

OFFICE OF FAIR TRADING

Consumer IT goods and services

December 2002

OFT610

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FOREWORD

In October 2001 the Office of Fair Trading ('OFT') formed a new division, the Markets and Policy Initiatives Division, charged with investigating whether markets were working well for consumers. This investigation of Consumer IT goods and services was one of three launched in October 2001. Following the publication of our report into extended warranties in July 2002, it is the second investigation to be completed.

Overall, we found this market to be working well for consumers. We found many examples of good practice by manufacturers and retailers, and no need to propose changes to laws and regulations. Our recommendations largely aim to improve consumer information, including the need for clearer consumer contracts, and are primarily directed at manufacturers and retailers. These recommendations should bring significant benefits to consumers and, in several instances, to manufacturers and retailers as well. In many cases it is simply a matter of building on industry good practice. The OFT will do everything it can to help the industry to accept and implement these recommendations at the earliest opportunity. The OFT will also provide advice to consumers and guidance to the industry on unfair contract terms and distance selling regulations.

Our recommendation that a test standard for inkjet printer cartridges be developed and published within 12 months, with the results made available to consumers at the point of sale, is a demanding one, but should be attainable given the work already undertaken by *Which?*. If the recommendation is not taken forward, we will consider carefully whether further action is appropriate to resolve the problem.

John Vickers
Director General of Fair Trading

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1 SUMMARY AND RECOMMENDATIONS

- 1.1 Around £2 billion¹ is spent on personal computers² (PCs) each year, with the average consumer spending around £1,000 each. In addition, around £250 million is spent by consumers on inkjet printers and £315 million on inkjet cartridges. Although previous investigations by OFT have revealed few competition problems, for consumers these are complex products. Over 40 per cent of consumers are first time buyers. It was against this background that OFT decided to investigate these markets.
- 1.2 In many respects we found that these markets work well for consumers. Overall consumer satisfaction rates, particularly with price and product performance, were high, at 83 per cent. Consumers could generally obtain and use the information available in order to compare products and prices. From our survey, 43 per cent of consumers found the information available easy to understand and allowed them to make comparisons on PC pricing, PC products and suppliers; only three per cent claimed to have any difficulty finding information on these aspects. Most felt able to use this information to shop around. However, first time or inexperienced buyers tended to carry out the least research. This places a premium on point of sale information. There were areas where we found that such information could be improved.
- 1.3 Support services are vital for many consumers. However, we found information on these services to be poor, with consumers reporting them the most difficult aspect of the purchase on which to obtain information. Furthermore, the quality of support services was often unsatisfactory, with telephone helplines generating the most dissatisfaction. Better information would help consumers to shop around for the best service and the best product, which in turn would stimulate better support services generally. In many cases this is a matter of building on existing good practice.
- 1.4 We identified a number of problems with inkjet printer cartridges. As noted above, consumers spend around £315 million on inkjet cartridges per year. Consumer expenditure on ink over the lifetime of a printer can amount to more than twice the cost of the inkjet printer. However, there is very little information available to consumers that would enable them to assess the total on-going cost of inkjet printers.

¹ Key Note 2001; Mintel 2001; from report by Global Business Research Consultancy.

² Including Apple Computers. The term 'PC' refers to monitors and hard drives as well.

1.5 We have concerns about unfair terms contained in some consumer contracts. We discovered some instances where warranty terms were lost amongst the small print, or were not easily distinguishable from other contract terms, and contract terms that were likely to be read as limiting statutory rights.

1.6 In the light of these findings, the principal recommendations of our investigation are:

- **Recommendation 1:** Sellers of PCs should develop systems and train sales staff to guide consumers more effectively through the purchasing process. (paragraph 4.16)
- **Recommendation 2:** Sellers should publicise more clearly, in plain English at the point of sale and in promotional literature, details of the support services on offer. These should include the cost of telephone helplines and all other aspects of the service. Clear details of what consumers should do when things go wrong should also be publicised. Literature should be placed in a prominent place and freely available to take away. (paragraph 4.21)
- **Recommendation 3:** Contracts should be clear with prominent headings, which draw attention to warranty terms and conditions. (paragraph 4.24)
- **Recommendation 4:** We encourage and want to help local authority trading standards departments (TSDs) to provide advice and guidance to IT businesses on consumer protection and customer service issues. In order to reduce the burden on TSDs and ensure consistency, OFT will work with them to produce a training pack covering relevant issues that can be disseminated widely to all TSDs. (paragraph 6.8)
- **Recommendation 5:** Industry trade associations should consider the benefit of producing model terms and conditions for contracts with consumers. (paragraph 6.14)
- **Recommendation 6:** A test standard should be developed against which the performance of inkjet cartridges can be measured uniformly. This standard should be published within 12 months. The test results based on this standard should be made available to retailers and to consumers as point of sale information. (paragraph 7.35)
- **Recommendation 7:** Inkjet printer manufacturers clarify their warranty statements. In particular, they should make clear that they will not disclaim liability under warranties simply because a printer is used with compatible

products of other manufacturers (eg print cartridges produced by, recycled by, or re-filled using the products of, another manufacturer). (paragraph 7.41)

1.7 The Office of Fair Trading will:

- provide advice to consumers both on our website and in written format, on purchasing a PC, printer and support services. This will be available by January 2003.
- produce guidance specific to the IT sector on the Unfair Contract Terms in Consumer Contracts Regulations 1999 (UTTCRs) and the Consumer Protection (Distance Selling) Regulations 2000. This will be available by September 2003.
- work with Local Authorities Co-ordinators of Regulatory Services (LACORS) to produce an advice pack on key issues, including advice on UTTCRs and Distance Selling Regulations. This will be disseminated to all Local Authority Trading Standards Departments ('TSDs') by September 2003.

2 INTRODUCTION

- 2.1 The OFT announced on 3 October 2001 a market investigation into consumer IT goods and services in the UK¹. This was carried out under section 2 of the Fair Trading Act 1973. This is the report of that investigation.
- 2.2 In June 1999 an investigation by OFT² into the home PC market in the UK found the market to be dynamic, highly innovative, with falling prices and no substantial anti-competitive effects or practices. Nevertheless, concern was expressed that, given the complexity of these goods and services, consumers might have little product knowledge at the point of purchase and would find it difficult to compare products. At that time poor quality support services and consumer contract terms also raised concern. Since then the sector has grown in both value and volume and although the portion of first time buyers is reducing, they still make up around 40 per cent of the market. The potential for consumer detriment in such a market was high and a further investigation was recommended.
- 2.3 This investigation identifies and examines the issues affecting consumers of IT goods and services at the point of sale, and in seeking subsequent after-sales service and support.
- 2.4 The investigation sought to establish:
- the scale and nature of problems experienced by consumers buying home computers
 - consumers' degree of knowledge and understanding of the product and the market at the time of purchase, and whether the extent of their knowledge affects their choices and experiences
 - the quality and accessibility of information available to consumers on the choices open to them
 - whether consumers are aware of, and are able to assess, the continuing costs of owning a computer
 - how well after-sales service and support meets the needs of consumers

¹ Press notice 40/01

² Press notice 38/99

- the nature of competition across the sector and whether the market operates well enough to ensure that consumers get a good deal.
- 2.5 During the investigation views were sought from a wide variety of organisations including manufacturers and retailers of PCs, inkjet printers and printing ink consumables. We also sought comments from trade associations, publishers of PC magazines, Local Authority Trading Standards Departments, other government departments and IT training organisations.
- 2.6 We commissioned two consumer surveys to find out more about consumer experiences and measure their satisfaction with both buying and using their computer. The first survey focused primarily on pre-purchase issues, including the quality and ease of obtaining information on a range of factors such as products and prices. The second survey focused on post-purchase issues, namely what happens when consumers get their machine home. A further survey was carried out to gather the views of smaller independent retailers (those who are generally not part of a nationally known brand). We wish to thank all those who co-operated in each of these exercises, the findings of which are summarised in **Annexes C, D and E**.
- 2.7 In addition, two studies were commissioned by Competa and Knowledge Oxide to chart the experiences of consumers in Europe (specifically the Netherlands, Germany, France and the UK) and the United States. The reports focus on whether the informational needs of consumers are being met and highlight the key areas of concern for consumers from these countries. A summary of the findings of these studies can be found at **Annexes F and G**. Full details of the two reports can be found on the OFT website at <http://www.of.gov.uk/News/Publications/Leaflet+Ordering.htm> (see Reports/ Consumer protection to download copies of the reports).
- 2.8 This investigation has primarily been concerned with hardware but it has taken account of software insofar as it highlights the difficulties consumers have in trying to distinguish between hardware and software problems when faced with malfunctions and securing solutions to those problems. Both retailers and manufacturers in this report have been grouped together as 'sellers'. **Annexe A** provides details of those who contributed to the investigation. We are grateful to them all for their contributions.

3 OVERVIEW OF THE SECTOR

- 3.1 The focus of this report is on PCs, inkjet printers (including ink products¹) and support services sold to individual consumers. Consumers responding to our survey spent an average of £1048 on purchasing a PC and £202 on associated products. Of those purchasing a PC, 53 per cent also bought a printer, 36 per cent a scanner and 13 per cent a digital camera. In this chapter we have concentrated on PCs and printers (including printer ink cartridges and refill kits). We have not considered in any detail products such as digital cameras or scanners, or other consumables (eg paper).
- 3.2 Neither PCs nor printers (including ink products) are sold exclusively to consumers. Broadly similar products are sold to business customers, ranging from sole traders to multi-national companies, and are used as both standalone or as part of large computer networks. These products are distributed through a variety of channels ranging from small independent retailers through major multiple specialist computer retailers, to direct sales to consumers by PC manufacturers. Distribution channels include specialist computer retailers (including manufacturers' showrooms), electrical multiples, direct sales from the manufacturer and sales by mail order and the internet.

Personal Computers

Competition Act 1998 investigation in the consumer PC market

- 3.3 In April 2001 the OFT published a decision following an investigation into complaints that DSG Retail Limited (DSG)² and each of Compaq and Packard Bell NEC had infringed the prohibitions contained in the Competition Act 1998³. The OFT found that agreements between DSG and each of Compaq and Packard Bell NEC did not infringe either of the prohibitions. Those conclusions reached in the course of that decision, which are relied on in this report, are summarised below.
- 3.4 In considering how the relevant downstream market (ie the supply of PCs to consumers) should be defined, the Director General found that:

¹Includes original, compatible, re-manufactured cartridges and refill kits.

² DSG and its subsidiaries comprise the following businesses: Dixons, The Link, (The Link Stores Limited) and Mastercare (Mastercare Coverplan Servicing Agreements Limited). DSG is a wholly owned subsidiary of Dixons Group Plc.

³ Competition Act 1998: Decision of the Director General of Fair Trading No CA98/3/2001.

- sales through multi-brand stores and single brand stores (notably those operated by direct selling manufacturers) were in the same market
 - suppliers were unlikely to be able to discriminate between first time and second time buyers in retail outlets
 - first and second time buyers purchase in the same relevant market
 - sales through retail outlets and sales through direct sales channels⁴ were likely to form part of the same market.
- 3.5 In relation to market entry, it was concluded that barriers to entry in the downstream market were not high. Retailers could obtain PCs quickly and relatively easily, and it was not difficult for manufacturers to 'step up' their activities in the downstream market.
- 3.6 In the relevant upstream market (ie the manufacture of PCs), it was noted that many buyers (ie PC retailers) had a national presence and were likely to contract with manufacturers on a national basis. Manufacturers could purchase components on a worldwide basis.
- 3.7 Overall, the OFT concluded that the relevant downstream market was the market for the supply of new PCs to consumers through retail and direct sales channels in the UK. The relevant upstream market was the manufacture of PCs for sale in the UK, and the geographic market was at least as broad as the UK, but was likely to be wider.

Market structure and barriers to entry

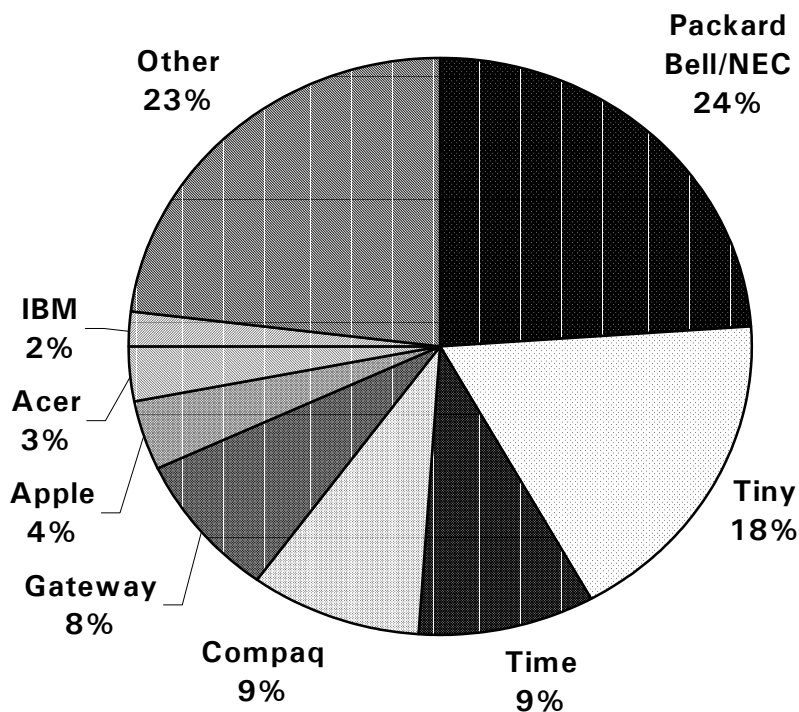
- 3.8 Data on UK consumer market shares by manufacturer show that two UK based firms, Tiny and Time, were able to enter the market. A consumer survey undertaken in 1999 suggested that little more than 5 per cent of PC sales were brand related⁵. By 2000, the latest year for which data is published, market shares were as set out in Figure 1. Hewlett Packard and Compaq have since merged and Time has acquired Tiny.
- 3.9 Recent developments indicate that some companies have faced problems, for example, the collapse of Tiny and Dan and the exit of Gateway from the UK.

⁴ Sales direct from the manufacturer (ie not via a retail outlet but via telephone, fax or Internet), including sales through mail order or some other 'direct way' which bypasses the retailing stage.

⁵ Survey by Gartners Dataquest reported in Decision CA98/3/2001.

Experience over the last 10 years indicates that profitable entry into the UK consumer PC market is possible for a locally based manufacturer starting from a very small scale, as well as for manufacturers already selling in business markets in the UK or in the rest of the world. More recent exits indicate pressure on profitability, which could discourage entry in the future. However, entry and exit are a natural part of the competitive process.

FIGURE 3.1: CONSUMER PCs: MARKET SHARES PER CENT (%) BY BRAND
 Source: IRN Services/Key Note



3.10 In 2000 a total of 5.1 million PCs, valued at £5.3 billion, were sold in the UK. Of these, 40 per cent - or two million units, valued at £2.1 billion, were sales to consumers⁶. The world market for consumer PCs registered its first ever decline in year-on-year unit sales in 2001, falling by around 10 per cent⁷. According to research commissioned by OFT from Competa and Knowledge Oxide (*The Consumer PC Market in the United States 2002*), this downturn has been

⁶ Key Note 2001; Mintel 2001; from report by Global Business Research Consultancy.

⁷ Competa 2002.

attributed chiefly to the slowdown of the global economy during 2001.

PC prices and changes in prices over time

3.11 Consumers responding to our survey spent an average of £1048⁸ on purchasing a PC in 2002. Over the five years to 2000, the average price of all PCs sold in the UK fell by 18 per cent, or 28 per cent in real terms (relative to retail prices generally) with a slightly greater downward trend in average retail prices⁹. Precisely how far this reduction is a result of technical progress, falling component prices, reduced supplier margins and changes in the mix of products sold, is beyond the scope of this report. However, market reports refer to strong growth in the sub-£1000 market, cheaper component costs and increasing retail bundling¹⁰, offset in part by a switch away from desktop PCs in favour of the more expensive portable PCs.

Distribution channels

3.12 The UK market is characterised by a wide variety of businesses devoted to IT goods and services. There are as many as 25,000 businesses, ranging from sole traders with small shops to larger specialist retailers and large manufacturers selling direct to the customer.

3.13 The main types of distribution channels are:

- specialist computer retailers comprising superstores, manufacturers selling through their own showrooms and local independent businesses
- electrical multiples selling computers alongside other durable goods
- manufacturers selling direct to the consumer, and
- multi-brand businesses taking orders via mail order or Internet.

Many retailers operate through more than one channel, selling their products online and by telephone as well as through their shops. Even where sales take place face to face, goods may be shipped to the consumer from a remote warehouse, in many cases having been assembled to match individual orders¹¹. The leading retailer is

⁸ Mean figure-£1035 for non bundled PC, £1087 for a bundled PC.

⁹ Key Note 2001.

