

## Unit 1

### (Topic 1) Concept and type of Consumer.

A **consumer** is a person or a group who intends to order, orders, or uses purchased goods, products, or services primarily for personal, social, family, household and similar needs, not directly related to entrepreneurial or business activities.



Consumers are the end users of a product or service. In this image, the customer is the adult. He paid for the doll. However, his daughter is the consumer. We use the term 'ultimate consumer' to emphasize that it is with that person that the road ends for the product. Another term that emphasizes the fact is 'final consumer.'

### Consumer vs. Customer

We often use the terms '*consumers*' and '*customers*' interchangeably. However, they do not always have the same meaning. A customer is not always the consumer.

Customers purchase things, but consumers use them.

For example, the customers of a company that sells pet food are mostly adults. However, the consumers are dogs or cats.

The difference between consumers and customers impacts how businesses market their products. Customers buy toys, for example, if consumers – children – demand them.

Therefore, toy company's should target children in their marketing efforts. Children will subsequently react to the marketing efforts by influencing what adults buy.

Of course, in many cases, consumers and customers are the same people. A ladies' clothing store will sell mainly to the end users.

## **Type of Consumer**

**According to the nature of consumption, consumers are of following types:**

### **(i) Direct Consumers:**

History tells us that at the very early stage of civilisation producers produced all the basic needs of life for themselves and their families. All the basic needs like food, clothing and shelter they produced for their own and their family's consumption. Hence, the producers were producing goods for their self- consumption. Thus, they were called as direct consumers or direct producers also.

### **(ii) Consumers by Exchanging Products:**

With passage of time and civilisation people understood the benefits of exchange. Hence, they tried to specialise on a particular or few products and then tried to exchange the product with the other product(s). The exchange started with barter system and now continuing with monetary system.

This will create the concept of marketable surplus, i.e., the producers are not only producing goods for self-consumption, but some excess or surplus product(s) they are keeping to get other product(s) in exchange. For example, a farmer producing pulse not only for self-consumption but the extra or surplus pulse he will exchange with the producer of other product, say paddy.

### **(iii) Modern Consumers:**

These consumers only go to the market to buy the goods and services available in the market through money only. Here, the producers are also producing goods or services directly sent to the market for the consumers. These consumers buy all the goods and services in lieu of money. The modern consumers are the outcome of monetary system.

## **(Topic 2) Consumer Protection and its Importance**

**Consumer protection** is the practice of safeguarding buyers of goods and services, and the public, against unfair practices in the marketplace. Consumer protection measures are often established by law. Such laws are intended to prevent businesses from engaging in fraud or specified unfair practices in order to gain an advantage over competitors or to mislead consumers. They may also provide additional protection for the general public which may be impacted by a product (or its production) even when they are not the direct purchaser or consumer of that product. For example, government regulations may require businesses to disclose detailed information about their products—particularly in areas where public health or safety is an issue, such as with food or automobiles.

### **Importance of Consumer Protection**

#### **I. Importance from Consumer Point of View**

- **Consumer Ignorance:** Consumer when seeing it from their point of view then we have gathered some aspects to it. Of which, Consumer Ignorance needs to be taken care of they should know how to exercise their rights and how to seek reliefs.
- **Unorganised Consumer:** We need a Consumer Organisation which can unify the consumers and help them seek relief with their consumer issues.
- **Widespread Exploitation of Consumer:** Consumer is been exploited through the ways of adulteration, false practice, fake weights, incomplete information on packaged products, Misleading Advertisements. For instance, there are many products that claim to make you fair or reduce your weight but when you use the products it does not provide what is promised.

#### **II. Importance from Business Point of View**

Do business really need to consider consumer protection, is there a way which can benefit them as well? Let us have a look at some of the points which provide us with some insight:

- **Long-Term Interest of Business:** If one wants to increase their customer base in long-term then they need to make a satisfied customer. A satisfied customer with their word of mouth would make more customer and increase the consumer base.
- **Business uses society's Resources:** Business should not hamper consumer confidence as most of the resources taken from the society. In turn, business keeps in mind public interest and provide products accordingly.

- **Social Responsibility:** Business have responsibilities towards the consumer, government bodies and society and they should work in a way which should be beneficial to them and the business as in return it will flourish their business.
- **Moral Justice:** Business has a moral duty to the society and consumer and they should take steps which should not hamper the society or consumer. They should prevent any sort of exploitation like adulteration, unfair practices, defective product, fair price and weight.
- **Government Intervention:** To avoid the situation of government intervention in the business which could be a hectic task. For that business should design their trade practice in such a way which would be in the interest of the consumer.

