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Consumerism And Consumer Protection

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Abstract

Consumerism has become an important issue in consumer behavior. Consumerism is known as a social movement to strengthen the rights and power of buyers in relation to sellers. There are three institutions that have a major role in consumerism, namely consumer organizations, governments and companies. Consumer organizations provide information and advocacy to consumers. The government is responsible for regulating and legislation consumer rights. Finally, companies have their own role to enforce self-regulation on consumerism.

Consumerism has evolved into green consumerism. This means that consumers emphasize attention to environmental issues. Consumerism has major implications for marketing management in a company. One of them is paying more attention to producing safe products by the company. Developed countries implement consumerism in their daily corporate strategy while developing countries regard this as a new problem that has emerged.

Keywords: Consumerism, green consumerism, self regulation, consumer rights.

INTRODUCTION

The modern marketing management paradigm suggests that the company's goal is to provide satisfaction to consumers. Companies that deliver value to consumers means providing customer satisfaction. To do this, companies need to recognize consumer needs, by activating marketing intelligence (Kotler, 2000). The company then applies a concept called customer orientation. Customer orientation is the responsibility of all departments within the company, not just the marketing department, where every functional department actively participates in market intelligence, dissemination, and in the development of appropriate marketing mix policies (Balakrishnan, 1996). Based on this understanding, the interests of consumers should be prioritized. This interest is not only to increase the company's profit, but also to improve the quality of life of consumers.

Improving the quality of life of consumers has a broad meaning, because it is not only material life, but also spiritual and social life. However, the reality is that we see the business world over-exploiting consumers. We can see real examples in our daily lives. The rise of products with various appeals. Stimuli through advertisements and various other stimuli make consumers no longer able to distinguish between their needs and wants. This is not a problem as long as the company is responsible for the quality and safety of its products. There are many cases, especially in developing countries, the interests of consumers are ignored. The right of consumers to obtain information and consume safe products is often ignored by companies and governments.

The above conditions give rise to a phenomenon of consumer awareness of their rights. This phenomenon is called consumerism. Consumerism is a social movement to strengthen the interests and rights of buyers in front of marketers (Kotler, 1972 in Lyonski, Dirvasula and Watson, 2003, Kotler et al, 1998). This paper will discuss the movement of consumerism and consumer protection in a theoretical perspective with some case examples. This issue is interesting for us to examine in depth because even though this discourse has long been promoted and fought for, it has had its ups and downs. The ability of consumers to fight for it is still weak, even in developed countries though. This is very ironic, considering that many companies have practiced the concept of customer orientation which should pay attention to the interests of consumers.

This movement is known as the consumer movement or consumerism. According to Assael (1998), the history of the consumer movement is divided into three periods, namely:

1. The first period. This period emerged at the end of the 19th century, when the largest oil company in the United States, Standard Oil was challenged by society, because of its monopoly. This gave rise to an antitrust law which is often called the Sherman Anti Trust Act.
2. Second period. The second period of the consumer movement was the publication of a book that reviewed the poor quality of health services in the early 30s. Because of this book, the US then founded the Consumer Union in 1936. This organization defends the interests of consumers.
3. Third period. This period began in the decade of the 60s. This period began with the emergence of consumer awareness of the dangers of chemicals in food products. Furthermore, this awareness extends to concern for the environmental quality of the "victims" of industrialization.

LITERATURE REVIEW

The Consumerism Movement and Consumer Rights

The company's indifference to the interests of consumers, raises consumer awareness to fight for their rights. Consumers are starting to realize that they have to fight for their own interests. The consumer movement in the US experienced a decline during the Ronald Reagan administration, in the 1980s. At that time consumer protection was seen as too expensive a policy. This causes high prices for products that care about consumer safety. At this time the company is considered to have self-regulating so that it is able to regulate itself so as not to harm the interests of consumers. The consumer movement experienced a resurgence in the 90s. At that time four important issues emerged in the structure of the world's industry, namely: environmental issues, health, advertising for children and the right to have a private life. These four issues dominated the consumer movement in the 90s.

There are several parties who hold an important key in consumer protection. These parties are consumer protection organizations, government organizations and companies (Assael, 1998).

The interaction between the three can be seen in Figure 1.

Each party in the picture above provides an important and interrelated role in consumer protection. In practice, consumer protection organizations and companies are often at odds because of different interests. This then demands government intervention to provide rules of the game in the form of the Consumer Protection Law (UUPK). In Indonesia, the government has issued UUPK since 1999, namely Law no. 8/1999.