¹⁰ PCs sold as the primary product in a package that includes software and peripheral products eg a printer, scanner etc for an `all in' price. The products contained within the `bundle' will vary depending on the transaction.

¹¹ We have been told that building to order cuts inventories and reduces stock obsolescence. One manufacturer said it generates cost savings of around £60 per PC sold.

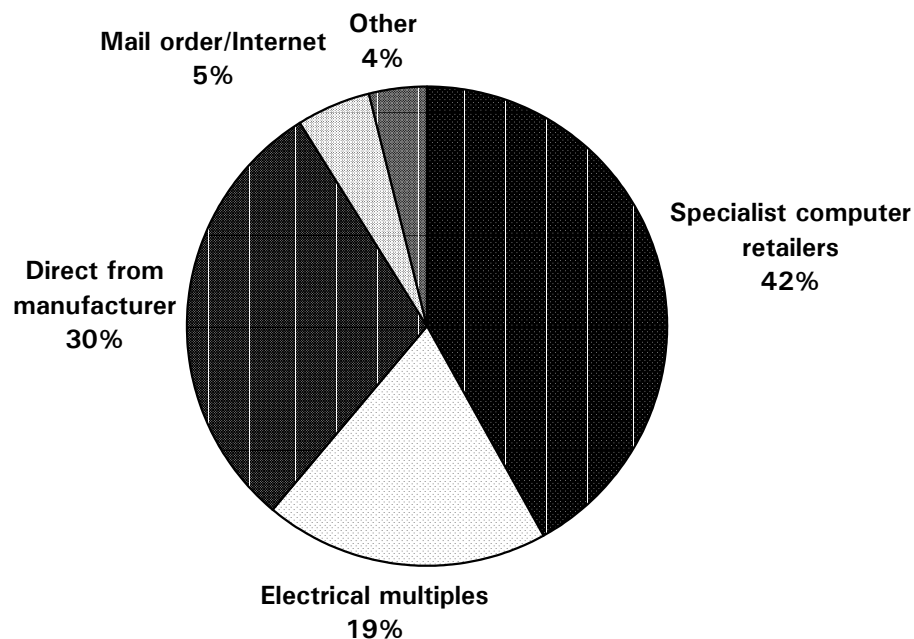
Dixons Stores Group (comprising PC World, Curry's and Dixons stores). Other large multiple retailers include Time (now incorporating Tiny) and Comet.

- 3.14 In 2000 around 65 per cent of consumer PCs were bought in face to face sales from retail outlets. Nearly 50 per cent of those who responded to our survey said they had bought their PC from a High Street retailer. One in three consumers who had made a recent PC purchase purchased their PC from a Dixons Stores Group outlet. Nevertheless both our survey and our review of PC magazines suggest that the smaller independent retailers continue to play a key part in consumer PC sales. This is in contrast to the US where at the retail end, US consumer PC sales are now dominated by a relatively small number of large retail store groups¹².
- 3.15 Our survey shows that around a third of consumers bought their PCs directly from a manufacturer, of which the majority of purchases were made either over the internet, telephone or mail order. Such sales showed a slight preference in favour of using the internet. However a number of direct selling manufacturers also sell through their own retail showrooms. Evesham is one such example. Those consumers who did purchase direct from the manufacturer tended on the whole to be the more technically experienced, as opposed to first time buyers who were more likely to purchase through shops. Although all forming part of the same market, Figure 2 shows the share of the market for the supply of PCs to consumers served by particular distribution channels.

¹² Competa/Knowledge Oxide-*The Consumer PC market in the US*.

FIGURE 3.2: CONSUMER PCs: MARKET SHARE BY DISTRIBUTION CHANNEL: 2000

Source: IRN Services/Key Note



Printers

3.16 There are two main types of printer sold to UK consumers: laser printers and inkjet printers. Laser printers are generally more expensive than inkjets, with prices starting at around £150 for a black-and-white printer and rising to £1000 or more for colour printers. Laser printers tend to be the most suitable for high volume black and white text and are consequently favoured by business users. Prices for inkjets capable of producing both in black and colour now start at under £50, rising to over £400 for the more advanced photo quality printers. The vast majority of consumers buy inkjet printers and it is on these and their corresponding ink cartridges that we concentrate in the remainder of this report. There are two types of inkjet technology: Piezo technology and thermal. Piezo, pioneered by Epson, uses pressure to eject drops of ink onto the paper. The print head is actually fixed onto the printer. Thermal inkjets, produced by the majority of other manufacturers, for example Canon and Hewlett Packard, heat a film of ink until bubbles of ink vapour form, which results in drops of ink being squirted on to the paper. In thermal inkjets, the print head is in the body of the cartridge.

- 3.17 With the rise of digital photography, inkjet printers have become very popular with consumers, as they tend to be both cheaper to buy¹³ and more versatile than laser printers, particularly when it comes to colour printing. The popularity of inkjets is also influenced by bundling deals offered by sellers. Printer manufacturers claim that over 30 per cent (and up to 60 per cent) of all inkjet printers sold in the UK are sold subject to a bundled transaction, which may also include a scanner or a digital camera or both¹⁴.
- 3.18 In 2001 the UK total inkjet printer market was valued at about £350 million. Of these sales, consumer purchases (as opposed to business purchases) accounted for around 60-70 per cent by value, or between £200 and £250 million. In the five-year period to 2001 printer sales were up 74 per cent. In the same period, the average market price fell by around 50 per cent by value (source: OFT/Cap Ventures). Printer manufacturers have argued that technological advances over time have resulted in improvements in both speed and the quality of reproduction. One result of this is that consumers now pay less for more advanced PCs.
- 3.19 The majority of inkjet printers are sold through retailers. Printer manufacturers have indicated that market shares are influenced by whether or not a retailer, particularly a large retailer such as Dixons, bundles a particular type of printer.
- 3.20 In the UK four manufacturers supply around 90 per cent of inkjet printers. They are Hewlett Packard, Epson, Canon and Lexmark. These same four firms have similar shares of the European and US markets, and have told us that the possibility of third party entry into the UK inkjet printer market is highly unlikely, given the complex technology involved, particularly in ink and print head manufacture. Substantial investment would be required before a new manufacturer could successfully enter the market. Dell's recently announced intention to enter the market by selling branded printers is, we are told, based on a proposal to sell printers manufactured by Lexmark but separately labelled by Dell. On the whole the four manufacturers listed above remain the key suppliers to the market.

¹³ Information on running costs, notably replacement ink cartridges, is not easily obtainable. See chapter 7 for a discussion on how this lack of information may distort the decisions of consumers.

¹⁴ Our consumer survey highlighted that 75 per cent of consumers who bought the printer at the same time as buying the computer did so as part of a bundled package.

3.21 The main barrier to entry is bound up largely with the technology surrounding the print head and the ink cartridge, both of which are designed for the individual printer model. This situation is in contrast to PCs, which are assembled from parts readily available on the open market. PC research and development is mainly in the hands of component manufacturers. Relatively small suppliers of PCs can coexist with multinationals in local markets.

Ink

3.22 The total UK market for inkjet printer ink cartridges is valued at around £700 million, with approximately 40 million cartridges sold annually. Of this around £315m is accounted for by consumer spend. Inkjet cartridge prices vary from around £10 for non-branded black cartridges to £45 for branded colour cartridges. Our research suggests that while printer prices have fallen, prices of printer manufacturers' cartridges have not followed suit.

3.23 Each printer manufacturer supplies ink cartridges for its own range of printers and recommends them for use with its printers. These cartridges are technologically incompatible across brands. Unlike the market for inkjet printers, a number of competitors (referred to throughout the report as 'third party suppliers') compete with the printer manufacturers in the supply of ink products. Depending on the technology adopted in the design of the printer, third party suppliers may be involved in the manufacture of 'compatible' (new build) cartridges, recycling or re-manufacture of existing cartridges, or simply providing consumers with ink and kits for re-filling empty cartridges themselves. Recycling or re-manufacturing involves the collection of empty printer cartridges by one means or another, cleaning the cartridge and where necessary replacing parts and then re-filling the cartridge with ink. There are a number of own-label retail suppliers, for example Dixons ('PC Line' brand), WH Smith and Rymans. Our research suggests that third party supplier cartridges tend to be around 20-40 per cent cheaper than printer manufacturer cartridges, with refill kits even cheaper.

3.24 It has been difficult to obtain market data on this sector, but we estimate that third party (non-branded) suppliers together have around 15 to 20 per cent of the sector overall¹⁵.

¹⁵ Figures provided by *The Recycler* magazine.

- 3.25 Major retailers primarily sell printer manufacturer ink cartridges. Third party ink cartridges and re-fill kits are sold primarily through mail order and the Internet, although some retail outlets do stock a small selection.
- 3.26 Opinions vary on the ease of entry or expansion into the ink product sector. Certainly the market share of third party suppliers appears to have risen over the last few years. However they face significant barriers to expansion – these issues will be discussed in greater depth in chapter 7. At the very least printer manufacturers enjoy a first mover advantage in that they invariably supply the cartridges to be installed with the printer.

After-sales service and product support

- 3.27 The term ‘support’ within the IT sector is used in a way which includes the after-sales service and maintenance which is given by a seller or manufacturer if a product is defective or faulty, or advice to the consumer who has experienced problems as a result of user errors or inexperience, or software problems. For the consumer at least, this is presented as an all encompassing service. One large retailer, for example, encourages a three step approach to dealing with problems, incorporating advice on restoring the system, telephone support lines if this doesn’t work, followed by a different telephone hardware repair line if the PC is clearly broken. All steps are referred to as ‘support’. ‘Support’ can also be used to include installation services, which are occasionally provided free or more commonly for a small fee.
- 3.28 All computers come with a manufacturer’s warranty, which sets out what problems are covered and for how long. For hardware this usually lasts for one year but can last for the lifetime of the machine. Software problems tend to be covered for a much shorter period of time, often as little as one month.
- 3.29 Because resolving problems requires consumers to work out whether a problem is the result of a hardware failure, a software problem or user error, most issues are dealt with, initially at least, through the same route: a telephone helpline. (To the extent that this blurs the distinction between whether consumers are complaining about faulty goods or asking for help in solving problems, these issues are discussed in chapter 6). Charges for the helplines vary from seller to seller and

manufacturer to manufacturer, ranging from local rate to premium rate. Although online advice is becoming more common, in virtually all cases the primary means of accessing help is via a telephone helpline.

- 3.30 How support is provided (including how repairs are dealt with) differs from seller to seller. In some cases support, including repairs to faults, is mainly handled in-house by the seller. In others sellers offer consumers the option of a full refund, exchange or repair, if hardware faults occur within one month of purchase. After this period they refer consumers to the manufacturer's one year warranty terms. Some sellers outsource their support services to third party suppliers.
- 3.31 Repairs are either provided 'on-site' which involves an engineer making a home visit; 'return to base' where the customer takes responsibility for getting the machine back to the seller; or 'collect and return' where the machine is collected from the customer and returned once repaired. On-site support is generally more costly for the provider and there has been a shift in recent years towards return to base service.
- 3.32 Once the initial warranty period has ended many sellers and manufacturers continue to offer an element of support to customers for a charge. Some sellers provide the opportunity to extend the cover provided by the initial warranty for a number of years for a set fee. Others provide access to a helpline or online advice service, with customers charged for the call and paying for repairs as necessary.
- 3.33 In addition to the support provided by sellers or manufacturers, consumers can also obtain support (advice and repair) from independent repairers (often on the High Street), PC magazines and online advice. A number of PC magazines operate helplines or online forums where the consumer can obtain advice from experts or other users. For further information on support please see chapter 5 under 'Problems/faults'.

4 BUYING A COMPUTER

Pre-purchase information

'If I was buying a computer I would like to know a lot about them before spending all that money'

- 4.1 Buying a computer can be a complicated and costly experience. Often the technical nature of the product puts the seller in a strong position when it comes to knowledge of the product, relative to the buyer. Although the PC market is maturing, as more households own and use a PC, our research shows that nearly a third, amounting to well over half a million consumers a year, claim to have little or no technical knowledge of the product they buy or how to operate the product when they get it home. About 44 per cent of purchasers are first time buyers of PCs. Good, clear information on price and product specification including support services is necessary to help them to get a good deal.
- 4.2 Our research shows that consumers use a variety of different sources of information ranging from manufacturers' brochures, PC magazines and advertising leaflets, to advice from friends and family. On the whole, the more technically minded consumers consider themselves to be, the more likely they are to consult more sophisticated sources of information such as PC magazines. Our European research suggests that only 15 per cent of UK consumers regularly consult magazines for pre-sale information. This compares to 25 per cent of consumers in France, Netherlands and Germany. In the UK, the least technically minded tend to rely more on the advice of friends and family. This suggests that many sources of information are not usefully accessible to those with limited technical knowledge; people need a minimum level of knowledge before the information can be of benefit to them. This places a great deal of importance on point of sale information. Across Europe, use of the Internet as a regular source of pre-sale information remains the preserve of the most affluent consumers, while television is the dominant source of regular pre-sales information for the less affluent and least educated consumers.
- 4.3 Consumers reported finding it relatively easy to obtain and understand information on initial purchase prices (as opposed to running costs), product specification and suppliers. Most consumers reported carrying out research on these factors prior to purchase, with a quarter saying they made widespread comparisons. Only three per

cent admitted they found it difficult to make comparisons using the information available. Nevertheless, sellers could make this information simpler. We found that point of sale information tends to contain a lot of technical information, for example the difference between Gigahertz and Megabyte. Many consumers may not know what these mean. Whilst this information is necessary, it can be jargon to many consumers. Later in the chapter we highlight a way to simplify this information.

‘The technical jargon is confusing’

- 4.4 Most people researched an average of two retail outlets and one direct source. For the nine per cent who did not shop around, when asked why, most indicated that they had got a good deal at the outset, or they could not be bothered to look elsewhere. It is notable that it is on the overall price paid that people expressed the highest satisfaction. The availability of information on prices clearly provides people with the opportunity to shop around and help them obtain a good deal. On the whole the people who shopped around most were replacement buyers as opposed to first time buyers, who were least likely to carry out any research prior to purchase.
- 4.5 The importance of good, clear, point of sale information and advice is twofold. First, a maturing market means that sellers will need to rely much more on repeat purchases and build positive relationships with existing customers. Even for the second time buyer it is important that they can easily find out what they will get for their money. 57 per cent of people rated the seller’s reputation as important or extremely important in influencing their decision to buy. Second, if the consumer is able to assess and secure what they want and need at the outset, it should reduce the potential for problems further down the line. We discuss below a number of areas where the industry could be doing more to improve the buying process. We focus in particular on information on printing costs in chapter 7, since these can be substantial relative to initial purchase costs.

Advice from sales staff

‘Staff in some places were not very knowledgeable. Staff couldn’t explain and answer questions for those not experienced in computers. I had the impression that staff were not interested in finding the right computer for you, they just wanted to sell a computer’

4.6 Seventy five per cent of consumers claimed to have been given information or advice by a sales person when buying their PC or associated products. Yet consumers do not appear to place high value on the information they receive, with only five per cent of people responding to our survey believing that asking the sales staff for advice was a worthwhile activity. The windows of High Street shops were considered to be a more useful source of information by three times as many people. The major IT sellers indicated that their sales staff undertook extensive training in the technical aspects of the products they sold. However, it is clear from our findings that this training may not be filtering through satisfactorily to the shop floor.

‘I’ve found that I was told a lot of things that were incorrect. They told me that the PC would do a lot of things that in actual fact it won’t’

4.7 This problem is not confined to the UK. A quote from our European research by a German large electrical retailer states: ‘we were stung by the criticism made of our PC sales staff in repeated (internal) consumer surveys. We risked customers not trusting us to give them clear and objective advice on the products best suited to their needs. In response we overhauled our staff training and we are confident that consumers will soon notice considerable improvements in service’.

4.8 Sales staff have the potential to be a valuable source of advice, but firms in the industry will need to give more attention to the quality of the advice if consumers are to be persuaded to make use of it. This is an important point to consider in relation to the issues set out below.

Consumer expectations

‘PCs are sold on the promise that our lives will be revolutionised and that they are easy to use’ - PC Advisor.

4.9 Discussions with the trade during our investigation invariably brought us back to their view that consumers’ expectations of their PCs do not fit with the reality of operating what is a complex piece of machinery. People expect the machine to work flawlessly and rely on the seller’s support services to sort out problems. When they had a problem, the majority of people from our survey phoned the helpline rather than looked at the manual. This can lead to heavy demand on

support services (which they cannot always cope with) and frustrated and dissatisfied consumers.