### (Topic 3) Basic Rights of Consumer

1. **Right to Basic Needs**, which guarantees survival, adequate food, clothing, shelter, health care, education and sanitation. With this right, consumers can look forward to the availability of basic and prime commodities at affordable prices and good quality.
2. **Right to Safety**—the consumer should be protected against the marketing of goods or the provision of services that are hazardous to health and life.
3. **Right to Information**—the consumer should be protected against dishonest or misleading advertising or labeling and has the right to be given the facts and information needed to make an informed choice.
4. **Right to Choose**—the consumer has the right to choose from among various products at competitive prices with an assurance of satisfactory quality.
5. **Right to Representation**—the right to express consumer interests in the making and execution of government policies.
6. **Right to Redress**— the right to be compensated for misrepresentation, shoddy goods or unsatisfactory services.
7. **Right to Consumer Education**, which is the right to acquire knowledge and skills necessary to be an informed customer.
8. **Right to a Healthy Environment**—the right to live and work in an environment which is neither threatening nor dangerous and which permits a life of dignity and well-being.

## (Topic 4) Approaches to consumer protection

Main means of consumer protection are as under

1. **Self Regulation by Business:** Every firm insists to have a strong consumer base which means that more and still more people should buy their products. This is possible only when the consumers are fully satisfied with the products of the firm. Many firms have set up their customer service and grievance cells to redress the problems and grievances of their consumers.
2. **Business Associations:** Business associations prepare a code of conduct for businessmen. It is laid down in the code of conduct as to how businessmen are expected to behave with the consumers. For example, the Federation of Indian Chambers of Commerce and Industries (FICCI) and the Confederation of Indian Industries (CII) have proposed their code of conduct which governs the attitude of their members towards consumers.
3. **Consumer Awareness:** As an important means of consumer protection, consumer should protect himself. He should be alert in the matter of his rights. Alert consumer alone can demand his rights from the sellers. Thus, the consumer himself must know his rights and raise voice against unfair practices of the sellers.
4. **Consumer Organisations:** Consumer organizations play an important role in educating consumers about their rights and providing protection to them. These organizations can force business firms to avoid malpractices and exploitation of consumers.
5. **Government:** Interests of the consumers are protected by the government by enacting various legislations. Consumer Protection Act 1986 is an important legislation by the government to provide protection to the affected consumer. This Act provides for a three tier machinery.

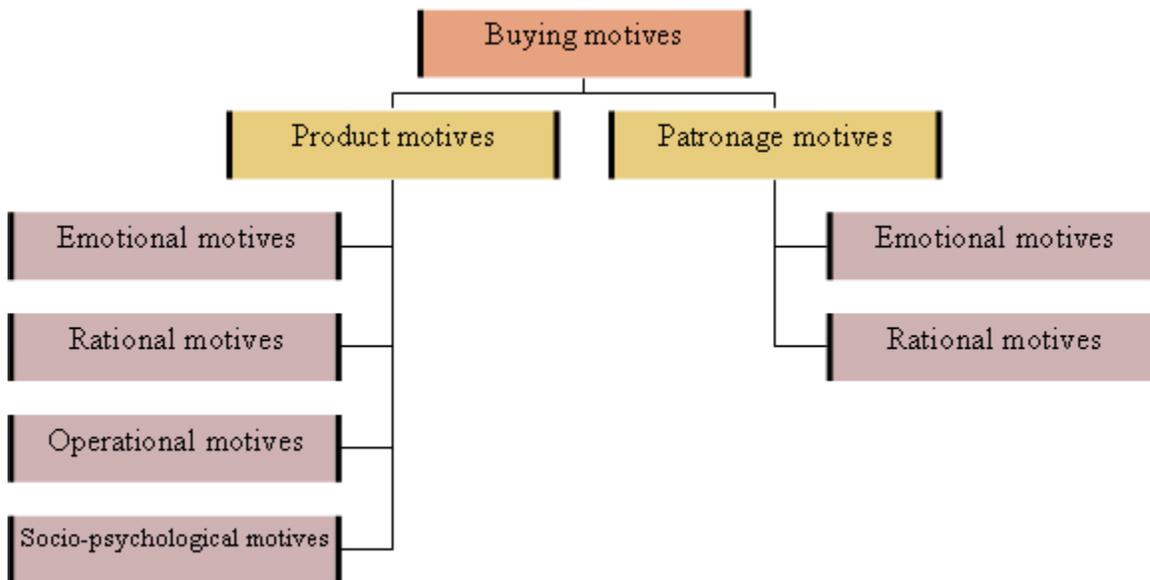
### Other approaches

1. **Lok Adalat** Lok Adalats are the effective and economical system for quick redressal of the public grievances. The aggrieved party can directly approach the adalats with his grievance and his problems are discussed on the spot and decisions are taken quickly.
2. **Public Interest Litigation (PIL)** Public Interest Litigation (PIL) is a scheme under which any person can move to the court of law in the interest of the society. It includes efforts to provide legal remedy to unrepresented groups and interests. Such groups may consist of consumers, minorities, poor persons, environmentalists and others. Any person or organisation, though not a party to the grievances, can approach the court for remedial action in case of any social atrocities.

