OFFICE OF FAIR TRADING

Value of goods and services sold on the doorstep or in the home

Annexe B
of the doorstep selling report

May 2004

OFT716b

Introduction

B.1 Estimates of the total value of products sold on the doorstep are subject to quite wide margins of error. There are basically two types of sources, the first, based on what suppliers sell, might be described as a 'sales' approach; the second, based on what consumers say they have purchased, might be termed a 'purchases' approach. Neither is without its problems given the wide range of products to be covered. Here we have made use of both approaches.

Sales approach

B.2 The **sales** approach requires that at least a representative sample of suppliers who sell on the doorstep. We are not concerned primarily with total output of, say, doors and windows. Rather we need to isolate sales to consumers from sales to firms building new houses, and then to isolate those sales which take place in the home rather than in a retail store, by mail order or the Internet. Sales data derived from manufacturers may not distinguish trade sales from purchases made by consumers themselves. Consumer sales figures in their turn may not identify distribution channels in sufficient detail to be able to accurately quantify any doorstep selling element. 'Direct sales' may not distinguish distance marketing through mail order or the Internet from sales concluded face to face on the doorstep or inside the home.

B.3 In 2001 the Direct Marketing Association estimated direct marketing expenditure at £11.14 billion, relating to all forms of direct selling and analysed by advertising media[1]. Of this total, some £609 million comprised door-to-door sales (which approximate to canvassed or unsolicited sales as defined for this study), an increase of 16 percent on the previous year. Some of the sales leads generated by other advertising media will have resulted in home visits to complete a sale

[1] DMA Census of the Direct Marketing Industry 2001 - 2002

and would therefore come within our definition of solicited doorstep sales. Indeed, the majority of high value sales were from solicited visits arranged by the consumer in response to advertising, rather than from cold call doorstep or telephone canvassing.

B.4 The Direct Selling Association's 2001 survey puts the total value of direct sales at £1,670 million. Direct selling is much wider than our definition of doorstep sales.

B.5 We have used a variety of market reports from sources which between them covered most of the products which appear in the Citizens Advice report supporting their super-complaint. It was not the purpose of any of these market reports to provide the detail we were seeking and it would be fair to say that coverage of distribution channels was patchy. We also commissioned IRN collate these and other available trade and consumer data relating to doorstep sales. We have also consulted the main trade associations, recognising that their data is generally derived from their own members and when grossed up can only give a broad-brush of the remaining market.

B.6 Overall, whilst the data sources available to us are not fully comprehensive, we judge that these estimates are sufficiently robust to indicate the general scale of doorstep selling and therefore the potential for detrimental impacts on consumers.

Purchases approach

B.7 As part of this study we have also undertaken two consumer surveys, the first of which provides some indication of the value of goods or services **purchased**. The primary purpose of these surveys was to gain an insight into consumers' experiences of doorstep selling overall. Without substantially increasing the sample size we would not have been able to gain much detail about purchases of individual product groups. The OFT's omnibus survey in January

2003 indicated doorstep sales of just under £1.5 billion. Because high value doorstep sales are a comparatively infrequent occurrence, we think that they may be substantially under-recalled. Whilst spending on low value items was broadly consistent with other estimates, double-glazing spend was about half that recorded by market reports and it seems reasonable to suppose that overall high value spending was under recorded to a similar degree. A very much larger sample would have been needed to generate a more robust estimate of total doorstep sales. More detail of the omnibus survey is set out in Annexe M.

Towards an estimate of the value of doorstep selling

B.8 In this study we have distinguished three main groups by value of goods and services purchased on the doorstep or in the home:

- low value (under £35 per transaction)
- mid value (over £35 but under £500), and
- high value (over £500).

For the purposes of estimating the value of doorstep sales, the first two categories have been combined, comprising products involved in sales valued at up to £500. The value of doorstep sales of gas and electricity have been estimated separately from Ofgem data.

Low value and mid value purchases

B.9 Low value sales include cosmetics, cleaning materials, utensils and other household goods. Party plan and catalogue sales do not involve canvassing for actual sales and hence should have been excluded from any measure of doorstep selling.

B.10 On the basis of market reports, we put the value of doorstep sales of these low value products at around £200 million[3]. Based on Direct Selling Association data, IRN estimate that doorstep sales of cosmetic alone amounted to £90 million. Most but not all of these sales are likely to be under £35 in value.

B.11 Our consumer survey indicates that the vast majority (81 percent) of such low value sales were unsolicited. Only seven per cent of all consumers surveyed had made a low value purchase in the last 6 months. Overall nearly two-fifths of all consumers sampled had purchased something at the door at one time or another. Looked at another way, just over three fifths had never purchased anything at the door.

High value purchases

Home improvements

B.12 Amongst the high value sales, by far the most common relate to replacement double glazing, where around 90 percent of sales of some £1.8 billion annually are doorstep sales (where the contract is concluded face to face, in the home). Another substantial group comprises conservatories where about 60 percent of sales totalling £450 million are made in the home. Many of the same firms which supply double-glazing and conservatories also supply a range of related roof-line products such as replacement guttering and facia panels.

B.13 For a wide range of other home improvement products the proportion doorstep sales is much smaller than for double glazing or conservatories. For example, if a builder calls at the consumer's request in order to give a quotation or an estimate, the subsequent

[3] IRN report for the OFT (unpublished), based on various market reports and own research.

contract would not be regarded as a doorstep sale if, say, the contract offer was sent by post after the visit and then accepted by means of a phone call or letter.