- 4.10 Rightly, consumers expect their PCs to work properly and that any faults will be dealt with quickly and efficiently, but this does not always happen. (We discuss this issue in more detail in chapter 5). Nevertheless, a computer is a complex piece of machinery and it is not in the interests of either sellers or the consumer to pretend otherwise. People need a basic level of competency to set their PC up and use it effectively. The IT industry repeatedly draws parallels with cars: consumers would not buy a new car without knowing how to drive or making sure it is serviced regularly, but the same cannot be said for operating their PCs.
- 4.11 Rather than blaming consumers for the problems that occur, firms in the industry can do much to help themselves. The aim is to encourage consumers to think about what they want and what they will need. Sellers should give more attention to their customers' requirements and the importance of support at the point of sale. This should go some way to addressing the problem of first time or less technically knowledgeable buyers failing to carry out research prior to purchase. Independent businesses devoting more time to discussing the consumer's needs prior to the sale, record high satisfaction rates and a low incidence of problems. Point of sale information should be clear and in plain English so that consumers are able to weigh up the key aspects of their purchase and buy the product that is most suitable for them.
- 4.12 Consumers would benefit from a series of prompts to ensure that they consider all the relevant factors when focusing on what they need from a computer. There are many different ways of doing this and we leave it to suppliers in the industry to find their own solutions. However, we came across a number of instances of good practice where sellers do this on an informal basis. We have set out some examples below. Their wider adoption would help to ensure a better match between consumers needs and expectations and the computer which they purchase - the outcome being more satisfied consumers who will be less likely to burden sellers' support services.
- 4.13 **Annexe H** provides an example of a short tick-box questionnaire, which has been developed with assistance from a number of IT sellers. This questionnaire could be used to establish the customer's needs prior to purchase. It would also serve a dual purpose of raising customer awareness of all aspects of buying a computer. By making it freely available it could be filled in by the customer in the shop, online, over the telephone or at home.

- 4.14 Second, a member of NASCR (National Association of Specialist Computer Retailers) suggested the use by sellers of a simple 'specification card', probably around the size of a credit card, which could include details of the make, model etc of the computer. This would ensure that the customer always had easy access to this information when upgrading their PC or buying new hardware or software products. We see merit in this idea, believing it would cut down on compatibility problems and ensure that consumers are more able to make informed purchasing decisions on consumables and associated products.
- 4.15 Third, it is positive that some retailers include in their promotional literature a 'jargon buster', with commonly used computer terminology such as 'RAM', 'Hard drive' and 'Graphics card'. These jargon busters can help make point of sale information easier to understand and increase consumer confidence. They would also make it easier to compare products. In order to ensure that consumers have access to, and use, this information, 'jargon busters' would need to be freely available, both in-store next to the PCs (not just tucked away in promotional literature), online and in brochures for people buying by direct means.
- 4.16 **We recommend that sellers of PCs develop systems and train sales staff to guide consumers more effectively through the purchasing process. This will benefit all concerned. A practical proposal is at Annexe H**

Information on after-sales support services

- 4.17 From our survey, consumers using this service spent an average of £63 a year on support. Over three years this is almost a fifth of the average purchase price of a computer (£1,048). Only 25 per cent of people were influenced by the cost or quality of support services when buying their computer, yet 32 per cent of people used support services. Half of PC buyers did not know the cost of phoning a helpline (which can be anything from local rates to £1.50 a minute). Four out of ten people felt they spent more on support than they expected.
- 4.18 It is not surprising that consumers do not take account of the cost of support services. When we asked consumers how easy it was to obtain and use information on a range of aspects, most respondents, regardless of technical ability, rated after-sales support services as the most difficult. Information on support, where available, is often tucked away in the small print of the contract or

at the back of sellers' literature. One of the PC magazines told us that businesses will not compete or provide top quality support services until consumers are prepared to pay for it, but that consumers are not aware that they need such service. Our figures tend to support this.

'The after-sales service was not made clear to me'

- 4.19 Most support is initially provided through telephone helplines. The Independent Committee for the Supervision of Standards of Telephone Information Services (ICSTIS), which regulates premium rate telephone lines, has a requirement in its Code of Practice that the service provider must state clearly in all promotional material the likely charge (price per minute) for calls to premium rate numbers. ICSTIS regulations stipulate that customers must be made aware that support is charged at premium rates before they purchase a support related product. We believe the consumer should be made aware at the outset of the cost of support helplines regardless of whether they are premium rate or not. This should be in addition to information about the nature of support services and any other costs likely to be incurred, for example the cost of an extended service contract.

A good example of information available to consumers giving them a guide to after-sales support services is that produced by Dixons Store Group (which covered around one in three sales from our survey). We are told this is now available through their PC World outlets. The leaflet sets out clearly what service the consumer can expect and the cost of the various helplines. Provided that this is widely available throughout all stores, it should give the consumer the opportunity to take account of both the nature and cost of the service before they buy.

- 4.20 For the market to serve consumers well, they need to know what support services will cost and what they should get for their money. Better information will allow consumers to focus on the quality of the services provided.
- 4.21 **We recommend that sellers publicise more clearly, in plain English at the point of sale and in promotional literature, details of the support services on offer. These should include the cost of telephone helplines and all other aspects of the services. Clear guidance on what the consumer should do when things go wrong should be included. Literature should be placed in a prominent place and freely available to take away.**
- 4.22 Progress toward this recommendation will be reviewed in 12 months time.

Warranties

- 4.23 We came across many incidences where the warranty terms were lost amongst the small print of the general terms and conditions of the contract. This poses the risk of consumers not knowing what is or is not covered. Neither does it benefit fair-dealing businesses, since suppliers will have to deal with the consequences if problems occur with a machine. When we asked how long the initial warranty lasted in relation to the hardware, 11 per cent of people did not know, rising to 39 per cent in respect of software. 14 per cent of people did not know what the hardware warranty covered, rising to 45 per cent in relation to software.
- 4.24 For the first year at least, the cover provided by the warranty will determine the nature of the support provided. Ensuring that **contracts are clear with prominent headings that draw attention to warranty terms and conditions, such as contact numbers for warranty cover**, should therefore go hand in hand with improving information on support generally.

Keeping consumers better informed

- 4.25 In such a varied and complex market, it is important to inform consumers as effectively and efficiently as possible. The onus is on suppliers in the industry to take the lead on closing the information gaps, but as a complement we are looking at ways to advise the consumer on what they need to be aware of when buying and using a computer. We will provide advice on support services and possible training opportunities so that people can operate their PCs. This guidance will be available in a simple leaflet format and distributed through a wide variety of sources. It will also appear in more detail on our website. We need to ensure that these messages reach those who are most likely to benefit from them. In addition to the normal channels of distribution used by OFT, we intend to make this information available through a number of IT learning centres, including UK online centres. We think that information on buying and using a PC would be complementary to the training on IT skills already offered by these centres.

‘The computer works okay but I think I caused a lot of problems myself. I do not know how to use it’

- 4.26 For individuals who want to access IT for the first time or to gain IT skills, there are

opportunities available through UK online centres and Learndirect. These initiatives are funded through the Department for Education and Skills.

- 4.27 UK online centres help educate inexperienced computer users. They do this by targeting people living in disadvantaged areas, including unemployed people, people from ethnic minorities and people with disabilities. They can be found in community centres, libraries and churches. They provide access to the Internet and e-mail and support from staff. A database of all UK online centres is at (www.dfes.gov.uk/ukonlinecentres) and a helpline (0800 77 1234) which the public can ring to find out information about centres and their services.
- 4.28 Learndirect offers IT courses online that can also be accessed at one of the 1700 learndirect centres nation-wide. Learndirect also provides a national learning advice line (0800 100 900) offering information on learning opportunities, funding and other related issues. Enquirers can search the learndirect website at www.learndirect.co.uk.
- 4.29 We have found a wide variety of training courses offered by organisations that aim to cover many aspects of IT training. Our survey of independent training companies show that an estimated 700 companies exist in this market. These companies fall into three categories: accredited with the Institute of IT Training offering training not normally open to members of the public; non-accredited targeting businesses; and non-accredited training companies targeting individuals. The type of training open to members of the public caters for an individual's needs, from introduction/beginner to a more advanced level. Most of the courses take from one to five days, but there are courses for the more dedicated learner that take 30 weeks or up to two years to complete.

Buying a computer: summary of recommendations

- 4.30 Sellers should develop systems, and train sales staff, to guide consumers more effectively through the purchasing process.
- 4.31 Sellers should publicise more clearly, in plain English at the point of sale and in promotional literature, details of the support services on offer. This should include the cost of telephone helplines and all other aspects of the services. Clear guidance on what consumers should do when things go wrong should be included. Literature should be placed in a prominent place and freely available to take away.
- 4.32 Contracts should be clear with prominent headings that draw attention to warranty terms and conditions.

4.33 The OFT will produce advice for consumers on the major factors they need to be aware of when buying and using a computer. This guidance will be available shortly after publication of this report. It will be in a simple leaflet format and distributed through a wide variety of sources. It will also appear in more depth on our website.

5 USING A COMPUTER

- 5.1 Consumers will know whether a new computer meets their expectations after they have installed the PC operating system and programmes. We found that overall satisfaction rates with the purchase were high with 44 per cent of consumers giving the maximum score of five on a one to five rating scale, and a further 39 per cent scoring four. Consumers express most satisfaction with price and product performance. Delivery dates were generally met, and in only seven per cent of cases where consumers were given a delivery date was the PC delivered more than a day after the agreed date.

Installation

‘The overall thing of buying a computer is too complicated and next time I will ask the company to set it up for me’

- 5.2 Most consumers installed their PCs themselves or had a friend or family member install it for them. Small retailers were of the view that having a PC professionally installed was useful in reducing some early fundamental queries and complaints, but in only 11 per cent of cases did the shop or supplier carry out the installation. When this happened consumers were satisfied with the service, with 63 per cent rating it very good. Given that 66 per cent of problems were experienced within the first month, there may be significant benefits for businesses in providing free or low cost installation services. John Lewis, for example, offers an installation service for £50 that includes a brief demonstration of software applications. Anything that reduces the incidence of faults straightaway will reduce demand on support services and raise the reputation of the seller.
- 5.3 Generally, guidance notes on installation are rated highly, with almost half of those who saw them saying they are very good. Tiny and Hewlett Packard did particularly well with 90 per cent of their consumers rating them as very good or fairly good. However 40 per cent of consumers did not recall receiving guidance notes on installation from the seller, and 20 per cent did not recall receiving guidance notes from the manufacturer. We found that these consumers experienced more problems, with the incidence of problems occurring rising from one in four to three in ten. It is not clear whether the notes were overlooked or were not present. Problems are costly for the supplier, in terms of both support and future custom. Greater efforts to draw guidance notes to the consumer’s attention would benefit both sides.

Problems/faults

- 5.4 One in four consumers from our survey reported having experienced problems and faults with their PC. Problems ranged from the PC crashing or freezing to difficulties with the software, with most occurring within the first month of purchase. People who considered themselves to have no or limited technical knowledge were more likely to have problems and need support than those who considered themselves to be expert. Given the complex nature of the product it is difficult to reach a firm conclusion on whether the problems were the result of defective or faulty goods or human error. This makes it all the more important for people to have access to good quality after-sales support services which address problems quickly.
- 5.5 Thirty two per cent of people from our survey needed to call on after-sales support services. It was with these services that consumers reported most dissatisfaction. Fourteen per cent of people from our survey were dissatisfied, and a further 14 per cent were very dissatisfied, with the service they received. This did not differ particularly between technical abilities. Our research suggests that this is not confined to the UK. Across Europe and the US, after-sales support services are reported as the biggest source of complaint in the industry.

‘The helpline [was a problem]..they keep you on the phone for ages. Not very helpful’

- 5.6 Helplines are an important source of support for many people. Consumers place great reliance on the knowledge and ability of the service provider to resolve initial problems. Helplines are the first place to which most consumers turn when faced with a problem. Only five per cent of people consulted the manual and nine per cent contacted friends for advice. However, our survey shows that complaints centred primarily around the helplines, with problems getting through (30 per cent), lengthy time waiting in a queue (over 48 per cent of those phoning under their warranty waited over five minutes before being given advice) and a failure to get advice from the helpline that would solve the problem. Only 48 per cent of people were able to correct the problems following advice received from a helpline, although it should be noted that 40 per cent went on to receive repairs or a replacement product.

‘Getting through to them [was a problem] .the cost of phoning them..the poor advice when I ring..they keep me hanging on the line’

‘The time taken to get through..it took an average of 20 minutes each time. When I did get through I was continually put through to new advisers’

- 5.7 It has been suggested to the OFT by Trading Standards Departments that the success or otherwise of resolving consumer problems by telephone relies on speedy access to a helpline **and** a degree of technical ability on the part of the consumer to explain the exact nature of the problem. However, our survey showed that there was no apparent correlation between the level of technical knowledge and the achievement of a satisfactory outcome to the problem. Those lacking technical knowledge were just as likely to achieve a satisfactory outcome (or not) as those with expert knowledge. The **main** difference was in the length of time it took to deal with the problem, with first time buyers ten per cent less likely than subsequent buyers to solve the problem in less than two minutes, and twice as likely to take over fifteen minutes.
- 5.8 Establishing customer needs at the outset and providing education about the need for support could help to address the problem. Our earlier recommendations (in chapter 4) seek to address these issues.
- 5.9 Telephone helplines are not the only reason for the dissatisfaction with after-sales services. Our European research highlights that across the continent complaints occur due to delays in sending onsite technicians to resolve problems; delays in the return of PC systems from repair; and delays in obtaining correct replacement parts.
- 5.10 The majority of people responding to our survey were able to secure some sort of solution to their problem. Only 12 per cent of people who experienced faults or problems with their PC had cause to complain formally to the seller (three per cent of consumers overall), with the main outcome being repair of the PC.
- 5.11 Suppliers in the industry recognise that investment in support services is essential to secure customer loyalty, particularly as second time and repeat purchasers are taking a larger market share. In recognition of the problems, many have started to provide a telephone helpline support service charged at local rates, and some contact customers within the first month in order to try to address some of the problems head on and reduce their occurrence. We saw evidence of investment by a number of sellers in their support services. For example, with the takeover of Tiny, Time has invested significant resources into its customer service centre. Dell has introduced a compendium of problems with a list of frequently asked questions

and answers that can be accessed by the customer. Apple Computers are developing products and guidance literature that will enable consumers to fix small problems themselves. These are just some of a number of initiatives. Quite a few sellers already produce some form of online guidance, enabling consumers to tackle problems, wherever possible, themselves without having to resort to the telephone helpline.

- 5.12 The value to consumers of a business devoting time and attention to improving customer service levels can be shown in a recent survey reported by the magazine *PC Advisor* in November 2002. This survey showed that although Evesham had a high percentage of people contacting their telephone helplines, their customers are also very satisfied with the service they receive from the company and as a result the company tends to do well in external customer satisfaction surveys.
- 5.13 Support is provided in many ways. Some sellers provide it in-house; some outsource and some refer the customer to the manufacturer during the initial warranty period. Some PCs are covered by extended warranties. The complexities of the product already make it difficult for the consumer to work out why a fault has occurred. Being passed from one place to another can add to the frustration. Greater clarity at the point of sale about where consumers should go for support is desirable and there is much to be said for the one-stop shop approach to dealing with problems, with sellers and manufacturers agreeing which of them will be responsible for particular types of fault before they are reported.
- 5.14 We have noted the steps taken by many in the industry to try to address problems and improve the quality of after-sale support services, but there is much more that can be done. Improving information on support services will do a lot to improve services generally, encouraging people to shop around on the basis of both the product **and** the support provided, and helping the consumer to identify where they need to go to resolve start-up problems they might face. We make no concrete recommendations on support services, but given the number of complaints generated by the telephone helplines, we strongly suggest that suppliers publish information on the performance of their helplines. Such information would ideally include the average time taken to resolve problems and also the percentage of problems solved over the phone. We also suggest that suppliers draw the attention of consumers to those periods when the helplines are likely to be heavily used. As a comparison, similar figures could be published showing the outcome of online queries.

Codes of practice

- 5.15 Self-regulation generally has the potential to provide an effective, but lighter touch than statutory regulation. Involving industry participants in tackling problems in their own industries builds upon industry expertise and legitimate self interest in addressing malpractice or poor standards in the relevant market place. Over time it can lead to increased standards of customer service across industry sectors as these voluntary standards are increasingly adopted and exceeded in order to attract and retain customers. Codes of practice can also provide a valuable dispute resolution route for consumers.
- 5.16 Whilst a single code of practice would establish common standards which might make it easier for businesses to ensure statutory compliance, the IT goods and services market is very fragmented with many different types of business and therefore difficult to cover under one code of practice. There are trade associations whose membership include significant players in the IT industry, including PCAUK (Personal Computers Association UK) which has members such as Dabs.com and Evesham, and NASCR, which represents smaller retailers. At present, there appears to be no potential code sponsor with a significant influence on the sector as a whole. However, as the sector matures and consolidates there may be greater scope for developing industry codes of practice. Details of OFT's approach for approving codes of practice can be found on our website at www.of.gov.uk.