3. **Redressal Forums and Consumer Protection Councils** A judicial system has been set up to deal with the consumer grievances and disputes at district level, state level and national level, Under the Consumer Protection Act, 1986. These are known as district forum, state consumer disputes redressal commission (state commission) and national consumer disputes redressal commission (national commission). Any individual consumer or association of consumers can lodge a complaint with the district, state or national level forum, depending on the value of goods and claim for compensation.

**(Topic 5) Buying motives of Consumer**

When the buyer’s need is raised to a particular level they become the motives which mean “I want to achieve this” which ultimately affect the consumer buying behavior. This means that the consumers have the desire which motivate them to buy a particular product. The buying motives of the consumer are divided into two categories:



1) **Product motive**:- product motive means the desire to buy a particular product.

**i) Emotional motive**: it is a type of buying motive where a person is without any logic or reason emotionally attached to a particular product. For eg. Children are emotionally attached to toys.

**ii) Rational motive**: it is a type of buying motive where a person thinks twice before buying the product. Like before buying a car people generally think about its mileage, speed, looks, after sale services etc.

**iii) Operational motive**: it is a type of buying motive where a person feels that the product has want satisfying power. For eg. a family buys television because they feel it has utility for them.

**iv) Socio-psychological motive:** it is a type of buying motive where a person buys a product due to status in the society. Like a person buys big house to show his status in the society.

**II) Patronage motives:-** these are divided into two parts:

**i. Emotional motive:** it is a type of buying motive of consumer where a person is without any logic or reason emotionally attached to a particular product. For eg. Children are emotionally attached to toys.

**ii) Rational motive:** it is a type of buying motive where a person thinks twice before buying the product. Like before buying a car people generally think about its mileage, speed, looks, after sale services etc.

## **(Topic 6) Consumer sovereignty**

Consumer sovereignty is the theory that consumer preferences determine the production of goods and services. This means consumers can use their spending power as 'votes' for goods. In return, producers will respond to those preferences and produce those goods. In reality, however, producers do produce goods that consumers do not want or introduce new products like the iPod that the consumers did not know they wanted.

### **Limitation of Consumer sovereignty**

#### **1. Inequitable Distribution of Income**

Lower-income consumers have limited options because of their lower incomes. Richer consumers have more the luxury of choice. Therefore, consumer sovereignty is limited by the unequal distribution of income.

#### **2. Availability of Resources**

In theory, producers should be able to produce goods that consumers demand. In reality, a country may not have the infrastructure, technology or natural resources to be able to do so.

#### **3. Monopoly Power**

Monopolies can override consumer sovereignty because there may not be other choices in the market. This also means the consumer has to purchase at the price decided by the monopoly.

#### **4. Government Restrictions**

Governments often impose taxes or subsidies to discourage or encourage the consumption of certain goods. In certain cases, governments may simply outright ban the production that products such as opium.

#### **5. Irrational Consumer**

In economics, we assume consumers will always make a rational decision, however, in reality, this isn't always the case.

## **6. Combined Demand**

Rarely do individual consumers have choices in affecting prices or decisions of the producer. It is the combined demand of many consumers that can only make a difference.

## Unit 2<sup>nd</sup>

### (Topic 1) Consumer Protection Act (CPA) 1986

#### Consumer Protection Act

Consumer Protection Act has been implemented (1986) or we can bring into existence to protect the rights of a consumer. It protects the consumer from exploitation that business practice to make profits which in turn harm the well being of the consumer and society.

This right help to educate the consumer on the right and responsibilities of being a consumer and how to seek help or justice when faced exploitation as a consumer. It teaches the consumer to make right choices and know what is right and what is wrong.

#### STATEMENT OF OBJECTS AND REASONS

1. The Consumer Protection Bill, 1986 seeks to provide for better protection of the interests of consumers and for the purpose, to make provision for the establishment of Consumer councils and other authorities for the settlement of consumer disputes and for matter connected therewith.

2. It seeks, *inter alia*, to promote and protect the rights of consumers such as-

- (a) the right to be protected against marketing of goods which are hazardous to life and property;
- (b) the right to be informed about the quality, quantity, potency, purity, standard and price of goods to protect the consumer against unfair trade practices;
- (c) the right to be assured, wherever possible, access to an authority of goods at competitive prices;
- (d) the right to be heard and to be assured that consumers interests will receive due consideration at appropriate forums;
- (e) the right to seek redressal against unfair trade practices or unscrupulous exploitation of consumers; and
- (f) right to consumer education.

3. These objects are sought to be promoted and protected by the Consumer Protection Council to be established at the Central and State level.

