller/provider. **The fourth scenario** includes situation when both sides - consumer and seller/provider - have good communication flow and relationship using social media to be in touch with each other. In this case, seller/provider will be interested to prevent any consumer's dissatisfaction when consumer could easily share bad experience with friends and family by using social media, negative or absent response could further exacerbate the problem and as a result company's reputation will suffer.

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Source: authors' construction based on (Competition and..., 2014), (European Commission, 2015^B), (European Commission, 2015^D), (Consumer Rights...,1999).

Fig.6. Four scenarios of consumers' behaviour including pros and cons for socially networked consumers and sellers/providers

Conclusions

- 1) Based on the EU consumers' surveys analysis, the model of four scenarios of consumers behaviour is created in cases when consumers are not satisfied with goods or services.
- 2) According to statistical data, the Scenarios 2 and 3 are used by consumers less often, comparing with Scenarios 1 and 4 since 71%

of the respondents are confident that retailers and service providers respect their rights as consumers. In case of the problem, 63% contacted the retailer or service provider directly in-house customer service is by far the most common channel for receiving consumer complaints. By encountering the problem with goods or services, 24% of consumers did nothing, although complaining

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and getting effective redress can reduce or even offset consumer detriment and thus help reinforce consumers' confidence in the shopping environment.

3) Scenarios 1 and 4 are more positive for both consumer and seller/provider since they allow solving problems without interaction of third parties, create communication flows, trustful relationship, good reputation of seller/provider and develop loyal fans from consumers' side. However, in case of Scenario 1, consumer can encounter problems more

Jelgava, LLU ESAF, 21-22 April 2016, pp. 214-222 often (comparing with Scenario 4) such as no reaction on problems, dissatisfaction, low degree of sympathy from sellers'/providers' side and so on. When companies are presented in social media they have more incentives to resolve the problem of consumers since the information about disloyalty can spread very fast and broadly. Therefore, social media is a natural tool providing benefits for consumers, which help protect their rights.

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