The role of third parties in providing support

- 5.17 Most people go to their warranty provider for support during the initial period of free warranty cover. Thereafter, consumers have some choice over whom to go to for advice or repair. Two out of three consumers surveyed claimed to be aware of the existence of third party sources of repair and support, although the majority preferred to stick with their original seller. Of the small businesses we spoke to, most offered repair services for both PCs and printers. While only a small number of consumers had used independent services, our research suggests that, when it comes to getting advice or repairs, the independent sector seems to offer a comparable, if not better, service to that provided by the large national sellers. Our survey suggests that consumers using independents were satisfied with the service. Satisfaction with independent advice and support over the telephone or face to face was even higher. Over 80 per cent of the independent repairers we spoke to placed the reputation of their support services as either important or very important in securing new business, with word of mouth as their key medium. Not surprisingly, the larger suppliers who took part in our investigation also cited

reputation as a consideration for consumers, but our survey suggests they are chosen more for their prices and choice of product than for their reputation for support and advice.

- 5.18 Additionally a number of PC magazines, including *PC Advisor* and *Micromart*, look at providing either helpline or online advice to people, with many providing a forum so that other users can offer solutions to problems.

Internet service providers (ISPs)

- 5.19 Our consumer surveys showed that one of the main reasons for buying a home PC was to gain access to the Internet, which can only be done by registering to use an ISP. Our research shows that 88 per cent of PC owners had an ISP and for 78 per cent of PC owners being set up with an ISP was not part of the original purchase. Internet access will usually be charged at a set rate per minute for the time the ISP is being used or by payment of a fixed monthly fee with unlimited access during that period.
- 5.20 Competition amongst ISPs appears strong. Our research revealed that 30 per cent of people had either switched or attempted to switch to another service provider. Of those who had switched, most found it easy but 18 per cent found it difficult. Problems in switching ISPs related to both the former and the new service providers. Speaking in more general terms 21 per cent of people said they had experienced problems with their ISP, but only three per cent said that these problems were frequent or constant.
- 5.21 The Department of Trade and Industry issues licences to telecommunications providers. Oftel, the independent regulator for the UK telecommunications industry, ensures compliance with the licence conditions. ISPs are not covered however, since the resellers of services or indirect access providers are not subject to licence and ISPs are not, therefore, subject to regulation by Oftel. However, Oftel does undertake and publish quarterly research into the behaviour of consumers in respect of Internet usage as well as fixed line and mobile telephony. Separate surveys are undertaken for business and residential consumers. The results of the survey for the quarter May to July 2002 are broadly in line with the findings in this OFT report. In addition, Oftel carries out international benchmarking of Internet access prices. Oftel will look at complaints about ISPs' standard form consumer contract terms.

5.22 Oftel has recently published a consumer guide on '*How to access the Internet at home*' (www.oftel.gov.uk). This covers, among other things, what issues the consumer should consider when choosing an ISP and Internet package, as well as tips on sources of information to help in making a choice of service providers. In the area of dealing with customer concerns about ISPs, there is now the opportunity for ISPs to join the Telecommunications Industry Ombudsman scheme set up for telecoms providers. A guide on the work of the Telecommunications Industry Ombudsman can be obtained from their website: www.tio.com

6 CONSUMER RIGHTS

Getting redress for faults

6.1 Consumers have the protection of certain laws and regulations when entering into contracts to buy goods or services from a business. This chapter highlights legislation that our research has shown to be of particular relevance to the IT sector recommendations.

Consumer rights under the Sale of Goods Act 1979 (as amended)

- **Goods must be of satisfactory quality** – they must meet the standard that a reasonable person would regard as satisfactory, taking account of any description of the goods, the price and all other relevant circumstances. Goods must be free from any defects except where the seller brings defects to the attention of the buyer.
- **Goods must be fit for their purpose** – including any purpose mentioned by the buyer.
- **Goods must be as described** – on the package or a display sign, or by the seller.

These rights cover all goods bought or hired from a trader. If a consumer tells the seller promptly that goods are faulty, and as long as they have not been legally 'accepted', they should be able to obtain a full refund. It is ultimately up to a court to decide whether goods have been 'accepted' but one of the ways to 'accept' goods is to keep them, without complaint, after having a reasonable time to examine them. Once a consumer legally 'accepts' goods they can only claim compensation to a reasonable minimum. Once goods have been accepted a consumer will have to accept an offer to put the goods right or the cost of a repair, but if the faults cannot be put right a consumer is entitled to a replacement, or appropriate compensation if no replacement is offered.

Consumer rights under the Supply of Goods and Services Act 1982

A service should be carried out:

- with reasonable care and skill;
- within a reasonable time; and
- for a reasonable charge, if no price has been fixed in advance.

Where materials are used in the provision of a service, or the service involves fitting goods, the materials and goods are covered by the same statutory rights as when they are bought directly.

6.2 Consumers have the same rights against their PC sellers as they do with all other goods and services. We currently have insufficient evidence to assess whether sellers of IT goods and services are any more or less responsible than retailers of other goods and services. However we have seen instances of sellers who have policies of referring consumers who report hardware faults to manufacturers after 28 days, which, if applied rigidly, may fail to give redress for genuine Sale of Goods claims for faulty goods. Sellers must honour the consumers' Sale of Goods rights and not limit them to remedies under the manufacturers' warranties where the consumer still has a right to reject the goods. This is an area which gives cause for concern because of the greater reliance IT consumers have to place on suppliers to diagnose their problems.

6.3 Local authority Trading Standards Departments (TSDs) are frequently the first official port of call for people who cannot get satisfaction about complaints or problems from sellers or manufacturers. They take regulatory action against companies that breach consumer protection legislation (under which they have enforcement powers). They also provide advice to businesses and consumers in their local area. Quarterly statistics reported by TSDs in the Fair Trading magazine (September 2002) show that a large number of complaints to TSDs concern PCs. A total of 9,164 complaints were made during the period October to December 2001. Statistics from TSDs show that the main causes for concern were, in order of magnitude:

- defective goods or substandard service, particularly in relation to the telephone helplines
- difficulty in getting faults put right
- the lack of available information and mis-description of goods or services
- the non delivery of goods and delay or non-completion of services
- unfair terms and conditions including attempts to restrict liability.

6.4 The list above is similar to that which would be expected for any type of consumer goods or service. But unlike other electrical goods, the nature of IT goods and services is complex given the interaction between hardware, software and the user, and it can be extremely difficult, and potentially costly, for consumers to identify where the fault lies and resolve problems when they arise. TSDs told us that it is easy for companies to blame faults on consumers because of the highly technical nature of the products. Before it can be determined whether the consumer has a right to redress, a diagnostic exercise has to be conducted to find out whether the product is in fact faulty. This puts the seller in a much stronger position than the buyer.

- 6.5 Many of the larger retailers already receive some advice from TSDs (through the home authority principle¹) on specific issues. During the course of our consultation with IT businesses one company, Evesham, indicated how it had benefited from advice given to it by its home authority, Worcestershire TSD. Evesham staff received training from the TSD on a number of consumer rights issues. When coupled with the deployment of knowledgeable sales staff and a policy of encouraging consumers to try their products out before purchase, this arrangement led to reductions in the number of calls made to their helpline.
- 6.6 We see major benefits in TSDs providing advice and guidance on consumer protection and customer service issues to IT businesses, for both TSDs and businesses. It is important for all sides to try to avoid or resolve problems as quickly and efficiently as possible. We explored with a number of TSDs the possibility of building on the advice already given on an ad hoc basis on specific issues. It was encouraging to hear that, resources permitting, the majority were willing to offer advice and guidance to IT businesses. One told us that a better relationship between the IT industry and TSDs would lead to consumers being on a more equal footing with sellers. With over 45 per cent of businesses from our small retailer survey indicating that they provide training for their staff, it seems likely that many in the industry itself would be receptive to the idea.
- 6.7 As Hertfordshire TSD pointed out, the key is to ensure a consistent message to all businesses. Where the business is large and has outlets across a number of authorities, the head office of the business should ensure information is cascaded down to all staff.
- 6.8 **We encourage, and want to help, local authority TSDs to provide advice and guidance to IT businesses on consumer protection and customer service issues. In order to reduce the burden on TSDs and ensure consistency across authorities, OFT will work with Local Authorities Co-ordinators of Regulatory Services (LACORS) to produce a training pack covering relevant issues which can be disseminated widely to all TSDs.**

¹ The TSD home authority principle means that businesses in a local area liaise with their local authority on a number of trading matters including consumer protection legislation and enforcement.

6.9 We would like to take this opportunity to thank all TSDs who responded to our request for information, with particular thanks to Worcestershire and Hertfordshire TSDs.

Unfair terms in consumer contracts

6.10 The Unfair Terms in Consumer Contracts Regulations 1999 (UTCCRs) protect consumers against unfair standard terms in contracts they make with businesses. OFT, together with certain other bodies, has powers under the UTCCRs to take legal action to prevent the use of unfair terms. A standard term is one that has not been individually negotiated. On the whole IT purchases are made on standard terms. An unfair standard term is one that, contrary to the requirements of good faith, creates a significant imbalance in the rights and obligations of the parties to the contract to the detriment of the consumer.

6.11 The OFT has examined the terms and conditions of a number of IT businesses. Some companies have been using what, in OFT's view, were unfair terms and conditions which purport to exclude or limit liability for faulty or misdescribed goods. Annexe I provides examples of how suppliers have modified their contract terms after challenges by the OFT².

6.12 Terms and conditions such as those listed at **Annexe I** (before they were changed) hold the potential for serious consumer detriment. Some terms used by computer sellers are likely to discourage consumers from pursuing justifiable redress for faulty or misdescribed goods. (See listed under Group 2a at Annexe I). Not only are such terms misleading and unfair, but they are also unenforceable in the courts.

6.13 Computer sellers should review the terms and conditions applicable to consumer contracts, to ensure compliance under the UTCCRs. We will continue to monitor such contracts and will review the situation in 12 months after the publication of this report. Businesses that fail to revise potentially unfair terms and conditions in the light of this report leave themselves open to challenge by the OFT. In reviewing terms and conditions, businesses should take account of the recommendation at paragraph 4.24, which requires headings to be prominent.

6.14 **We recommend that the industry trade associations should consider the benefit of producing model terms and conditions for contracts with consumers.**

² Further examples of amendments to terms used by IT sellers can be found in the UTCCR guidance.

We encourage trade associations to contact OFT with proposals for model terms.

- 6.15 Model terms accord with the principle that prevention is better than cure. They reduce the risk of terms being challenged and are therefore beneficial to businesses whether large or small. We cannot draft model terms but the *Unfair Contract Terms Guidance* (OFT 311) illustrates what we believe to be fair and unfair in contracts, and is therefore a useful starting point. One association, NASCR, is already in contact with OFT on behalf of its membership. Other associations should consider the benefits of doing likewise.

Shopping at a distance

- 6.16 Distance selling includes purchases of goods over the Internet, mail order and telephone sales. Fifteen per cent of people from our survey bought their computer over the Internet, while 12 per cent bought through mail order. Sales of this kind are covered by the Consumer Protection (Distance Selling) Regulations 2000 (DSRs). Distance selling is one of the key distribution channels for IT businesses, and if the US market is a guide, sales seem likely to rise. US consumers are forecast to purchase up to 40 per cent of their PCs online by 2004.
- 6.17 The DSRs are intended to give consumers equivalent opportunity to inspect the goods and services they are shopping for as they would have when shopping face to face and to encourage confidence in shopping by distance means. The Regulations provide the opportunity for consumers to consider the terms of the contract they are entering into and to inspect any goods before they are fully committed. Consumers shopping by distance have the right to clear information, a cooling off period and protection against fraudulent use of a credit card. We have set out consumers' rights under the DSRs at **Annexe J**.
- 6.18 In 2001 the OFT warned 58 businesses (in various sectors) that appeared to be in breach of the Regulations that they needed to put apparent problems right. DSR rights are additional to a consumer's normal statutory rights. Computer sellers should review the terms and conditions applicable to consumer contracts, to ensure compliance under the DSRs. We will continue to monitor such contracts and will review the situation in 12 months after the publication of this report. When reviewing terms of their distance contracts, distance sellers should note that reproduction of their usual contract terms, which may themselves have been

reviewed for fairness, will not in itself produce compliance with DSRs. A specific review of terms for DSR compliance is invited.

- 6.19 The OFT will produce by September 2003 guidance specific to the IT sector on the UTCCRs and Consumer Protection (Distance Selling) Regulations.

Consumer rights: summary of recommendations

- 6.20 The industry trade associations should consider the benefit of producing model terms and conditions for contracts with consumers. We encourage trade associations to contact OFT with their proposals for model terms.
- 6.21 Local authority TSDs are encouraged to provide advice and guidance to IT businesses on consumer protection and customer service issues. In order to reduce the burden on TSDs and to ensure consistency across authorities, OFT will work with LACORS to produce a pack for all TSDs.

7 PRINTERS AND INKS

- 7.1 Ninety four per cent of consumer PC owners also own an inkjet printer. These are often bundled with PC sales (75 per cent of consumers who bought the printer at the same time as buying the computer did so as part of a bundled package), but where purchased separately, their prices range from around £50 to over £400, depending on the print quality and the maximum size of the page. Inkjet printers are very versatile and generally capable of a wide range of printing, from simple black and white text on an A4 page, to full colour photographs. They tend to be superior to lasers in printing photographic images.
- 7.2 Laser printers are generally more expensive than inkjets, starting at around £150 for black and white printing and up to around £1000 for colour printers. They tend to be used more by business. The vast majority of consumers buy inkjet printers and it is these printers and their corresponding ink cartridges on which we concentrate in this chapter. References to 'printers' therefore relate solely to inkjets.
- 7.3 All printers are supplied by the printer manufacturer (the original equipment manufacturer – 'OEM') with a set of the manufacturer's ink cartridges. Printer owners thereafter purchase around four replacement ink cartridges¹ per year, at an average price of £17.50². At the time of printer purchase, however, consumers have little information about ink cartridge 'running costs'. Comparative information that would allow consumers to estimate, and compare, the on-going running costs of different printers is not currently available.
- 7.4 Ink cartridges are technologically incompatible across brands, but for most types of cartridge, the printer manufacturer ink cartridges will face competition from third-party (non-printer manufacturer) ink products³. Chapter 3 provides some background to the suppliers of these products. These third-party suppliers, that include a number of own-label retail suppliers are, together, estimated to account for around 15 to 20 per cent of the overall market. Nevertheless, they are thought to exert little constraint on the prices of printer manufacturers ink cartridges. Many printer owners are unwilling to switch away from printer manufacturer cartridges,

¹ Or refill kits.

² These figures are derived from the overall market value and volume figures set out in chapter 3 and also the results from our survey.

³ Reference to 'ink products' includes compatible and re-manufactured cartridges and refill kits.

and this high level of loyalty means that printer manufacturers have little incentive to reduce their ink cartridge prices substantially in the face of third-party competition.

- 7.5 As such, the printer manufacturers effectively set the prices of ink cartridges in their own 'after-markets', while consumers have very limited information about these prices at the time of printer purchase. In this chapter we examine whether the combination of these two market characteristics raises concerns, and if so, how such concerns might be remedied.

The on-going costs to consumers of running an inkjet printer

- 7.6 There is currently little information available to consumers, at the time of printer purchase, about the on-going costs of running a printer. The vast majority (over 70 per cent) of consumers who responded to our survey found out about printing costs only through their own experience. Moreover, those consumers who purchase a printer as part of a bundled package are likely to focus on the specification of the PC involved, and ignore the on-going costs over the lifetime of the printer.
- 7.7 Retailers responding to our survey said that some 75 per cent of their customers did not have any idea of printing costs. In addition, only 16 per cent claimed to provide consumers with any written information on printing costs in advance of purchase, although 56 per cent had provided verbal advice.
- 7.8 In practice, printing costs are high. Based on an average printer manufacturer ink cartridge price of £17.50, an average purchase rate of four cartridges per year, and an average printer lifetime of three years, the average cost of ink cartridges over the lifetime of a printer is around £210, or around twice the average purchase price of a printer⁴. Over 80 per cent of consumers in our survey indicated that they regarded ink cartridges as expensive, rising to over 95 per cent for some printers.
- 7.9 There are also major differences in printing costs across printers. The table in **Annexe K** is drawn from a survey in *What PC?*, April 2002. The 'average on-going cost' for each printer is an estimate based on a hypothetical average consumer who prints 4000 black and white pages and 800 colour pages over the printer's

⁴ This estimate may even be a little conservative: an article in *Computerbuyer* (16 July 2002) quoted a comment made by Lexmark earlier this year which indicated that the average consumer will spend around 17 times the purchase price of an inkjet printer on ink during an average three year printer lifetime.

lifetime. The total on-going printing costs calculated range from £144 to £273⁵, and account for between 39 per cent and 78 per cent of the overall printing costs (including the purchase price of the printer).

7.10 These different on-going costs mean that different printers would suit different consumers, according to their usage needs. For example, based on these figures:

- a consumer who intended to print 4000 black and white pages and 800 colour pages would do best with a *Canon S200* (on-going cost £264)
- a consumer who intended to print 8000 black and white pages and 800 colour pages would do best with an *Epson C70* (on-going cost £376)
- a consumer who intended to print 800 black and white pages and 4000 colour pages would do best with an *Hewlett Packard 940* (on-going cost £411).