4. To provide speedy and simple redressal to consumer disputes, a quasi-judicial machinery is sought to be setup at the district, State and Central levels. These quasi-judicial bodies will

observe the principles of natural justice and have been empowered to give relief of a specific nature and to award, wherever appropriate, compensation to consumers. Penalties for noncompliance of the orders given by the quasi-judicial bodies have also been provided.

5. The Bill seeks to achieve the above objects.

## **ACT 68 OF 1986**

The Consumer Protection Bill, 1986 was passed by both the Houses of Parliament and it received the assent of the President on 24<sup>th</sup> December, 1986. It came on the Statutes Book as THE CONSUMER PROTECTION ACT, 1986 (68 of 1986).

## **LIST OF AMENDING ACTS**

1. The Consumer Protection (Amendment) Act, 1991 (34 of 1991) (w.r.e.f. 15-6-1991).
2. The Consumer Protection (Amendment) Act, 1993 (50 of 1993) (w.r.e.f. 18-6-1993).
3. The Consumer Protection (Amendment) Act, 2002 (62 of 2002) (w.r.e.f. 15-3-2003).

## **(Topic 3) CONSUMER PROTECTION COUNCIL**

The Consumer Protection Act, 1986, envisages establishment of Consumer Protection Council at the Central and the State levels to promote and protect the rights of the consumers. These councils are supposed to be the apex body to lay down the policy for the better implementation of the provisions of the Act.

### **The Central Consumer Protection Council**

The council consists of 150 members, including the minister in charge of the Department of Food and Civil supplies in the Central Government, as its chairman.

### **The State Consumer Protection Council**

The council shall consist of such number of members as may be specified by the State Government by notification from time to time. The State Government would appoint the Minister in charge of the Department of Food and Civil Supplies in the State as chairman of the council.

## **(Topic 4) CONSUMER DISPUTES REDRESSAL AGENCIES**

The Consumer Protection Act 1986 has established a three tier structure for redressal of consumer disputes. The redressal machinery consists of the following agencies,

- a) Consumer Disputes Redress Forum known as the District Forum
- b) Consumer Disputes Redress Commission known as the State Commission.
- c) National Consumer Disputes Redress Commission known as the National Commission.

### **(i) DISTRICT FORUM**

Each District forum consists of a President and two other members and one of them should be women. The President has been or is qualified to be a District Judge. The two members are persons of ability, standing and integrity and have adequate knowledge or experience or have shown capacity in dealing with problem relating to Economics, Law, Commerce, Accountancy, Industry, Public affairs or Administration.

### **(ii) STATE COMMISSION**

State Commission consists of three members. One of them is the president and one of the members should be women. The two other members are persons of ability, integrity, and standing and have adequate knowledge or experience or have shown capacity in dealing with problem relating to Economics, Law, Commerce, Accountancy, Industry, Public affairs or Administration.

### **(iii) NATIONAL COMMISSION**

The President is appointed by the Central Government after consultation with the Chief Justice of India. The other members are appointment by the Central Government on the recommendation of a selection committee consisting of: a person who is Judge of the Supreme Court, nominated by the Chief Justice of India and Secretary of the Department dealing with consumer affairs in the Government of India.

## **(Topic 5) procedure of filing a complaint**

According to the Consumer Protection Act, 1986, any person who is a consumer who bought a product or service, fully or partially paid for his use is a consumer. Since the Consumer Protection Act, 1986 extends to the whole of India, any consumer can file a complaint to the consumer forum in India.

## Steps to file a complaint

1. Drafting the complaint petition- In a precise manner, a complaint needs to be drafted with the facts and proofs such as any bills, receipts, documents. Three copies need to be made of the complaint and filed with an affidavit. The complaint also needs to be served to all the parties involved.
2. After the drafting, the complainant has to choose the court depending on the value of the consideration.

To ensure the rightful and speedy resolution of all the consumer complaints, the Consumer Protection Act, 1986 has a three-tier redressal system on which it operates. The three layers of the redressal system are:-

1. **The District Forum at District Level-** The jurisdiction of this forum entertains complains of value equal to or less than INR 20 Lacs.
2. **State Commission at the state level-** The jurisdiction of this forum entertains complains of value equal to or less than INR One crores.
3. **National Commission at National level-** The jurisdiction of this forum entertains complains of value more than Rs. 1 Crores.

Each of these forums has to provide the resolution within thirty days failing to which the consumer can escalate the complaint to the next commission.

3. After choosing the court, the statutory fees are to be deposited while filing the complaint.
4. If one is not satisfied with the verdict of these forums, they have an option to apply for a revision to the honorable Supreme Court of India.

The complaint can be filed within two years of buying or using the service.

**(Topic 6) relief available for consumer as per act**

Consumer courts may grant one or more of the following reliefs:-

- A) Repair of defective goods.
- B) Replacement of defective goods.
- C) Refund of price paid for the defective goods or service.
- D) Removal of deficiency in service.
- E) Refund of extra money charge.
- F) Withdrawal of goods hazardous to life and safety.
- G) Compensation for the loss or injury suffered by the consumer due to negligence of the opposite party.
- H) Adequate cost of filing and pursuing the complaint.
- I) Grant of punitive damages. their grievances in an effective and simple manner.

