# The Convergence of Consumer Protection and Competition, Policies

Times have changed. Today’s customers want specialised products and services catering to new, often “niche” markets. They are now more discriminating, and discerning, shopping for and expecting the best quality services and value. These trends have lead to the growing convergence and interaction between different policy fields such as competition and consumer protection policy, which seek ultimately to sustain these ‘across the board’ privileges for consumers, and overall benefits for the economy. The relationship between the two policy fields will no doubt be further explored and advanced by policy makers who have come to realize that true consumer power requires more than competitive markets and product choice but that accurate and understandable information is also needed to facilitate consumer decision making in the increasingly complex marketplace of today.

Competition policy

Competition policy refers to the body of laws which govern the extent, and ability, to which firms can economically and fairly compete. By extension it can be seen as a set of regulations which seek to promote fair competition and prevent anti-competitive conduct. The prohibition of anti-competitive practices such as exclusive dealing, predatory pricing, tied selling, collusion and excessive pricing, is a means to ensuring the efficient allocation of labour and capital resources. This allocation and mobilization of resources along with the ability to facilitate market access and prevent artificial barriers to entry allows competition policy through the promotion of competitive markets to generate significant benefits to the consumer. Within an increasingly integrated global economy, an effective competition policy fosters productive and research based efficiencies which ultimately result in better choices as well as lower prices to consumers.

Consumer Protection

These benefits for the consumers are of course directly related to the goals of consumer protection policies which look at protecting the interests of consumers and ensuring that consumers are fully informed with regard to the products and services they use. The main goal of consumer protection is to shield consumers against unfair, deceptive, or fraudulent practices by businesses. In essence, it tries to ensure a fair and equitable marketplace as well as safe products and services for consumers.

This goal of a ‘fair and equitable’ balance of rights between the consumer and the business is a necessary condition for effectively functioning markets, which is of course also integral to the goals of competition policy.

Points of convergence

There are several other points of convergence between these two policy objectives.

- Both policies are essentially designed to enhance consumer sovereignty and effective consumer choice. That is to say that both are essentially concerned with the improvement of choices, and the control the consumer has in making those choices.

 - Both policy objectives address situations where market transactions and outcomes cause markets to fail, and consumer choice to be reduced.

 - Both policies are also administered to achieve greater economic efficiency, productivity and competitiveness for the nation.

These important and crucial synergies mean that greater competition and choice in the marketplace can lead to better consumer information, just as a better informed and more demanding consumer, who makes his or her preferences clearly known to suppliers, can stimulate greater competition and more product choice. Customers ultimately dictate the volume of product sales by the choices they make. In doing so they ensure that businesses are constantly improving their product quality, prices, and delivery strategies to satisfy their demand.

Difference between the two policy objectives

There is however one fundamental difference between the two policy objectives. Competition laws are intended to ensure that markets provide consumers with a competitive range of product and service options. Violations of these policies stem from market failures that may be considered external to the consumer’s control (e.g. Price fixing among businesses).  In contrast, consumer protection laws are intended to ensure that consumers have the information they need to choose effectively from among the available options.  Violations of these laws are founded in market failures that derive from the consumers’ own perceptions or the limitation thereof (e.g. misleading advertising).

This difference however is really only in the application of the policies – the end result is still very much the same – benefits to the consumers, businesses and ultimately the economy.

If you have queries about fair business competition, consumer protection or utility regulation, you can contact the Fair Trading Commission on its hotline at 421-2FTC (421-2382).