7.11 Clearly in the absence of information on ink cartridge costs – and specifically costs of printing per page – consumers are unable to make these sorts of calculations. Cost is not the only factor that consumers take into account when making purchasing decisions. However, it seems likely that an absence of information on on-going costs could lead some consumers to buy printers that are unexpectedly expensive in terms of on-going costs, or more specifically that are not the most appropriate for their particular usage pattern.

7.12 Although some OEMs claim that consumers take into account the on-going cost of printers at the time of purchase, and that this acts as a competitive restraint on the price of replacement cartridges, the response of consumers in our survey highlighted the fact that on-going costing is not easy and in reality rarely happens.

Competition in the supply of ink cartridges

7.13 For most types of cartridge, the printer manufacturer ink cartridges will face competition from third-party suppliers of ink products. However, these third party suppliers face major barriers to expansion in the market (finding it hard to capture more than 15 to 20 per cent of sales between them), and increasingly they are also facing barriers to entry. As a result, these third-party suppliers exert little constraint on the prices of printer manufacturer ink cartridges, and printer manufacturers are effectively able to set prices in their own after-markets.

⁵ ie including the cost of the printer.

Barriers to expansion

7.14 The barriers to expansion faced by third party suppliers of ink products relate to a number of factors:

- It seems that many consumers simply value and trust the brand name and reputation associated with a printer manufacturer ink cartridge, and are willing to pay a premium for this.
- Printer manufacturers build on this effect by making efforts to persuade consumers that printer manufacturer cartridges will work more effectively, and to a higher quality, than third party ink products. Some make statements to this effect on their websites. More importantly, many printer manufacturer warranties are worded in a way that suggests the warranty will be invalid if a third-party ink product is used. For example:

‘the warranty will not apply because you have used spare parts or other replaceable items (including consumables) which are not approved by us or not compatible with the product’

and

‘Some failures are not covered. We will not provide warranty repair if, in our opinion, the problem resulted from externally caused damage or use outside the Printers’ specification, or from the use of options, parts or consumables which are not X branded or approved’

In some cases, they also use pop-ups on the computer screen to confirm this point. Such claims have a clear impact on consumer trust of third-party ink products. 78 per cent of consumers in our survey indicated that they had not tried to switch to another (third-party) manufacturers’ cartridge or refill kit, primarily because printer manufacturers recommended using their cartridges only, and a number of consumers specifically mentioned that switching cartridges would invalidate their warranty.

- The brand position of the printer manufacturer suppliers is further strengthened by their first mover advantage. Because of the intellectual property rights (IPRs) that surround any new printer and cartridge⁶, it takes around six months on average after the launch of a printer for a compatible ink cartridge to be produced by a third-party manufacturer. This accounts for a long time in the life of the printer. By the time these third party cartridges are available in the shops, many consumers will not only have purchased the printer, but also their first printer manufacturer replacement cartridges. Having made this first purchase

⁶ For example, where a print head is incorporated in the cartridge, that cartridge may be the subject of as many as 200 patents.

(and perhaps having shopped around between retailers to find the cheapest printer manufacturer cartridges), these consumers will be less likely to switch to a third-party supplier.

- Third-party ink products are often allocated restricted shelf space in retail outlets. Rapid technological development and new product launches for printers mean that the average production life of a printer is approximately one year. Cartridges continue to be supplied for a printer long after it has ceased production, and this, combined with the high product turnover, means that substantial retail shelf space is required to stock a full range of ink cartridges. Since retailers tend to have limited shelf-space, and since many consumers will always want the printer manufacturer brand (for reasons outlined above), retailers will tend to stock a full range of printer manufacturer ink cartridges, but only a small selection of third-party ink products. As a result, third-party ink products are primarily sold via the Internet or mail order, and this limits their potential for expansion in the market.
- A number of other barriers to expansion were cited to us. These included vacuum-sealed cartridges, which make re-filling difficult, and steps taken by printer manufactures to restrict the number of used cartridges available for recycling (although it is not clear how far this latter effect applies to inkjet technology as opposed to laser technology).

7.15 These various barriers to expansion have the effect that printer manufacturers effectively control the pricing of ink cartridges in their after-markets, despite the existence of third party competitors. The high level of consumer loyalty to printer manufacturer cartridges in turn means that printer manufacturers have little incentive to reduce their ink cartridge prices substantially in the face of competition.

Barriers to entry: the introduction of 'smart chips'

7.16 In the past, entry into the ink cartridge market by third-party suppliers has at least been possible, if only on a limited basis. However, third-party suppliers have major concerns about a relatively new technological development: the use of 'smart chips', often referred to as 'killer chips'. The smart chip in the cartridge informs the printer about the level of the ink in the cartridge. This record stays with the cartridge so that if the consumer removes the cartridge, and then subsequently replaces it, they are made aware of the ink level in that cartridge. Printer

manufacturers argue that this development benefits consumers as they will not suffer the frustration of running out of ink part way through printing a document. In addition, running a printer on an empty cartridge can damage the printer.

- 7.17 However third party suppliers argue that smart chips simply prevent re-filling. The practical operation of smart chips is such that, even if re-filled to capacity, the printer believes that the cartridge is empty and will only print a few pages. In some cases the absence of a chip in a cartridge also leads to the display on the PC of an alert which informs the consumer that 'an unknown' cartridge (for example) has been used, which is likely to discourage the consumer from using anything other than a printer manufacturer ink cartridge. In the past, third party suppliers have developed ways around such problems by either developing their own chips, re-setting the chips themselves or developing technology that enables consumers to re-set the chips. However, the new generation of chip appears to be designed so that it cannot be reset after use and is so technologically advanced that for the vast majority of third parties it is too expensive to re-engineer.
- 7.18 As such, there are concerns amongst third-party suppliers that entry will no longer be possible in the future, and that the printer manufacturers will then have an absolute monopoly over their own after-markets.

Implications for consumers

- 7.19 The above discussion has shown that printer manufacturers effectively set prices in their own after-markets, and also that consumers have very limited information about these prices at the time of printer purchase. In this section, we consider the effect of these combined factors on the way in which the market for printers works.
- 7.20 Concerns have been expressed that, because printer manufacturers effectively set prices in their own after-markets, they are in a position to generate monopoly profits from their after-markets. If this claim is valid, the concern is that this would lead to substantial consumer detriment.
- 7.21 In our view such an argument is over-simplistic. Even where printer manufacturers have a monopoly over their own after-markets, and can thus generate excess profits in their after-markets, it is likely that competition in the primary market will result in at least some of the expected after-market profits being competed away in the form of lower prices for the initial purchase. At a theoretical extreme, with entirely free entry into a market (and thus zero profits for all active firms at

- 7.22 equilibrium), the lower prices in the primary market will exactly offset the high prices in the secondary market⁷.
- 7.23 The relevance of this argument to the supply of printers and inks is unclear. In practice, the market for printers is highly concentrated, with four main suppliers accounting for around 90 per cent of sales, while barriers to entry (primarily associated with brand name and technological advantage) appear relatively high. In addition, differentiation between printers suggests that competition between these suppliers in the primary market is unlikely to be perfect.
- 7.24 However, even if competition were more or less perfect, there could still be concerns about the supply of printers and ink cartridges. Specifically, where consumers do not observe after-market prices prior to purchase, we believe there is likely to be substantial consumer detriment associated with a pricing structure where prices are low in the primary market (printers), and high in the after-market (inks).

This detriment to consumers can take up to four possible forms.

- increased ink prices tend to result in consumers buying less ink, and consequently using their printers less than they might otherwise
 - even if after-market prices were observable, the reduced printer prices tend to result in consumers buying more printers (replacing them more often) than they might otherwise
 - as after-market prices are not observable, and to the extent that consumers are unpleasantly 'surprised' by how expensive they are, then consumers will only take account of the low printer prices. Some will therefore buy printers that they wish they had not bought and would not have bought if they had been able to observe on-going printing costs
 - in the absence of information on after-market prices, consumers will have no basis for selecting the most appropriate printer for them given their usage pattern.
- 7.25 Information problems are at the root of these sources of departure from the best pattern of purchase and usage for consumers.

⁷ C. Shapiro 'Aftermarkets and Consumer Welfare: Making Sense of Kodak', *Antitrust Law Journal* (1995).

Recommendations on price transparency

- 7.26 The concerns outlined above could be greatly reduced if there were greater transparency of after-market prices, allowing consumers to carry out whole life-costing comparisons more easily.
- 7.27 Firstly, with improved information, consumers would no longer be 'surprised' by the after-market prices. If consumers know that ink prices are high and that they will therefore not use their computers as much as they might do at lower ink prices, then they will adjust their printer valuation downwards accordingly, such that they are less likely to buy a printer they do not really need. Likewise, if consumers know that certain printers have higher ink prices than others, they will be able to make more appropriate choices as to which printers best suit their expected usage. These effects would greatly reduce consumer detriment in terms of the numbers and types of printers purchased.
- 7.28 Secondly, a corollary of the above effect is that printer manufacturers would face changed pricing incentives. Specifically, they would have a greater incentive to lower the prices of ink cartridges, since this would now have a positive effect on their initial sales of printers. The extent of this effect will depend on the cross-price elasticity of demand for printers relative to ink cartridges. The effect of this downward pressure on the prices of ink cartridges will be a rebalancing of prices, with ink cartridge prices falling and, potentially, printer prices rising. This will further reduce the detriment associated with distorted pricing between the primary market and after-market.
- 7.29 We recommend therefore that steps be taken to improve the transparency of ink cartridge prices. We note, though, that this is not a straightforward exercise. In order to calculate the expected on-going cost of a printer, consumers need to know not only the cost of a cartridge, but also its yield (in terms of the number of pages printed). Such cost per page information on yield (or equivalently, 'cost per page') is currently not available in a readily comparable form.
- 7.30 Some printer manufacturers do produce information on yield, but it is very technical in nature and it is far from easy to understand how such information can be applied in a normal user situation. For example, you might see phrases such as '833 pages at 5 per cent coverage in normal mode colour cartridge number 78 (19ml)' and '450 pages at 15 per cent coverage (5 per cent colour) in normal mode colour cartridge number 78 (38ml)'.

- 7.31 In the first instance it may not be clear to the consumer what is meant by 'coverage', which in this context means the percentage of the page covered by ink. However, an understanding of this term does not immediately enable a practical comparison of printer yields, since manufacturers employ different measurement methods to calculate coverage. For example, some manufacturers calculate page coverage based on the printable area, rather than the whole A4 page, giving an artificially high count. Moreover, the 'standard' measures of five per cent coverage for black and white pages and 15 per cent coverage for colour appear arbitrary, and bear little relation to the amount of ink used in practice.
- 7.32 This makes it difficult for consumers to measure accurately the differences in the yield, or cost per page, quoted in relation, not only to different printer manufacturers' printers, but also to third party cartridges and printer manufacturer cartridges for the same printer.
- 7.33 A recognised standard measure for the performance of inkjet cartridges, which would allow meaningful comparisons, is not currently in existence. In the US tests and reviews of printers are conducted by consumer organisations, and publications already measure page yield, image quality etc, but these tests are based on proprietary measures rather than industry-recognised ones. In the UK, *Which?* Magazine carries out similar tests using its own standard measurements. In its September 2002 issue, it reported the results of one such test, comparing the performance of both printer manufacturer and third party ink products.
- 7.34 The printer manufacturers we spoke to argued that it would be difficult to provide meaningful information about costs because of the large number of variables involved – for example the technology used, print settings, number of cleaning cycles and the document printed. Further, on-going cost is not the only factor that a consumer may take into account when buying a printer. Some consumers, for example, will be more interested in the speed or quality of the printer. The low-volume user, who does not need to replace the ink cartridge on a regular basis, benefits from having a high quality printer at a low cost.
- 7.35 However, we consider that it should be possible to provide consumers with comparable information on yield, which would greatly improve their ability to estimate the on-going costs of each printer, and enable them to make a valid trade off between higher overall cost, and factors such as speed and quality. There will be limitations to the information, and any yield information provided will naturally

include caveats. However the sums involved as on-going costs, are sufficiently large and variable, compared to the original cost of the printer, that transparency of these costs is crucial to an informed purchasing choice.

- 7.36 **We recommend that a test standard be developed against which the performance of inkjet cartridges can be measured uniformly. This standard should be published within 12 months. The test results based on this standard should be made available to retailers and to consumers as point of sale information.** In the short term we will make available on our website (www.offt.gov.uk) a copy of the test standard used by the Consumers' Association's magazine *Which?*. This test appears to us to be a means of producing such information on an industry wide basis, although we do not rule out the use of an alternative measurement if a superior test is achievable. We are grateful to *Which?* and the Consumers' Association for agreeing to let us use their test measurement and for their contribution to our investigation.
- 7.37 If the recommendation set out above (which is designed to increase transparency in the market) is not taken forward within 12 months of this report, the OFT may consider further action, if appropriate.

Recommendations on barriers to entry and expansion

- 7.38 In this chapter, reference has been made to a number of barriers to entry and expansion faced by third-party suppliers. We recognise that there are justifications for some of these barriers. For example, intellectual property rights are designed to provide legitimate protection that allows the benefits of innovation to be realised.
- 7.39 We do, though, have some concerns about printer manufacturers attempting to reinforce their competitive advantage through warnings that imply a lack of effectiveness or quality of third-party ink products.
- 7.40 The technical question of whether or not third-party products are of a comparable quality to the products of the printer manufacturer is beyond the scope of this report. Third-party suppliers, as might be expected, argue that there is little difference in quality, with many going as far as guaranteeing replacement of a printer if it can be shown that their ink products caused damage to that printer. An article appearing in the September issue of *Which?* concludes that there may be some truth in the warnings of some printer manufacturers that some third party ink products give poorer print quality, but it also indicates that there are good quality third-party ink products which would yield consumer savings – as much as 20 to 40 per cent in some instances.

- 7.41 We are concerned that printer manufacturers' warranty terms do not always make it clear whether they would refuse warranty service simply because the consumer had used third-party products, or whether they would only refuse if they could prove the damage was caused by third-party products. This presents an obstacle to switching even for consumers who are confident that third-party products are of acceptable quality. Neither do we accept as fair a term which reserves the right to the warranty provider to determine how damage was caused.
- 7.42 **We recommend that the inkjet printer manufacturers clarify their warranty statements. In particular, they should make clear that they will not disclaim liability under warranties simply because a printer is used with compatible products of other manufacturers (eg print cartridges produced by, recycled by, or re-filled using the products of, another manufacturer).**

Printers and inks: summary of recommendations

- 7.43 A test standard should be developed against which the performance of inkjet cartridges can be measured uniformly. This standard should be published within 12 months. The test results based on this standard should be made available to retailers and to consumers as point of sale information.
- 7.44 Inkjet printer manufacturers should clarify their warranty statements. In particular, they should make clear that they will not disclaim liability under warranties simply because a printer is used with compatible products of other manufacturers (eg print cartridges produced by, recycled by, or re-filled using the products of, another manufacturer).

ANNEXES

A LIST OF RESPONDENTS

Angus Council
Abacus PC's Limited
Acom Training Centre
Apple
Asda
Baytech Int. Ltd
Beginners.co.uk
Big Fish
Britsales Ltd
Brother UK
Bytesize Services Ltd
British Standards Institute
Canon (UK) Ltd
Charisco
Citbatel Ltd
Comet Group Plc
Compaq Computer Group Limited
Computer Network and Maintenance
Concita Ltd
Consumers Association
Data Consumables Ltd
Dell Europe
Design Media Supplies
Dixons Stores Group
Epson
Evesham Micros Ltd
Fast 'n' Easy Computers
Federal Institute for Materials Research And Testing
Fujitsu Siemens Ltd
GFK Marketing Services Ltd
Gladiator Computers

Greenham Group Plc
Happy Computers
Hewlett Packard Ltd
Hope Solutions
IDC Europe
Independent Committee for the Supervision of Standards of Telephone
Information Services (ICSTIS)
IT Image Ltd
John Lewis Partnership
JR Universal Inkjet
Kleen Strike (UK) Ltd
KMP Manufacturing Ltd
Kores Nordic (GB) Ltd
Laserservices
Laserxchange
Learning Tree
Lexmark International
Mesh Computers Plc
National learning center
Office World Limited
PA Training Solutions
Packard Bell Office (UK)
Phoenix Recycling Ltd
Polar Technology
Printer Revival Ltd
Promax Imaging Ltd
Q-Imaging United Kingdom Limited
RoR Suppliers Ltd
Royle Works
Safeway
Sainsbury's
SkillAdvance
Sony (UK) Limited
Tesco
The Container Club
The National Association of Specialist Computer
Retailers (NASCR)
The Personal Computer Association (PCAUK)

The Recycler Limited
Thermis (UK)
Time Group Ltd
Toshiba Information (UK) Ltd
Trent International Ltd
Typerite Ltd
United Kingdom Cartridge Recycling Association
WH Smith

Government Departments

Department for Education and Skills (DfES)
Office of Telecommunications (Ofcom)
Office of the e-Envoy

Publications

Computer Active
PC Advisor
Which?