## **Unit 3<sup>rd</sup>**

(Topic 1) Role of media and government in consumer awareness and protection.

### **Role of Media**

Media in all its form, print or electronic, is a mirror of the times and society we live in. It connects us to the world and the world to us. Media plays a very useful role in setting up good or amicable relations between traders and buyers. It has become a silent opinion maker and hence, it is working on a larger plane than any other institution.

So, it is important that media should work in a judicious manner.

Some suggestions for what should be the role of media for consumer protection and welfare against various exploiting elements are as follows

(i) An independent and free media is necessary in a democracy as it ensures the accountability of the government.

(ii) The media should play its role in empowering the consumers through consumer education and also highlighting various unfair trade practices resorted to by the traders and service providers.

(iii) There has to be a check on misleading advertisements, however, the media has to self regulate itself.

(iv) The print media should have regular columns which should contain the various decisions of the consumer courts.

(v) The Departments of Journalism and Mass Communication in various Universities may include Consumer Protection and Consumer Welfare in their syllabus for under graduate and post graduate courses.

(vi) In order to disseminate information about consumer rights by organising various campaigns on this, the new media can serve as an effective platform.

In the current past, media has undertaken the job of consumer education and fighting against exploitation of consumers.

### **Role of Govt.**

The government has set up a lot of customer friendly services and there is a customer grievance call for the help of customers but generally consumers are not aware about them and this lack of awareness is the centre of all issues. The government must concentrate towards making people aware about these services and consumer rights.

- 1) The organizations that monitor and issue these certificates allow producers to use their logos provided, they follow certain quality standards.
- 2) The government of India passed a law popularly known as RTI Act right to information.
- 3) The government imposed certification marks for agriculture as well as Industrial products to ensure quality
- 4) The government also set up separate departments of Consumer Affairs in central and state government.

## **(Topic 2) Role of voluntary consumer organizations**

### **(1) Accelerating Consumer Awareness/Educating Consumers:**

The first priority of a consumer organisation is to accelerate consumer awareness towards their rights. To accomplish this task following efforts are made:

- (i) To publish brochures, journals and monographs.
- (ii) To arrange conferences, seminars and workshops.
- (iii) To educate consumers to help themselves.
- (iv) To provide special education to women about consumerism.
- (v) To encourage to follow desirable consumption standards.

### **(2) Collecting Data on Different Products and testing them:**

These organisations collect samples of different products from time to time and test them. After that the results of the tests are declared to public. In this way, these organisations provide prior information to consumers about the authenticity of product and protect them. Apart from this, these organisations also work in conducting investigation/ research on consumer's problems.

### **(3) Filing Suit on Behalf of Consumers:**

Whenever a consumer fails to raise his voice of protest regarding his complaints, these consumers' organisations come to his rescue and file a case in the court. By rendering this service to the consumers, the consumers get a feeling that they are not alone in their struggle. They also run voluntary complaint centres for the guidance of consumers.

#### **(4) Organising Protests against Adulteration etc.:**

The consumers' organisations play a significant role in eliminating the evils of adulteration, hoarding, black-marketing, and under-weight selling. Whenever there is an unnecessary rise in the prices of certain things, the consumers' organisation raise a voice of protest against it. Consumer organisations prepare films and cassettes related to adulteration in food products, ill effects of medicines and Acts related to consumer protection. Many a times exhibitions are arranged to bring awareness among the consumers against spurious and adulterated products. Nowadays consumer organisations are playing a major role in encouraging consumers to raise their voice against faulty and inferior products.

#### **(5) Helping Educational Institutions:**

These organisations tell the educational institutions the way to prepare courses of study keeping in view the interests of the consumers. They stress the fact that a special article on consumers' interest should always be added to the courses on general study.

#### **(6) Promoting Network of Consumer Associations:**

Consumer organisations are trying to grow their numbers. They want to cover all the regions of the country so that consumers of all the regions are benefited by their services. Their effort is to form a federation at the apex level and then through the medium of the federation reach state and district level.

#### **(7) Extending Support to Government:**

Consumer organisations by informing the government agencies about adulteration, artificial scarcity, inferior quality products and other such evils help the government. This in turn helps the government to conduct proceedings in time.

In this way we find that the consumers' organisations play a significant role in providing protection to the consumers.