The enactment of UUPK will ensure that consumers obtain their rights. According to Assael (1998), consumers have five types of rights, namely:

Right to safety (consuming the product)

- a. Right to information.
- b. Right to vote.
- c. Right to be heard.
- d. The right to be a minority without being harmed.

Role Of Consumer Institutions

Consumer institutions have an important role in protecting the interests of consumers. According to picture 1

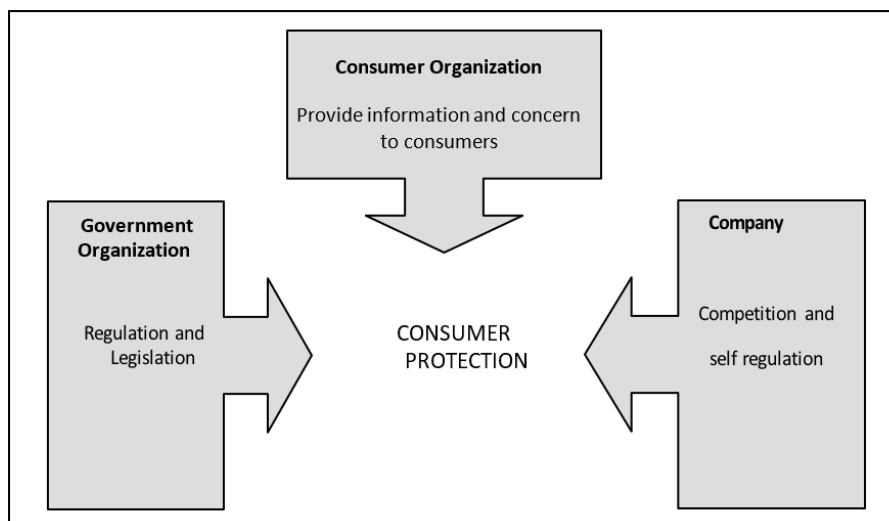


Figure 1. Interaction between Consumer Organizations, Companies and Government Source: Assael (2007), p 32

Consumer institutions function to provide information to consumers. The United States established its consumer agency in 1936. Indonesia also has several consumer protection agencies, one of which is YLKI. Consumer institutions will be defenders of consumer interests. Several prominent cases regarding the appearance of this institution were when one of the food seasoning products contained pork fat. This is a real public lie and contradicts the creed of Islam, which is the largest religion in Indonesia. The discovery of this case and the withdrawal of its products from the market at that time was the struggle of consumer institutions in Indonesia.

The task of consumer institutions becomes lighter when consumers have the awareness to seek as much information as possible about a product. In a publication entitled *Consumerism: A Special Report* published by Environics International in 2002 it was stated that only 25 percent of Indonesian consumers are willing to seek detailed information about a product.

The problem that arises in defending the interests of consumers is the lack of empirical research to decide whether a product is dangerous or not. For example, when there was public pressure on McDonald's restaurants to change their packaging from polystyrene to plain paper. This is because polystyrene is considered one of the hazardous materials for health. It was later discovered that the substitute paper was actually more dangerous for consumers' health (Wibowo, 2002). Even though the demands to replace the food wrappers came from consumer institutions. Therefore, the results of scientific research that can be accounted for are the basis for consumer institutions to provide information to consumers.

Government Role

The government has a big responsibility in consumer protection mechanisms. The main role of the government is to make regulations to regulate the mechanism. The United States has had a Consumer Protection Act since the promulgation of the Anti Trust Act at the end of the 19th century. Meanwhile, the Act that regulates consumer rights in detail was enacted in the decade of the 30s. The Indonesian government issued the Consumer Protection Law (UUPK) in 1999 with Law No. 8/1999. We can see that there is a gap of almost 50 years between Indonesia and other developed countries regarding consumer protection.

Four years after its promulgation, we see that there has been no serious effort from the government to enforce the law. Consumers in Indonesia are still in a weak bargaining position. This happens because Indonesian consumers are a marginal part of global consumers, especially in terms of purchasing power. As mentioned in the report from Environics International above, Indonesian consumers have a low desire to seek information about a product. The report also states that the government should also play a role in empowering consumers so that they are more concerned with their own interests. Empowering consumers is a particular difficulty in this consumerism paradigm. This is because consumers have different interests so it is difficult to

obtain a common vision of consumers. For example, with the majority of consumers with low purchasing power in Indonesia, consumerism may not have become their awareness. This is because products that are safe for consumption have negative implications in the form of high prices. Consumers in Indonesia will not be able to reach that price.