Trading Standard Departments

Aberdeen City Council
Bedfordshire County Council
Blaenau-gwent County Borough Council
Bracknell Forest Borough Council
Bromley, London Borough of
Croydon, London Borough of
East Dunbartonshire Council
East of England Trading Standards
Authorities
Essex County Council
Glasgow City Council
Hertfordshire County Council
Hillingdon, London Borough Of
Kingston-Upon-Hull City Council
Lancashire County Council
Leicester County Council
Lewisham, London Borough Of
Local Authorities Coordinators of Regulatory
Services (LACORS)
Luton Borough Council

Merthyr Tydfil County Borough Council
Norfolk County Council
Salford, City of
South Lanarkshire Council
Surrey County Council
Swansea, City & County of
Torfaen County Borough Council
Waltham Forest, London Borough of
Wiltshire County Council
Worcestershire County Council

B METHODOLOGY

- B.1 Subsequent to preliminary work carried out by the Office in the summer of 2001, the inquiry was officially launched in October 2001.
- B.2 Various organisations were consulted including both large and small PC retailers and manufacturers, relevant trade associations, printer manufacturers, ink cartridge manufacturers, trading standards departments and government departments.
- B.3 The number of submissions received was as follows:
- | | |
|--|-----|
| • Large retailers and manufacturers | 23 |
| • Small retailers and manufacturers | 591 |
| • Trade associations | 3 |
| • Publications | 3 |
| • Regulatory bodies and government departments | 37 |

A full list of respondents is in Annexe A

Consumer surveys

- B.4 Two companies were commissioned via competitive tender to gauge the nature of consumers' behaviour and the problems they encountered both prior to and after their purchase.
- B.5 Sample Survey Research Group [SSRG] looked into pre-purchasing, covering topics such as:
- Information available to consumers prior to their purchase
 - Their reasons for choosing the product and retail channel
 - Actual and perceived customer satisfaction
- B.6 1000 telephone interviews took place between 15th March 2002 and finished 14th April 2002. This took the form of a random sample of consumers across the UK.
- B.7 FDS International carried out research amongst consumers who bought a PC in the last year to assess their post-purchase experiences. Topics included:
- Delivery and installation of goods

- Quality of goods and services
 - Complaints procedures and support services
 - Internet service providers
 - Use of printers
- B.8 1000 telephone interviews took place between 23 May and 18th June 2002 using a structured questionnaire.
- B.9 The Office would like to thank both SSRG and FDS for their work. A summary of the two surveys can be found at Annexes C and D.

Trade Survey

- B.10 The Office carried out its own survey of a wide variety of smaller IT businesses to gain the views of the industry.
- B.11 The main objectives were to:
- Find out the nature of the industry and its concerns.
 - Determine what information was currently provided to consumers and from what sources.
 - Establish how complaints were addressed
 - Establish the type and availability of price information on a number of products.
- B.12 Questionnaires were sent to 25 large PC retailers and manufacturers and a further 3100 questionnaires were sent to smaller businesses.
- B.13 In addition to the questionnaires, consultation took place with trade associations, PC magazines, training organisations and trading standards departments across the UK.

Overseas research

- B.14 In order to gain an insight into other PC markets we commissioned Competa IT and Knowledge Oxide to undertake research into consumer PC markets in Western Europe and the United States. This research covered, amongst other items:

- Market trends
- Consumer purchasing behaviour
- Consumer problems and concerns
- Initiatives adopted by relevant trade and government bodies to improve Consumer PC markets.

Further information can be found in Annexes F and G.

C SUMMARY OF PRE-PURCHASE CONSUMER SURVEY

Products

- C.1 The mean cost of a PC was £1,048, and peripherals cost an average of £202. 71 per cent of people bought speakers, 51 per cent bought printers, 36 per cent a scanner and 32 per cent entered into an Internet service provider agreement at the time of purchase.

Technical Understanding

- C.2 Two thirds of consumers considered they had at least some technical knowledge of PC's/peripherals. However, a third had no more than a limited understanding. 56 per cent of those who described themselves as having 'expert' technical understanding had purchased 3 or more times in the past, whereas 85 per cent of those with 'no experience' had never bought a PC previously. 44 per cent of consumers were first time buyers.

Sources of information and ease of shopping around

- C.3 Magazines and newspapers appear to be the most useful source of price information with 43 per cent mentioning using articles and reviews, and 22 per cent advertisements. Those with considerable or expert understanding were more likely to make use of magazine/newspaper articles or the Internet. The more inexperienced tended to rely on friends or family for advice. High street shop windows were considered to be good sources of information on prices by 25 per cent of people. However, only five per cent thought that consulting the staff inside for advice would be worthwhile.
- C.4 Over 80 per cent of people had carried out some research before buying their PC. A quarter claimed to have made widespread comparisons on many aspects including price, products and suppliers. People found it easy to obtain and understand information on products and price and to compare these between suppliers. Only three per cent said they found it difficult to make comparisons using the information. The least technically experienced carried out the least research – 13 per cent of these consumers made no comparisons of any aspects of purchase and 22 per cent made only a few comparisons. Nine per cent of all buyers did not shop around, of which half claimed to have found what they wanted

and a fifth said it had been too much trouble.

- C.5 After-sales support/services was the area most consumers found it difficult to obtain and understand information on, particularly when seeking to compare support services between different sellers. Only 25 per cent of consumers were influenced by the cost or perceived quality of the after-sales support offered. Only half knew what it cost to telephone the helpline. One in five indicated that it was free. 57 per cent knew that their seller provided general advice for queries outside of the warranty. In 92 per cent of cases this support is available over the phone, but 33 per cent also knew about online support.
- C.6 Twenty seven per cent of people reporting themselves to have 'no technical understanding' said they were given no assistance by the salesperson, compared to 22 per cent of those with 'limited understanding' and 20 per cent of those with 'some understanding'. Three-quarters of all respondents were given information or advice by a sales person when buying their PC or peripheral. This information tended to be about the product itself, the terms and conditions, finance options or their consumer rights. In line with the more complex nature of the product, PC purchasers were more likely than peripheral purchasers to be given information or advice. Nineteen per cent of the respondents that were given advice by a sales person changed their purchase after receiving it, with the result that 60 per cent of these respondents ended up spending more money, while the remainder either spent less or got a different/better specification for their equipment.

Sales channels

- C.7 Around 65 per cent of PCs were bought in a shop. The principal source of purchase is a high street retail chain, with 46 per cent of consumers purchasing through this method. Manufacturers/suppliers selling direct (through a variety of means including the Internet [15 per cent] and mail order [12 per cent]) and independent retailers have shares of 29 per cent and 16 per cent respectively. On average all consumers visited an average of 2.1 retail outlets and 1.6 direct sources. The more experienced and technically knowledgeable purchasers favoured buying from direct sources, whereas 51 per cent of first time buyers and consumers with little technical understanding of IT products favoured high street chains.

What influenced the purchasing decision?

- C.8 Price was the key issue for consumers when purchasing PC's or peripherals with 31 per cent describing it as 'extremely important'. First-time buyers were more

likely to be influenced by advice from friends, sales staff, the PC being Internet ready, having the equipment installed for them, and the availability of bundled packages. Overall reputation of the seller was important, particularly with people with previous experience of the brand/maker- given a score of 7 on a rating of 1-10, preceded only by price and the PC being Internet ready.

Secondhand products

C.9 Eight per cent of respondents purchased secondhand IT goods, and this fell to two per cent in the case of peripheral purchasers. 70 per cent of the respondents who did not buy secondhand knew that it was possible, but chose to purchase a new PC.

Bundled packages

C.10 One in four PC purchasers bought a bundled package, and most had an understanding of what the items in the package would have cost separately. Bundled packages were more popular amongst first time buyers, 32 per cent of whom purchased one. Half the people who bought bundled packages would not have bought all the additional items if they had not been part of the bundle, with scanners the most likely item to be left out.

D SUMMARY OF POST-PURCHASE CONSUMER SURVEY

Overall satisfaction with the purchase

- D.1 Forty four per cent of people gave the maximum score of five on a rating of one to five for satisfaction with the purchase. A further 49 per cent gave a score of four. Satisfaction was particularly high amongst those who had experienced no problems or faults with the PC.

Warranties

Length of cover

- D.2 Sixty seven per cent of consumers said their hardware warranty lasted one year; 11 per cent three years and 11 per cent did not know. In relation to software, 34 per cent thought the warranty lasted one year, 39 per cent didn't know, and 17 per cent did not think there was cover for the software.

What it covers

- D.3 Fourteen per cent did not know what the initial warranty covered in relation to hardware. 45 per cent said they did not know what it covered in relation to software. 67 per cent believe the warranty offered access to a technical helpline. 54 per cent indicated that it allowed return to base repairs. 48 per cent, that it provided for on-site attendance, and just over a third that it allowed for collect and return where the seller pays for the carriage costs.

Delivery

- D.4 Ninety three per cent of people receiving their goods by delivery were given a delivery date. This was met in 88 per cent of cases. Seven per cent claimed that the PC was delivered more than a day late. 22 per cent of those not receiving their PC on the specified date were informed by the seller beforehand that the date would not be met. 28 per cent were charged for delivery and the typical (median) delivery charge was £25.

Installing the PC

- D.5 Seventy one per cent installed their PC themselves, 17 per cent had a friend or

other family member install it and 11 per cent had the shop/supplier install the machine. Of the 15 per cent who paid extra for the installation, the majority paid between £26 and £50. 63 per cent rated the professional installation as very good, 25 per cent as fairly good. 62 per cent recalled receiving written guidance from the seller on how to install the PC and 81 per cent recalled written guidance from the manufacturer. 48 per cent rated this advice very good and 35 per cent fairly good. Only three per cent rated it as poor.

Problems/faults with PC

D.6 One in four experienced problems or faults with their PC. The absence of written guidance from the seller/ manufacturer raised the incidence of problems/faults to three in ten. 66 per cent of problems occurred within the first month after the PC was received. Most people believed the problem to be a result of a hardware fault, but software faults were also widely reported. Seven per cent of consumers blamed their own inexperience. The most common reaction was to contact the seller, with over 60 per cent of consumers turning straight to the helpline for assistance. 10 per cent of those with problems initially tried to return the machine to the seller. 30 per cent of those with problems (8 per cent of all buyers) had done so at some stage with the majority asking for a repair (51 per cent) or a replacement (41 per cent). Only five per cent of people read the manual when faced with a problem. Most said the manual was easy to understand, but only half said it helped them solve the problem.

Support services

D.7 Thirty two per cent of people had used the support services. It was with this service with which consumers expressed most dissatisfaction. 14 per cent of respondents were dissatisfied and 14 per cent were very dissatisfied with the after-sales service they had received. Problems with the helplines being the main focus of dissatisfaction. Approaching four in ten felt they spent more on support than they had expected.

D.8 Amongst those contacting the seller by phone, a third found it difficult to get through, but 42 per cent of those who contacted the helpline as per their warranty/ guarantee found it difficult. 58 per cent contacting helplines as per their warranty spent lengthy periods waiting in a queue before being given advice. 48 per cent waited over five minutes. Eight per cent claimed to have taken over 45 minutes. 48 per cent of consumers said they were given advice which helped solve the

problem, 61 per cent for those who contacted the helpline as per their warranty/guarantee. First time buyers took longer to obtain solutions to their problems on the phone than subsequent buyers – twice as likely to take over 15 minutes.

Independent repairers

D.9 Sixty seven per cent of consumers were aware of independent repairers when they bought their computer, but the number was lower for first-time buyers (57 per cent). 13 per cent of the total sample (18 per cent of previous PC buyers) had contacted an independent business specifically for advice. 88 per cent felt it was easy to find advice from an alternative source. In most cases, advice was free of charge, and where payment was made, £21-30 was a typical amount. Seven per cent had contacted an independent business for repairs to their PC, in most cases after consulting the seller. 17 per cent felt able to compare independent businesses against their sellers for advice or repair. Only 15 per cent rated their seller better than independents.

Internet service providers

D.10 Seventy seven per cent of respondents intended to use their new computer for accessing the Internet. For 22 per cent of those with ISPs, a contract was included as part of the original purchase (28 per cent of first time buyers and 18 per cent of previous purchasers). 18 per cent found it difficult to change ISPs, with reasons including being unable to make the connection and difficulty obtaining advice. 36 per cent of people had experienced no problems with their ISP, 46 per cent only minor problems. 21 per cent said they had problems with their ISP, with getting connected to the Internet the most frequently mentioned. Only three per cent experienced frequent or constant problems with their ISP.

Printers and print cartridges

D.11 Ninety four per cent of people owned an inkjet printer. 72 per cent of people found out the costs of ink cartridges through previous experience, while 11 per cent said they were told by the seller, and 9 per cent had picked up this information from magazines. Almost half of those with printers considered the price of printer manufacturers' cartridges to be very expensive, and a further 30 per cent thought them fairly expensive. This rose to over 90 per cent in the case of some printers. 40 per cent of consumers said they would have liked information on running costs when they purchased their machine.

D.12 Most people purchased print cartridges or ink refills corresponding to the make of their printer. On average people bought cartridges once a quarter. 22 per cent said they had tried to switch, rising to 30 per cent from those who had previously bought PCs. 84 per cent of those who tried to switch said it had been easy, but 12 per cent found it difficult and four per cent claimed it had been impossible. The main reasons for the difficulties in switching were that people were unable to find compatible alternatives and the cartridge was constructed so refill is impossible. For those people who hadn't tried to switch, the main reason given was that manufacturers recommend using own cartridges only. People also indicated that they had not found compatible alternatives and the use of other cartridges would invalidate the warranty.

E SUMMARY OF THE SMALL RETAILER SURVEY

Sellers

- E.1 Results showed a good cross-section of businesses ranging from those started up in the last year to pre 1990. Channels ranged from retail outlets to telephone and Internet sales. The main products sold were PCs, printers, other peripherals and consumables. Sellers stated that they competed on costs, reputation and range of products. The cost of the primary purchase (PC) was considered more important to consumers than the cost of peripherals, support or consumables. Reputation was considered very important by a majority of respondents, and given higher ratings than costs (primary purchases excepted) and product ranges. 92 per cent indicated that customers heard about the business through word of mouth. 76 per cent offered repair services for PCs and 48 per cent for printers.
- E.2 Downward trends in prices had shifted businesses' focus to consumables and support services, while others concentrated on software and installation services. However, lower profit margins from PC sales had not unilaterally resulted in a change of business focus.
- E.3 Nearly half considered it moderately difficult to start or expand their business. Reasons for this include lack of discount for small quantities ordered, competitive pricing by major retailers, low margins, problems obtaining lines of credit and difficulty of breaking into the market. There were occasional mentions of big manufacturers restricting the parts and manuals they sell, only allowing authorised support, and the difficulty of trying to deal with large companies.

Secondhand

- E.4 Forty eight per cent of businesses sold secondhand or refurbished goods, but the vast majority rated it not very significant to the PC market. Of those who didn't supply secondhand, 44 per cent reported the secondhand market as not profitable, margins were too low, or that the difference in price between new and used items were too small. 25 per cent of businesses felt that there are too many problems with warranties and 20 per cent perceived problems in offering or securing support and services.

Training

- E.5 45 per cent of businesses provided training for sales personnel, 30 per cent for helpline staff and 47 per cent for service engineers. The training was mostly of a formal nature. In 30 per cent of cases it was on-site and on-the-job training or 'courses', 'college', 'external' 'formal' 'certified' and 'approved'. 65 per cent considered that there was a need for training in sales techniques, customer service and complaints handling. 55 per cent reported providing training to consumers and these businesses considered it to be either very or somewhat successful in reducing the number of after-sales enquiries and complaints. Despite this success, those which did not offer training did not appear eager to do so, with 57 per cent indicating that they would not be prepared to do so even for payment.

Information provided to consumers

- E.6 Only 50 per cent of businesses provided written information on a range of factors, including the price of individual components in a bundle, the cost and nature of support or the running cost of printers. This figure rose to over 80 per cent when it came to providing verbal information on the same factors.

Behaviour of consumers

- E.7 Fifty four per cent of small businesses believed consumers knew when they are getting a good deal through a combination of price and product, but 22 per cent believed they did not. Others mentioned the necessity of being able to satisfy a consumer's expectations. The respondents believed that first time purchasers were interested in comparing prices and products, but much less concerned about secondary issues like whole life costs and support. In general businesses estimated that only 4 in 10 of consumers understood their needs at the time of purchase. Also, most businesses did not think that being a repeat or subsequent purchaser resulted in more 'shopping around'. However, the increased experience of these buyers was thought to result in greater attention being given by the consumer to whole life costs and the cost of support.