#### **(Topic 3) Consumer voluntary Organizations and their working**

To fight this bad element of the business firms, the consumer needs to stand together against them and fight for their right. Already there are various Non-Profit Organizations who are working towards these consumer affairs – Consumer Guidance Society of India, Common Cause and Voice. These organizations are dealing with the concerns faced by consumers. They have been adopting various measures to achieve this. Following are the listed measures :

- **Seminars:** Seminars are been conducted and even various talk shows are aired on TV and radio. These focus on the issues being faced by the consumer and how the business firm are neglecting the consumer interest and other such consumer affairs
- **Print Media:** Print Media has been utilized by making brochures, flyers, and advertisements and through this medium, they educate the consumer about their rights and responsibilities.
- **Quality Test:** Quality tests are being conducted by the organization after which they release the result and educate the consumer with the quality of the product that consumers have been using since ages. For instance, Maggi Noodles which was popular since ages and was consumed in large numbers but then it turned out that it contained lead which was harmful to
- **Boycotting Goods:** They bring consumer true results of quality of a product and hence ask the consumer to boycott the unhealthy or defective product. This helps in capturing media attention as well.
- **Legal Assistance:** These consumer bodies help the consumer by providing legal advice to them or any aid required so that they know their rights and how they can fight against odds. There are legal professionals who also offer their expertise pro-bono.
- **Filing Complaints:** They also act as a medium wherein they file a complaint, file petition in the court of law on behalf of the consumer to help them in getting justice.
- **Initiative in Public Interest:** They also file cases for the general users rather than any individuals and achieve justice.
- **Protesting:** They start a protest on various issues which could hamper a consumer and those issues could be the adulteration of food, unnecessary rise in price, underweight product sell, a damaged product sold etc.,

#### **(Topic 4) Competition Act**

##### **Objectives of the Act**

The Act seeks to provide the legal framework and tools to ensure competition policies are met and to prevent anti-competition practices and provide for the penalisation of such acts. The Act protects the free and fair competition which protects the freedom of trade, which in turn protects the interest of the consumer. The Act seeks to prevent monopolies and also to prevent unnecessary intervention by the government. The main objectives of the Competition Act, 2002 are:

- to provide the framework for the establishment of the Competition Commission
- to prevent monopolies and to promote competition in the market

- to protect the freedom of trade for the participating individuals and entities in the market
- to protect the interest of the consumer

### **What are Anti-Competitive agreements?**

In simple words, Anti-Competitive agreements are agreements that are made by two or more companies competing in the same market to fix prices or reduce stocks etc, so as to manipulate the market favourably for them. This has the effect of the companies reducing the competition in the market which adversely affects the end consumer.

The Competition Act, 2002 defines anti-competitive agreements as such in section 3 where it states, *“No enterprise or association of enterprises or individuals or association of individuals may enter into an agreement regarding production, supply, distribution, storage, acquisition or control of goods or provision of services which may adversely affect the competition in the Indian market”*.

Such agreements are termed as AAEC agreement, which means the **appreciable adverse effect on competition** agreements. the Act expressly states that such an agreement shall be void.

An AAEC agreement is classified as any agreements that result in:-

- Directly affects purchase or sale prices
- Indirectly affects purchase or sale prices
- Limits production
- Limits supply
- Limits technical development
- Limits service provision in the market
- Leads to the rigging of bids
- Leads to collusive bidding

### **Abuse of dominant position**

The abuse of dominant position is prohibited by Section 4 of the Competition Act. Abuse of dominant position is defined under the second part of the same Section. According to the act dominant position means any enterprise that enjoys the position and power in the Indian market which enables it to:

- Operate independently of competitive forces in the relevant market
- Affect its competition, consumer or the relevant market in its favour.

## **Remedies**

Remedies against AAEC agreements and abuse of dominant position are provided by the Competition Commission of India. Upon a review and enquiry into the alleged practices the Competition Commission may pass the following orders:

- Direct the discontinuance of such practices
- Impose a penalty that is less than 10% or the turnover of the preceding three financial years; in the case of a cartel the penalty shall be 10% or three times the turnover of every financial year and shall continue for the period of continuance of such practices
- Direct the modification of such an agreement or abuse so as to curtail its adverse effect upon the competition of the market
- Pass any order that it may so deem fit.

## **Competition commission**

The Competition Commission of India is established under the Competition Act, 2002. It is a statutory body that has the power to govern and enforce the Competition Act including penalties. It was established when the need for a healthy competitive environment became necessary following liberalisation under the Vajpayee government.

The Commission is composed of a chairman and a minimum of 2 board members and a maximum of 6 board members. These members are required to have a minimum of 15 years of experience in their respective fields. Its objectives, duties and powers are enumerated in the Competition Act, 2002. Its main duty and object is to ensure that the Indian markets maintain a healthy and fair competitive environment and is granted power to ensure such an environment and penalise any acts adversely affecting its duties.

## **Regulation of combination**

The term combination has a broad definition under the ACT, it includes

- any acquisition of shares,
- voting rights,
- control of assets
- Party to merger or amalgamation of enterprises

Any person/enterprise shall not enter into a combination which is likely to have an adverse effect on the competition and such a combination will be void.