Assistive products for people with disabilities

B.14 According to survey data reproduced in *Living in Britain*[4] about 8 percent of the 42 million adults aged 16 and over report some form of mobility problem. This proportion rises rapidly for people aged over 65 years and reaches 50 percent and 65 percent respectively for men and women aged 85 and over. Nearly all have some form of mobility aid and some have more than one. As Table B.1shows the most common aid was a walking stick. There were 98,000 powered wheelchairs and 115,000 scooters or buggies in use. Overall, half of all mobility aids were purchased privately, but the sample size was not sufficient to break this down by type of aid purchased.

[4] Living in Britain 2001, Chapter 10: National Statistics http://www.statistics.gov.uk

TABLE B.1 – NUMBER OF MOBILITY AIDS IN USE IN UK 2001

Type of aid	All aids - %	Estimated number in use (000s)	Sample
Walking stick	69	3,306	1,251
Crutches	8	373	136
Walking frame/tripod/zimmer	8	385	144
Trolley	2	90	32
Manual wheelchair	9	441	163
Electric wheelchair	2	98	37
Buggy/scooter	2	115	42
Total in use		**4,807**	**1,805**
Weighted base (000's) = 100%	4,807		
Unweighted sample	1,805		

B.15 Valuing the sales to consumers of these and other assistive products has proved problematic. Mintel 2002 (2) observed that 'placing a value on any part of this market (equipment for the disabled) is extremely difficult'. Although estimates of the ownership or use of some disability products are available, details of how frequently they are purchased or how they were funded are not.

B.16 As part of a wider report covering the sale of disability aids and equipment for the disabled, Keynote (2001) estimated that in 2000 sales to private individuals of all products amounted to some £80 million. That figure represented a small part of total sales dominated by sales to professional purchasers, the NHS, local authorities and private sector care and nursing homes. Our estimate for the sales of stair lifts alone (£45 million) and the level of advertising spend directed at private buyers (£5 million - Mintel

2002), are both indicative of a somewhat higher level of sales. With 115,000 buggies and scooters in use, annual sales could be of the order of 20,000. Using the mix of products and prices reported in the Annexe I *Price variability for mobility aids*, indicates an average price of about £1,500 leading to a tentative valuation of about £30 million.

Overall value of doorstep selling

B.17 Overall, the value of products sold face to face to consumers either on the doorstep or in their homes is conservatively estimated at £2.4 billion. Table B.2 sets out the detail. For the reasons set out in this annexe, the figure is subject to a substantial margin of error.

Energy sales

B.18 Gas and electricity markets, which were opened for competition in 1998 and 1999 respectively, have seen a fundamental change in the way energy is supplied to the consumer. Previously, consumers received their supply of fuel from a local supplier with a statutory monopoly. Now, consumers can be supplied by one of a number of suppliers – it is their choice with whom they have a contract.

B.19 In 2002 nearly all of the 24.4 million households[5] in Great Britain had mains electricity supplies and more than 80 per cent had mains gas supplies.There are therefore more than 44 million individual energy supplies – all potential domestic customers for new entrant energy suppliers. According to Ofgem over the year to January 2004 some 7.3 million electricity and mains gas consumers have switched suppliers which equates to about 17 per cent of all supplies. An unknown proportion may have switched more than once per year.

B.20 Research carried out by J D Power found that of those who switched supply, 90 per cent of electricity and 92 per cent of gas customers

[5] Social Trends 2003 table 2.1

had been contacted directly by a sales agent. Earlier research[6] found that 61 per cent of sales were made on the doorstep, 25 per cent were telesales and the rest were on the street or in-store promotions. About 4 million supplies (9 per cent of all energy supplies) may be switching as a result of doorstep canvassing.

B.21 The value of total domestic energy consumption of gas and electricity in 2002 was £13.4 billion[7] so it can be estimated that accounts with an annual value of around £1.2 billion may be switching suppliers as a result of doorstep canvassing. The annual value generated by switching sales might be calculated on the basis of the average saving achieved. Ofgem told us that that the median consumer may expect to save around 7 per cent of their annual bill. On this basis doorstep sales of energy generated savings valued at some £85 million per year.

[6] Research conducted for Ofgem by MORI *Experience of the Competitive Market*, January 2001 and *Attitudes to Price Information Qualitative and Quantitative Research*, March 2001
[7] Consumer Trends Q3 2003 table 04.CN: National Statistics

TABLE B.2 - ESTIMATED VALUE OF DOORSTEP SELLING IN 2002

Product	£ million	Source/Comment
Low value products (Sales valued under £35) **Mid value products** (Sales £36-£499) Includes cosmetics, household wares and cleaning products	200	Likely that some low value sales are not captured. Catalogue sales which do not involve face to face contact are not included in our definition of doorstep sales.
High value products (Sales valued over £500)		
Home improvements	In excess of 2,000	
includes		
Double glazing	1,600	Mintel 2004 (1) Figure 8
Conservatories	250	Mintel 2004 (2) Figure 11
Mobility products	In excess of 80	Keynote 2001 table 9
Includes		
scooters and buggies	30	See text.
stairlifts	45	Based on data from the Lifts and Escalators Association
Hearing aids (digital)	120	DTI
Total doorstep sales	*2,400*	*Excluding savings from energy sales*

References

B.22 The following market research reports have been consulted (page, figure or table references are shown in the table):

Mintel Home Security Products December 2002 (1)
Mintel Mobility market UK July 2002 (2)
Mintel Double Glazing - UK - January 2004 (1)
Mintel Conservatories - UK - January 2004 (2)
Mintel Home Security Products December 2002
Keynote Equipment for the Disabled 2001