Support

- E.8 Eighty three per cent of respondents provided an installation service. Charges ranged from £23 to £42. Installation was generally viewed as very useful or useful in reducing queries and complaints.

E.9 Over 80 per cent provided some form of support to customers, the majority indicated that it was important or very important to provide such a service. Telephone support was the most common with 84 per cent providing a service. Generally it was free of charge. Similarly free online help, email and face to face advice was reported in 86 per cent, 89 per cent and 87 per cent of the cases respectively.

Printer cartridges

E.10 Half of all businesses reported selling third party brands of cartridges, but under one third sold refill kits. Those which did not sell third party products indicated that this was because the product quality was poor and that consumers preferred printer manufacturers' products. Comments also included claims that the use of third party products invalidated the manufacturers' warranty.

Complaints

E.11 Most businesses were small so handled complaints themselves. Overall respondents thought that 71 per cent of all complaints could be accounted for by lack of experience on the part of the purchaser. Most complaints dealt with related to faulty equipment, a delay in delivery and difficulty in getting faults right. Many respondents cited consumers lack of understanding of software, customer errors and general lack of knowledge as sources of complaint. Replacement or repair was offered routinely, though it was common to require testing, inspection or evaluation first.

F SUMMARY OF THE CONSUMER PC MARKET IN EUROPE REPORT

F.1 The consumer PC market in Europe is in the process of major change. The recent downturn in consumer demand for PCs and the intense pressure on retail prices have been compounded by significant changes in the demographic profile and purchasing habits of PC consumers. The market is now being driven by the demands of two very different consumer segments: first, low-margin/high-volume unit sales focused on the less affluent consumer buying a PC for the first time; and second, higher-margin unit sales focused on the cash-rich consumer who already owns a home PC and is making additional or replacement purchases.

Market direction

F.2 The shift to volume-driven sales targeted at cash-poor consumers and the increasing demand from more experienced consumers for tailored systems has given rise to significant changes in the structure of the consumer PC market in Europe. These include the growth of volume retailers; the growth of direct-sell manufacturers; the growth of online retailing; and increasing pressures on the larger specialist and electrical retailers. As well as differentiating between the different price demands of consumers, market segmentation has also helped to differentiate between the different demands of consumers for knowledge and information about PCs. Increasingly, experienced consumers place less of a premium on point of purchase advice and more on their ability to buy PC systems that are tailored to their needs. First-time buyers still require extensive 'hand-holding' when making their purchases.

Meeting the information and service needs of PC consumers

F.3 Volume retailers have sought to maintain their margins by cutting costs associated with the provision of consumer information both at the point of purchase and in after-sales. However, the success of this strategy also requires volume retailers to target precisely those consumers (less affluent first-time buyers) most in need of high quality information provision. The provision of point of purchase and after-sales information to PC consumers shows common characteristics across national markets in Europe. Differences in such provision are best understood with reference to the type of retailer rather than their geographic location.

- F.4 High-volume retailers forgo on the need for dedicated PC sales staff and opportunities to demonstrate their product range in-store, choosing to provide written materials such as brochures and advertising leaflets. Direct-sell manufacturers have invested heavily in online technologies and in the training of sales staff to ensure that consumers are able to make informed decisions about the purchase of PC systems. The most successful online retailers have also invested significantly in the provision of information at the point of purchase. After recent heavy criticism, large specialist and electrical retailers have recently made significant efforts to improve the quality of point of purchase information through revamped product training for sales staff. But the source of the highest quality point of purchase information remains the independent specialist retailer.
- F.5 High-volume retailers generally outsource all of their customers' after-sales information and service needs to the original system manufacturers or assemblers. After-sales and service information remains limited in this sector of the retail market. Traditionally, direct-sell manufacturers have provided the highest quality of after-sales service provision in the consumer PC market although there are increasing signs of strain in the current market conditions. The provision of after-sales information and service amongst large specialist and electrical retailers again defaults to the standard provision of the product manufacturer. However, these retailers also offer added value after-sales services through the provision of extended warranties on PCs.

Sources of consumer complaint and dissatisfaction

- F.6 Complaints and problems on information issues can be grouped around issues of costs incurred by consumers in obtaining information and the quality (or otherwise) of the information they obtain. The quality of pre-sale information available to consumers largely depends on their experience as PC users. The more experienced consumers are in the use of PCs the more they will tend to access sophisticated sources of information about products in the retail market. Less technically literate consumers tend to rely almost entirely on information supplied by retailers and manufacturers in the form of brochures and advertising leaflets to help inform their purchasing decisions. Much of the information related to personal computing is extremely technical in nature and presents the inexperienced consumer with high learning costs that they may be reluctant to take on.
- F.7 The quality of point of purchase information is regularly cited by European consumers as a source of complaint. Many of the difficulties associated with point

of purchase information relate to the quality and objectivity of the information passed on to the consumer by retail sales staff. Industry sources confirm that, of all retailer types, it is the larger specialist and electrical retailers who give consumers' greatest cause for concern.

F.8 After-sales information and services are now the primary focus of consumer dissatisfaction in the consumer PC market. Frustrations are particularly focussed on the quality and cost of two elements of the aftercare market: first, information provided by telephone helplines and second, extended support services provided through warranty schemes.

G SUMMARY OF THE CONSUMER PC MARKET IN US REPORT

There is overwhelming evidence that the US consumer PC market is saturated. Owners have been increasingly reluctant to replace their existing PCs, resulting in longer product lifecycles in both the consumer and business markets. A slowdown in the pace of recent innovation has impacted upon consumers' perceptions of the PC. PCs are increasingly perceived to be mainstream consumer electronics products rather than high technology items.

Market direction

Declining demand and lower margins has led to significant consolidation amongst PC manufacturers serving the consumer market. There are six manufacturers who now dominate consumer PC sales. As PC consumers have become more experienced, the appeal of specialist retailers and manufacturers has grown. This is especially true of manufacturers selling direct and/or online. As a consequence of market saturation, lower margins on PC sales and consolidation amongst manufacturers, the consumer PC market has been driven almost exclusively by aggressive pricing for the last two years. Special promotions, rebates and upgrades have become the key way for retailers and manufacturers to differentiate themselves amongst consumers.

In view of falling revenues from consumer PC sales, US retailers and manufacturers have shifted their attention towards alternative sources of revenue growth – most especially from new peripheral product categories such as LCD monitors, personal digital assistants and recordable CD-drives. However, the single largest proportion of retail IT revenue – more than 29 per cent - is now generated from sales of printing consumables such as ink cartridges, laser toners and specialist printing papers. Retailers and manufacturers have aggressively targeted US consumers in recent years in pursuit of the greater revenues afforded by printing consumables. Strategies include aggressive pricing on printer hardware and the targeting of digital imaging technologies at the mass market.

Meeting the information and service needs of PC consumers

US consumers rely heavily on pre-sales advice and information from sales staff in large electronics stores. Moreover, product advertising remains a key source of both general and pricing information for US consumers. However, online sources have also become a key point of reference for US consumers seeking product information and an increasingly important tool with which to find (comparative) pricing information. The key advantage of

retail stores – the added-value of face-to-face sales advice, particularly for inexperienced consumers - has declined in relevance as increasing numbers of consumers have become experienced in the purchase of home PCs and more confident in using direct channels to make those purchases.

Faced with declining margins, manufacturers have in recent years aggressively targeted the cost-base of their after-sales repair and technical support operations. A primary means of cutting support costs has been to shift front-line technical support away from call centre operations to the internet. US consumers are offered a range of enhanced and extended support and service options under extended warranty programmes provided by manufacturers and retailers at extra cost. While the extended support options offered by PC manufacturers are still largely tailored to the needs of business customers, a much wider range of added-value support services focused more clearly on the needs of consumers are provided by US retailers. Given that sales of extended warranties account for a major proportion of marginal profit generated by PC sales, retailers have sought, not only to expand the range of support products they offer, but also the market for them. A recent development in the consumer PC market in the US has been the introduction of extended warranties into the online retail market.

Sources of consumer complaint and dissatisfaction

Recent large-scale surveys of PC consumers in the US, suggest that the quality of technical support offered by PC manufacturers declined significantly during 2001. As noted earlier, faced with unprecedented pressures on retail margins, PC manufacturers have sought to reduce the cost base of their technical support operations. It appears that, as a result, the technical support that consumers receive is getting worse. Surveys also suggest that, while the reliability of consumer PCs has not declined significantly, PC reliability continues to be a key source of concern for consumers.

The quality of repair services, particularly those offered by retail stores, is a further source of concern amongst US consumers. Consumer dissatisfaction about extended warranties is particularly focused on the perception that PC retailers and manufacturers often misrepresent the services provided for by these products. Problems include delays in the provision of on-site technicians and the failure of sales staff – particularly in retail stores - to accurately represent what is and is not covered by extended warranty products.

There are few examples of attempts that seek to address current sources of consumer complaint and dissatisfaction. In part, this can be explained by the approach US regulators have traditionally taken to issues of consumer detriment: namely, to allow for the market itself to develop the institutions, policies and practices required for resolution of these issues.

Full report can be found at www.offt.gov.uk

H PRE-PURCHASE QUESTIONNAIRE

Personal Computer

1 Are you a first time PC buyer or have you purchase before?

First time Purchased before

2 Are you considering buying.... Please tick all appropriate

Desktop PC	<input type="checkbox"/>	Scanner	<input type="checkbox"/>
Laptop	<input type="checkbox"/>	Speakers	<input type="checkbox"/>
Inkjet Printer	<input type="checkbox"/>	Digital camera	<input type="checkbox"/>
Laser printer	<input type="checkbox"/>	Games	<input type="checkbox"/>
Not sure yet	<input type="checkbox"/>	Other - Please list	_____

3 What do you want your PC system for?

Games	<input type="checkbox"/>	Internet	<input type="checkbox"/>
Word-processing	<input type="checkbox"/>	Photo printing	<input type="checkbox"/>
Business/office	<input type="checkbox"/>	School/college work	<input type="checkbox"/>
Graphic presentations	<input type="checkbox"/>		

4 Do you want your PC to be easily upgradeable?

Yes No Unsure

5 What is your budget?

Less than £500	<input type="checkbox"/>
Between £500 and £1000	<input type="checkbox"/>
More than £1000	<input type="checkbox"/>

6 Are you interested in a bundled PC package ie with items like a printer already included?

Yes No Unsure

7 If yes, what items would you like to see bundled?

Printer Scanner Digital camera

Games Software Other _____

Warranties

8 What length of warranty are you interested in? (Only appropriate if cover differs from machine to machine)

1 year 2-3 years 4-5 years

9 Are you aware of what [the] initial free warranty covers and how long it lasts in relation to

Hardware? Yes No please explain

Software? Yes No please explain

10 Do you want your machine to be installed by us?

Yes please provide details including the cost No

11 Would you like an explanation of the support services provided?

Yes No I already know

12 Are you aware of the cost of using the support services?

Yes No Please explain

13 Do you want access to a telephone helpline?

Yes No Unsure

Printers

14 What type of printing do you intend to do?

Black text printing Colour text printing

Colour photographs Colour graphics/presentations

15 How regularly do you intend to your printer?

Occasionally Once a week
Several times a week All the time

16 How fast do you want it to print?

Very fast Moderately fast Not bothered

17 How much do you want to pay for your printer?

Less than £50 Between £75-£100
Between £50-£75 Above £100

18 Are you aware of the cost of ink cartridges?

Yes No

19 Are you aware of the cost of paper?

Yes No

Internet

20 Do you wish to enter into an Internet Service Provider agreement as part of your initial purchase?

Yes No

21 How regular a user of the Internet are you likely to be?

A few hours every day A few hours every month
A few hours a week Never

22 If you are a regular Internet user, will you require high speed Internet access?

Yes No Unsure

I EXAMPLES OF UNFAIR TERMS IN CONSUMER IT CONTRACTS

Group 1: Excluding or restricting liability for death or personal injury Paragraph 1(a) of Schedule 2

Schedule 2, Paragraph 1, states that terms may be unfair if they have the object or effect of

- (a) **excluding or limiting the legal liability of a seller or supplier in the event of the death of the consumer or personal injury to the latter resulting from the act or omission of that seller or supplier.**

Original term

The extent of the Company liability to a Customer for any default or breach whatsoever and however arising shall in no case exceed the invoice value of the goods and the Company shall in no circumstances whatsoever be liable to the customer or any subsequent purchaser and whether direct, indirect, or consequential, or however else arising.

Action taken

Term disappplied to consumers

Reference

Mad Macs Limited - *Bulletin 11*

Original term

'... and in any event SPOT ON COMPUTERS liability under this clause or for any breach of the Contract or any liability arising in connection with it shall be limited to the price of the Goods complained of.'

Action taken

Term deleted

Reference

Spot On Computers Limited – **scheduled to appear in *Bulletin 20***

Group 2(a): Exclusion of liability for faulty or misdescribed goods

Original term

...this invoice must accompany any goods returned otherwise your warranty may be void.

Action taken

Term deleted

Reference

Lasertek Computer Systems – *Bulletin 13*

Original term

All goods returned must be in the original packaging with manuals and cables, incomplete goods will be refused,

Action taken

Term deleted

Reference

First Micronics Limited – *Bulletin 13*

Original term

If goods are found to be faulty and a direct replacement cannot be made you will be offered an equivalent value replacement or credit against any other item you may prefer.

Action taken

Term deleted

Reference

First Micronics Limited – *Bulletin 13*

Original term

Those terms and conditions are not incorporated in this agreement and defects in the Software license to use which is transferred by the Seller do not give rise to a liability on the part of the Seller.

Action taken

New term: The Buyers attentions are specifically drawn to the manufacturers copyright, licence and terms of use, which are supplied with the Software. Software licences are in place to protect the manufacturers against copying and piracy. The Seller will replace any faulty disks if the defect is notified to them within a reasonable period of time after delivery. Replacement will be effected by the collection, by the Seller, of the Software item with all licences and documents originally supplied, and verification that the item is faulty.

Reference

MESH Computer plc – *Bulletin 19*

Group 2: Excluding or restricting liability for breaches of contract (continued)

Group 2(c): Limitations of liability

Clauses requiring consumers to meet costs

Original term

Return of faulty goods: c) The Customer must take responsibility for engaging a reputable Carrier to return the goods to the Company, and for insuring the goods against accidental loss or damage in transit.

Action taken

Term disapplied to consumers

Reference

Mad Macs Limited - *Bulletin 11*

Original term

If after the expiry of a Guarantee under clauses 6.4 or 6.5 the Buyer suspects that there exists a fault in the Goods then provided that the buyer arranges at their expense for carriage to and from the sellers premises then the Seller will check for the suspected fault free of charge.

Action taken

New term: Revised to remove the charging of carriage costs when goods are faulty.

Reference

MESH Computer plc – *Bulletin 19*

Clauses excluding the right to monetary compensation

Original term

If goods are found to be faulty and a direct replacement cannot be made you will be offered an equivalent value replacement or credit against any other item you may prefer.

Action taken

Term deleted

Reference

First Micronics Limited – *Bulletin 13*

Original term

Under this guarantee the company will issue a credit to the buyer for any goods found to be defective by reason of faulty materials or by poor workmanship,

Action taken

New term: Revised to provide that the seller will make a full refund for defective goods.

Reference

RDC – scheduled for publication in *Bulletin 20*

Clauses excluding consequential loss

Original term

The extent of the Company liability to a Customer for any default or breach whatsoever and however arising shall in no case exceed the invoice value of the goods and the Company shall in no circumstances whatsoever be liable to the customer or any subsequent purchaser and whether direct, indirect, or consequential, or however else arising.

Action taken

Term disappplied to consumers

Reference

Group 2(d): Time limits on claims

Original term

The Supplier accepts responsibility for damage, shortage, or loss in transit if: the same is notified to the Supplier and the carrier within 7 days of receipt or proposed date of receipt of the Equipment by the Customer...

Action taken

Term deleted

Reference

Watford Electronics Limited - *Bulletin 13*

Original term

Claims for short delivery where the good do not conform to the delivery note or for the defective or damaged goods must be made in writing (and initially sent by fax transmission to the Company) within 72 hours of receipt of the goods.

Action taken

Term disappplied to consumers

Reference

Mad Macs Limited - *Bulletin 11*

Original term

No liability for any claim will be accepted in the case of goods differing in quantity or descriptions from the particulars given on the delivery note unless the vendor is notified in writing by the purchaser within seven days of delivery and the onus is on the purchaser to prove any shortage.

Action taken

Term disappplied to consumers

Reference

Dabs Direct plc – *Bulletin 11*

Original term

The buyer shall examine the goods immediately that the goods are delivered to him. The company reserves the right to reject claims in respect of shortages or damage in transit or non-delivery 3 days after the due date of delivery.

Action taken

New term: Under the terms of this warranty, the purchaser agrees to contact the company as soon as a problem is apparent to inform the company of any defect with the goods

Reference

RDC – *Bulletin 20*

Group 2(e): Terms excluding the right of set-off

Original term

The Customer will pay all amounts due to SPOT ON COMPUTERS free from all deductions and without set-off.' 'The Customer shall not be entitled by reason of any claim against SPOT ON COMPUTERS to withhold payment for the Goods.