If any person/enterprise proposes to enter into a combination he shall intimate the Competition Commission of India within 30 days of:

- Approval of the proposal relating to mergers and amalgamation by the BOD of the enterprises involved in the process.

- Execution of any agreement pertaining to acquiring of control.

The Competition Act 2002 is a comprehensive law and the intent of the legislation is

To promote fair competition, catch up with the global economy, safeguard the interest of the consumers and ensure a stable market for India.

## Unit 4<sup>th</sup>

### (Topic 1) consumer information and knowledge

#### Consumer information

As per the Right to Information it is mandatory to inform consumer about the quality, quantity, potency, purity, standard and price of goods or services, as the case may be so as to protect the consumer against unfair trade practices' in the Consumer Protection Act of 1986.

Consumers are presented with a wide variety of options when they shop for products and services. Each option offers consumers a different price, level of quality and set of features and benefits. Customers can avoid the problems associated with a lack of consumer awareness as they can personally dissect the information about the product or service to make a wise buying decision after exploring options and making accurate product comparisons.

Advantages of consumer information are as follow:-

- 1- Control corruption:- Under RTI Act everyone has the right to ask questions for particular service and it is compulsory that the responsible officer gives the answer of the person's request within the time limit. So the chance of corruption will automatically minimize.
- 2- Easy mode to spread information:- By this Act people can get the direct answer from the higher authority. It is the easy mode to spread information to the particular person who actually needs it.

#### Consumer Knowledge

Consumer knowledge helps the consumer in many ways in protecting himself from the malpractices of the seller and in making judicious purchases. Let us see what the advantages of consumer education are

1. Consumer knowledge helps a person in making proper purchase. It enables the consumer in making right selection.
2. Consumer knowledge familiarizes the consumer with the problems which he faces while making purchases. This education inculcates the logical viewpoint in him.
3. Consumer knowledge provides the consumer full information of marketing conditions like various sources of purchasing a particular commodity, from where to get cheap and best goods, the shops providing additional facilities, and to latest products. All these information enables him in taking right decision regarding shopping.

4. Consumer knowledge familiarizes the consumer with various standards of standardization and their markings.

5. One of the most important uses of consumer knowledge is that it familiarizes the consumer about the various acts enacted by the Government from time to time. Consumer education helps the consumer in getting maximum satisfaction by proper utilization of his money and leads a better living standard

## **(Topic 2) Sources of Consumer Information**

We often compare several products before deciding which one to buy. Consumers usually look for quality and the best price, but many are willing to pay a little extra to get a brand they are familiar with. Several sources of information help consumers to learn more about a product and decide between competing brands. This data is known as **consumer information**.

### **1. Consumer Reports and Reviews**

We often decide to buy a product based on recommendations. Opinions often influence buying behavior. You could decide to try a new restaurant because a friend said it is great or you might try a new hair product that has wonderful reviews.

We can get reviews directly from people and also from specialized magazines, like *Consumer Reports*. They are usually reliable sources of information.

### **2. Advertising and Media**

Each day, we see a lot of advertising. It is everywhere, on the news, social media, street signs, and television. Advertising is often the reason we learn about the existence of certain products and we become interested in them. Not rarely, we end up buying them.

Companies are aware of the impact of advertising on buying behavior. Therefore, they are willing to spend money on publicity and media because it brings them customers. The more often someone hears about a product or sees it, the more likely he or she is to buy it.

Take cola drinks, for example. You know there are two big brands because they advertise everywhere. There might be others, perhaps with better features or price, but you may not know about them; you are more likely to get the ones you know.

Advertising and media are good for familiarizing with products and learning about their features and advantages. However, companies are unlikely to tell you the disadvantages (unless required by law, like with drugs or tobacco). Therefore, you should look for additional information from third parties, like consumer reviews or reports from specialized agencies.

### 3. Government Agencies and Product Testing Organizations

Several governments have agencies specialized in the protection of consumers. They define quality standards for products and test them to certify compliance. In the United States, the Food and Drug Administration (FDA) sets the standards for food products and medicines.

There are also private organizations that test products and provide valuable information about their features, quality, and risks. Some organizations work for governments or as independent parties. These agencies and organizations inform consumers about issues they find with certain products and might test products based on consumers' concerns.

### 4. Making Wise Decisions

There are often several brands of the same product. You might have read reviews about one or heard about the other. However, at this point, you might compare them to make the final decision. The product packaging and the display can give you valuable information.

### 5. Information on the Product

The package will usually list the ingredients, so you can determine if it is made of natural products or if it has more chemicals. For food products, you can also find nutrition facts, which can help you, for example, choose products with less fat or sodium. The package usually informs about allergen ingredients and whether or not the product is free of artificial flavors, colors, saturated fats, or potentially harmful ingredients.

<b>Nutrition Facts</b>	
8 servings per container	
<b>Serving size</b>	<b>2/3 cup (55g)</b>
<b>Amount per serving</b>	
<b>Calories</b>	<b>230</b>
<b>% Daily Value*</b>	
<b>Total Fat</b> 8g	<b>10%</b>
Saturated Fat 1g	<b>5%</b>
Trans Fat 0g	
<b>Cholesterol</b> 0mg	<b>0%</b>
<b>Sodium</b> 160mg	<b>7%</b>
<b>Total Carbohydrate</b> 37g	<b>13%</b>
Dietary Fiber 4g	<b>14%</b>
Total Sugars 12g	
Includes 10g Added Sugars	<b>20%</b>
<b>Protein</b> 3g	
Vitamin D 2mcg	10%
Calcium 260mg	20%
Iron 8mg	45%
Potassium 235mg	6%
<small>* The % Daily Value (DV) tells you how much a nutrient in a serving of food contributes to a daily diet. 2,000 calories a day is used for general nutrition advice.</small>	

### **(Topic 3) Ethical marketing as an instrument of consumer protection**

Ethical marketing is less of a marketing strategy and more of a philosophy that informs all marketing efforts. It seeks to promote honesty, fairness, and responsibility in all advertising. Ethics is a notoriously difficult subject because everyone has subjective judgments about what is “right” and what is “wrong.” For this reason, ethical marketing is not a hard and fast list of rules, but a general set of guidelines to assist companies as they evaluate new marketing strategies.

It is impossible to claim that any company is completely ethical or unethical. Ethics resides in a gray area with many fine lines and shifting boundaries. Many companies behave ethically in one aspect of their advertising and unethically in another.

Dove soap, for instance, ran a widely seen ad campaign featuring “real” models. The ad was meant to promote realistic body images and encourage girls to love the way they looked even if they were not supermodels. However, other Dove ads both during and since featured stereotypically beautiful models whose images have been altered to hide imperfections. Dove marketed ethically in one campaign and unethically in another. This illustrates how difficult it is to do the right thing in all circumstances. What is most important for any company that claims to practice ethical advertising is to make it a fundamental feature of their marketing process. With every decision they must ask themselves “will this sell” and “is this the ethical way to sell it

#### **Ethical marketing is a good instrument of consumer protection.**

- All marketing communications share the common standard of truth.
- Marketing professionals abide by the highest standard of personal ethics.
- Advertising is clearly distinguished from news and entertainment content.
- Marketers should be transparent about who they pay to endorse their products.
- Consumers should be treated fairly based on the nature of the product and the nature of the consumer (e.g. marketing to children).
- The privacy of the consumer should never be compromised.
- Marketers must comply with regulations and standards established by governmental and professional organizations.
- Ethics should be discussed openly and honestly during all marketing decisions.

### **(Topic 4)**

The Advertising Standards Council of India (ASCI) established in 1985 has adopted a Code for Self-Regulation in Advertising. It is a commitment to honest Advertising and to fair competition in the market-place. It stands for the protection of the legitimate interests of

consumers and all concerned with Advertising - Advertisers, Media, Advertising Agencies and others who help in the creation or placement of advertisements.

ASCI has one overarching goal: to maintain and enhance the public confidence in advertising. ASCI seeks to ensure that advertisements conform to its Code for Self-Regulation which requires advertisements to be:



**Honest  
Representations**

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Truthful and Honest to consumers and competitors.



**Non-Offensive to  
Public**

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Within the bounds of generally accepted standards of public decency and propriety.



**Against Harmful  
Products/Situations**

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Not used indiscriminately for the promotion of products, hazardous or harmful to society or to individuals particularly minors, to a degree unacceptable to society at large.



**Fair in  
Competition**

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Not derogatory to competition. No plagiarism.

i. Ensuring the truthfulness and honesty of representations and claims made through advertising and safeguarding against misleading advertising.

ii. Ensuring that Advertising is not offensive to generally accepted norms and standards of public decency.

iii. Safeguarding against the indiscriminate use of advertising for the promotion of products or services, which are generally regarded as hazardous to society or to individuals or which are unacceptable to society as a whole.

- iv. Ensuring that advertisements observe fairness in competition and the canons of generally accepted competitive behaviour.
- v. To codify adopt and from time to time modify the code of advertising practices in India and implement, administer and promote and publicize such a code.
- vi. To provide facilities and machinery in the form of one or more Consumer Complaints Councils having such composition and with such powers as may be prescribed from time to time to examine complaints against advertisements in terms of the Code of Advertising practices and report thereon.
- vii. To give wide publicity to the Code and seek adherence to it of as many as possible of those engaged in advertising.
- viii. To print and publish pamphlets, leaflets, circulars or other literature or material that may be considered desirable for the promotion of or carrying out of the objects of the Company and disseminate it through any medium of communication.