Action taken

Term deleted

Reference

Spot On Computers Limited – *Bulletin 20*

Group 2(f): Exclusion of liability for delay

Original term

The vendor will use its best endeavours to comply with the date named for despatch or delivery which date is given and intended as estimate only and is not to be the essence of the contract. If owing to non-availability of the goods or any other causes beyond the vendor's control, the vendor shall be unable to effect delivery hereunder it shall be at liberty to determine the contract or part thereof by giving notice in writing to the purchaser.

Action taken

Term disappplied to consumers

Reference

Dabs Direct plc – *Bulletin 11*

Original term

Whilst the company will use its best endeavours to deliver the goods in accordance with the buyers requirements, the company will not be liable for any consequence of late delivery however caused.

Action taken

New term: The company reserves the right to cancel, vary or suspend the operation of contracts of sales if events occur which are beyond our control including (and without prejudice to the generality of the foregoing) fire, floods, storm, plant breakdown, lock-outs, riots, industrial action which prevents entry to premises, hostilities, non-availability of materials or supplies or any event outside the control of the company and the company shall not be held liable for any breach of contract resulting from such an event. In the event of such circumstance and the company being forced to vary or suspend the operation of the contract of sale, the purchaser shall have the right to cancel the contract.

Reference

RDC – *Bulletin 20*

Group 2(g): Exclusion of liability for failure to perform contractual obligations

Original term

The Seller shall be under no liability for any failure to perform all or any part of its obligations under the Contract if such failure shall be due to the act of God, terrorism, strikes, lockouts, labour disturbances, Statute or any regulation of any government, public, or local authority, delays or defaults of suppliers or subcontractors or without prejudice to the generality of the forgoing any other causes beyond the reasonable control of the company and this condition shall apply notwithstanding that it may conflict with any special condition.

New term: Revised to allow the consumer to cancel the contract without penalty when there is an unreasonable delay in supplying the goods.

Reference

Original term

The company reserves the right to cancel, vary or suspend the operation of contract of sales if events occur which are in the nature of force majeure including (and without prejudice to the generality of the foregoing) fire, floods, storm, plant breakdown, strikes, lock-outs, riots, hostilities, non-availability of materials or supplies or any other event outside the control of the company and the company shall not be held liable for any breach of contract resulting from such event.

Action taken

New term: Revised to allow the seller to only exclude liability for non-performance of contract arising from circumstances that were outside its control, and to allow the consumer to cancel the contract without penalty upon such an event.

Reference

RDC – *Bulletin 20*

Group 2(h): Guarantees operating as exclusion clauses

Original term

Goods are subject to a 6 month warranty period except where stated. The Company will repair or replace (at its option) any goods (and parts thereof) which fail during the warranty period due to defects in materials or workmanship.

Action taken

Term disappplied to consumers

Reference

Mad Macs Limited - *Bulletin 11*

Original term

Guarantee : The purchaser shall, unless otherwise, in writing, be responsible for all carriage, telephone, postal and other incidental charges incurred during the guarantee period.

Action taken

Term disappplied to consumers

Reference

Dabs Direct plc – *Bulletin 11*

Group 5: Financial penalties - Paragraph 1(e) of Schedule 2

Schedule 2, Paragraph 1, states that terms may be unfair if they have the object or effect of:

- (e) **requiring any consumer who fails to fulfil his obligation to pay a disproportionately high sum in compensation.**
-

Original term

The Seller warrants that the Goods will at the time of delivery or collection correspond to the description given by the Seller. If goods are refused without inspection or returned unused, or returned used, with no defects attributable to the goods supplied, or the buyer cancels the order, then a handling charge of 25 per cent of the total invoice will apply.

Action taken

Term deleted

Reference

MESH Computer plc – *Bulletin 19*

Original term

In the event the buyer wishes to cancel an order the Seller reserves the right to apply a cancellation charge of 10 per cent of the order amount.

Action taken

Term deleted

Reference

Holtronix Computer Services – *Bulletin 11*

Group 6: Cancellation clauses - Paragraph 1(f) of Schedule 2

Schedule 2, Paragraph 1, states that terms may be unfair if they have the object or effect of:

- (f) **authorising the seller or supplier to dissolve the contract on a discretionary basis where the same facility is not granted to the consumer**

Original term

The vendor will use its best endeavours to comply with the date named for despatch or delivery which date is given and intended as estimate only and is not to be the essence of the contract. If owing to non-availability of the goods or any other causes beyond the vendor's control, the vendor shall be unable to effect delivery hereunder it shall be at liberty to determine the contract or part thereof by giving notice in writing to the purchaser.

Action taken

Term disappplied to consumers

Reference

Dabs Direct plc – *Bulletin 11*

Group 9: Binding consumers to hidden terms - Paragraph 1(i) of Schedule 2

Schedule 2, Paragraph 1, states that terms may be unfair if they have the object or effect of:

- (i) **irrevocably binding the consumer to terms with which he had no real opportunity of becoming acquainted before the conclusion of the contract.**

Original term

A full copy of our terms and conditions are available from our office.

Action taken

Term deleted

Reference

First Micronics Limited – *Bulletin 13*

Group 12: Price variation clauses – Paragraph 1(l) of Schedule 2

Schedule 2, paragraph 1, states that terms may be unfair if they have the object or effect of:

- (l) **providing for the price of goods to be determined at the time of delivery or allowing a seller of goods or supplier of services to increase their price without in both cases giving the consumer corresponding right to cancel the contract if the final price is too high in relation to the price agreed when the contract was concluded.**
-

Original term

The price of the Equipment is based on the cost prevailing at the date hereof and the Supplier reserves the right to adjust the price by such an amount as may be necessary to cover any increase affecting his supplier after that date....

Action taken

Term deleted

Reference

Watford Electronics Limited – *Bulletin 13*

Group 13: Supplier's right of final decision - Paragraph 1(m) of Schedule 2

Schedule 2, Paragraph 1, states that terms may be unfair if they have the object or effect of:

- (m) **giving the seller or supplier the right to determine whether the goods or services supplied are in conformity with the contract, or giving him the exclusive right to interpret any term of the contract.**

Supplier's right to decide if he is in default

Original term

.... Any goods returned for testing and are found to be in perfect working condition, a £15 plus VAT charge applies in all cases.

Action taken

Term deleted

Reference

Lasertek Computer Systems – *Bulletin 13*

Original term

All goods returned as faulty must be tested in our workshop by our technician before replacement or refund.

Action taken

Term deleted

Reference

First Micronics Limited – *Bulletin 13*

Original term

If after the Sellers engineer examines the Goods the engineer finds that the fault or defect has arisen or been caused by incorrect use of the Goods or by incorrect installation or Software by the Buyer or any other person other than the Seller or its agents or by any act or omission of the Buyer falling within the scope of clause 6.7 then the Seller will be entitled - at its discretion – to charge the Buyer an examination fee of £85 plus VAT...

Action taken

New term:Additionally the Seller and the Buyer may seek independent verification of a claim of defective goods and may consult with each other and will not incur unreasonable costs or any costs at all in inspecting the goods. Each party will agree that only a qualified person in Computers and their ancillary and peripheral goods performs an inspection.

Reference

MESH Computer plc – *Bulletin 19*

Group 14: 'Entire agreement' and 'formality clauses' - Paragraph 1(n) of Schedule 2

Group 14(a): Entire agreement clauses Schedule 2, paragraph 1, states that terms may be unfair if they have the object or effect of:

- (n) **limiting the seller's or supplier's obligation to respect commitments undertaken by his agents**
-

Original term

- (a) Unless otherwise agreed in writing these conditions constitute the only conditions upon which Micro Anvika Limited ('The Company') are willing to supply goods to any person wishing to purchase goods ('The Purchaser') from the Company. All orders are accepted and executed on the understanding that the Purchaser is bound by these conditions. These conditions shall prevail over any terms and conditions in the Purchaser's order or other documents issued by the Purchaser except where expressly agreed to by the Company in writing.
- (b) No employee, servant or agent of the Company has any authority whatsoever to amend, vary, modify or waive any of the conditions herein, save that the Directors of the Company may expressly in writing amend, vary, modify or waive such terms as they think fit.

Action taken**Term deleted****Reference**

Micro Anvika Limited – *Bulletin 13*

Original term

All orders for goods accepted by Dabs Direct PLC ('the vendor') are accepted subject to the following conditions which shall form part and govern the contract of sale. Acceptance of goods shall be deemed to be acceptance of these conditions of sale. Any term sought to be imposed by a purchaser either in a document or otherwise that conflicts with or adds to these conditions is not accepted. No agent or representative of the vendor has authority to vary these conditions unless accepted in writing by a director of Dabs Direct PLC, hereinafter referred to as 'a director'.

Action taken

Term disappplied to consumers

Reference

Dabs Direct plc – *Bulletin 11*

Original term

These Terms and Conditions shall apply to the exclusion of all other terms and conditions including any terms or conditions which the Buyer may purport to apply under any purchase order, confirmation of order, or similar document.

Action taken

New term: It is the intention of the Seller that all the terms of the contract between the Buyer and the Seller are contained in this document and in any specially agreed terms that have been subsequently discussed, confirmed and agreed in writing between the parties.

Reference

MESH Computer plc – *Bulletin 19*

Group 14(b): Formality requirements

Original term

...this invoice must accompany any goods returned otherwise your warranty may be void.

Action taken

Term deleted

Reference

Lasertek Computer Systems – *Bulletin 13*

Original term

Any damages or shortfall in goods must be notified to our offices within two working office days (by fax, phone). We must have conformation in writing within five working days by recorded delivery.

Action taken

Term deleted

Reference

First Micronics Limited – *Bulletin 13*

Original term

All returns must be accompanied by a Returns Material Authorisation Form (RMA)

Action taken

Term deleted

Reference

First Micronics Limited – *Bulletin 13*

Group 15: Binding consumers where a supplier defaults - Paragraph 1(o) of Schedule 2

Schedule 2, Paragraph 1, states that terms may be unfair if they have the object or effect of:

- (o) **obliging the consumer to fulfil all his obligations where the seller or supplier does not perform his.**
-

Original term

The Seller reserves the right to install the Goods in stages.

Action taken

New term: Revised to allow the consumer to cancel the contract without penalty when there is an unreasonable delay in supplying the goods.

Reference

MESH Computer plc – *Bulletin 19*

Original term

The company may withhold or cancel further or any deliveries under the contract of sale and may recover all losses resulting therefrom if the buyer:- has a receiver appointed or passes a resolution for winding up or if a court shall order it to be wound up,

or commits an available act of bankruptcy,

Action taken

Term deleted

Reference

RDC – *Bulletin 20*

Group 17: Restricting the consumer’s remedies - Paragraph 1(q) of Schedule 2

Schedule 2, Paragraph 1, states that terms may be unfair if they have the object or effect of:

- (q) **excluding or hindering the consumer’s right to take legal action or exercise any other legal remedy, particularly by requiring the consumer to take disputes exclusively to arbitration not covered by legal provisions, unduly restricting the evidence available to him or imposing on him a burden of proof which, according to applicable law, should lie with another party to the contract.**

Exclusive jurisdiction and ‘choice of law’ clauses

Original term

This Contract and these general conditions of sale shall at all times be construed in accordance with and subject to the jurisdiction of the courts in England.

Action taken

Term deleted

Reference

Micro Anvika Limited – *Bulletin 13*

Original term

This Contract is subject to the law of England and Wales and any dispute or difference whatsoever in connection with or arising out of the contract shall be referred to the courts of England and Wales.

Action taken**Term deleted****Reference**MESH Computer plc – *Bulletin 19*

Group 18: Regulation 5 - other terms**Group 18(b): Transferring inappropriate risks to consumers**

Original term

The Buyer agrees to indemnify the Seller against all liability whatsoever arising out of any claims which may be made against the Seller by a third party for damage to persons or property alleged to arise out of the use of the Goods by the Buyer save insofar as the right to such indemnification is excluded by Statute or arises from defects in the Goods which the Seller is liable to repair or replace under these Terms and Conditions. The Seller shall not in any circumstances be liable to indemnify the Buyer against any third party claim for economic loss.

Action taken**Term deleted****Reference**MESH Computer plc – *Bulletin 19*

Original term

..... all risk in respect of the goods shall be assumed by the buyer upon delivery of the same to him.

Action taken

New term: 5 – As soon as the company has delivered the goods, the purchaser is responsible for them, until such time as the goods are delivered back to the company or the company's agent, in the event of cancellation or warranty return.

ReferenceRDC – *Bulletin 20*

Group 18(c): Unfair enforcement clauses

Original term

Until all indebtedness is discharged, the Company has the right to repossess the goods and reserves licences to enter the Customer's (or subsequent buyer's) premises for that purpose and the Customer shall be deemed to have granted such licence.

Action taken

Term disappplied to consumers

Reference

Mad Macs Limited - *Bulletin 11*

Original term

The Seller reserves the right to dispose of any goods not claimed by the Buyer after attention or inspection in the Service Centre, and in the event where charges made to the Buyer, by the Seller, remain outstanding to the Seller, for a period of thirty days or more.

Action taken**Term deleted****Reference**

MESH Computer plc – *Bulletin 19*

J DISTANCE SELLING REGULATIONS

J.1 Before the decision to buy the consumer is entitled to the following information:

- name of company and, if paying 'up-front', the seller's address
- a description of the goods and services
- the price including all taxes
- arrangements for payment
- delivery costs where they apply
- arrangements for delivery (normally 30 days unless the contract says otherwise)
- the right to cancel the order and whether the consumer will be responsible for the cost of returning the goods.
- for services, the minimum duration of the contract.
- how long an offer or price is valid

J.2 Following the decision to buy the consumer is entitled to:

- written confirmation (fax, e-mail letter etc) of the above information (only exception is the last item on the above list) unless that information has already been provided, eg in a catalogue
- when and how they can cancel
- a geographical address for complaints
- details of any after-sales services/guarantees, and when and how they can terminate any contract which has no specified end date and which lasts more than one year.
- where there is a service contract the consumer must be told in writing that this cannot be cancelled once it has begun on the agreed date.

Cooling Off Period

J.3 The DSRs give consumers the **unconditional right to cancel** an order and any related credit agreement. The time limits are:

- Goods – seven working days starting the day after receipt

- Services – seven working days after the day on which consumer agrees to go ahead with project.
- J.4 There are exceptions to the above – eg goods which have been made to a personal specification cannot be returned. We would not however, accept the building of computer from a selection of standard components, as being built to a customer specification.
- J.5 The cancellation period can be extended for up to 3 months where written information has not been provided.

Service contracts

- J.6 Quite often the IT market follow up the sale of the goods with additional service contracts for say, PC support and help packages, these contracts also need to be compliant with the DSRs if entered into via distance means. Consumers must be made aware, in writing, that these contracts will not be cancellable once they have commenced on an agreed date. Particular reference was made to these service contracts in our action against several IT companies.
- J.7 Refunds – if the consumer has paid in advance the seller must refund all their money within 30 days. The consumer may be charged for the cost of returning the goods but we would always challenge the existence of a restocking fee if a consumer exercises their right to cancel they should receive a full refund.

Payment card protection

- J.8 Consumers whose payment cards is used dishonestly or fraudulently for any type of home shopping can now cancel the payment and the card issuer must refund all the money to their account.

K EXAMPLES OF INK CARTRIDGE PRICE COMPARISONS

INKJET	Under £100					£100-£200				Over £200		
	Canon S200	Sharp 1100	Lexmark z43	Epson C60	HP 940	Lexmark z53	Epson C70	HP 960	Epson C80	Sharp 6110	HP 1315	Canon S900
Price	£59	£79	£89	£99	£99	£119	£149	£149	£179	£249	£299	£329
Black cartridge price	£4.52	£16.99	£26.99	£25.79	£18.99	£26.99	£25.70	£27.99	£25.70	£21.99	£27.99	£8.99
Colour cartridge price	£9.87	£26.97	£31.91	£21.49	£30.99	£31.91	£32.16	£30.99	£32.16	£26.97	£30.99	£44.95
Total price of cartridge	£14.39	£43.96	£58.90	£47.28	£49.98	£58.90	£57.86	£58.98	£57.86	£48.96	£58.98	£53.94
Number of cartridges used	2	4	2	2	2	2	4	2	4	4	2	6
Number of pages per black cartridge	130	350	600	600	415	600	1240	830	1240	700	830	270
Number of pages per colour cartridge	120	350	275	300	450	275	420	450	420	350	450	270
Cost in pence per page (black)	3.5	4.9	4.5	4.3	4.6	4.5	2.1	3.4	2.1	3.1	3.4	3.3
Cost in pence per page (colour)	8.2	7.7	11.6	7.2	6.9	11.6	7.7	6.9	7.7	7.7	6.9	16.6

Source: What PC? 2002 April