RESEARCH METHODS

The approach used in this study is a non-positivist or qualitative approach. This approach was chosen to understand the context of decision making in accordance with the opinion of Myers (2009). This study uses the type or type of empirical phenomenological study (empirical psychological phenomenology) which aims to produce an accurate description of human experience. Phenomenology is a research method in a qualitative approach which was originally found to study behavior, meaning and experience and offers the potential for contemporary consumer behavior (Goulding, 1999). This psychological empirical phenomenology is based on existential phenomenology which is centered around the idea that each human being is responsible for the choices made, although there is no guarantee that this will be the right choice.

RESULTS AND DISCUSSION

Green Consumerism Phenomenon

A phenomenon in consumer behavior associated with the consumerism movement is what is called green consumerism. Green consumerism is consumer behavior that is motivated not only by the desire to fulfill their needs, but also because of concern for overall social welfare (Osterhus, 1997; Pelton et al., 1993; Singhapakadi and LaTour, 1991 in Moisander and Pesonen, 2002). More narrowly, this behavior can be seen from consumers' deep concern for environmental sustainability. They will tend to choose products that are environmentally friendly. In daily practice we can see the emergence of these products. For example perfumes and refrigerators that do not use freon so they don't destroy ozone.

The emergence of green consumerism has developed into a widespread political attitude, especially in developed countries. On the scale of economic policy, this paradigm gives rise to ecolabeling, namely the provision of ecological labels that guarantees that a product does not damage the environment in its production process. According to Moisander and Pesonen (2002) green consumerism can be divided into three major groups, namely: First, individuals who morally want to make changes with their stance as green consumers. Second, the ironic group that has ecocentric spiritual beliefs. Third, the radical green consumer group. The two authors in their conclusion state that the possibility of a green consumer to fall into one of these categories depends on the group. Another interesting note from the article is that the radicalism of a green consumer is negative and must be corrected. According to them, green consumers who can be accepted by society are autonomous, careful, informative individuals, who in their social life are strong market players, meaning that they are able to monitor and control their consumption activities. In addition, the two authors also mention about the characteristics of ideal green consumers, namely those who are polite, respected citizens but "low profile" with concern for sustainable development, able to do small but important things controlled by the desire to make changes.

The opinion of Moisander and Pesonen (2002) above is very contradictory with the new economic concept of Hoogendijk (1991). This concept states that the economy must grow in a new way, namely by being oriented towards energy and goods, with less waste of materials and energy, with a normal size, production and distribution system oriented to needs, regionally organized, open, democratically structured, based on organic and self-help farming. In this concept, a green consumer is those who are radical.

The development of green consumerism requires marketers to be more observant in observing marketers. The role of environmental advocacy groups is becoming increasingly important so marketers must be aware of this. Innovations related to the physical environment become an integral part of marketing strategy (Coddington, 1993 in Dharmesta, 1997).

Consumerism and Marketing Management Practices

The consumerism movement has broad implications for marketing management practices. Marketers must make some adjustments to their products to be accepted by consumers. Wibowo

(2002) suggests that companies make some adjustments in their marketing strategies so that their products are accepted by the market. These policies include:

1. Creating products with characters and compositions that have little impact on the environment. The use of materials with minimal chemical content is highly recommended.
2. Increase the use of more efficient or renewable raw materials. The use of natural and easily recycled materials will make a product safer for consumption.
3. Use energy more efficiently.
4. Increase the durability of a product so as not to worsen the exploitation of natural resources.

Assael (1998) states that companies must have a self-regulation mechanism in anticipating this consumerism. This mechanism means that companies must be able to adjust their operations according to consumer demands on consumerism without being forced by the government with regulations. Companies must be careful in developing marketing strategies for their products. More complex consumer demands have forced companies to direct their corporate strategies in accordance with this consumerism paradigm.

Adjustment of the company's strategy to consumerism can be categorized as corporate social responsibility. Roome (1994) made an Excellent model that analyzes corporate social responsibility on the environment (Waskito, 2002).

The model shown in table 1 describes the condition of companies that move from companies that pay little attention to environmental aspects (first order) to companies that are very concerned about environmental problems in their operations, namely at the third order level. Each level shows a different emphasis on environmental aspects.

Several studies show different perceptions of companies about consumerism. Quazi (2002) compares differences in corporate managers' perceptions of consumerism in Australia and Bangladesh. The results of this study indicate that managers in Bangladesh have a greater concern for consumerism than managers from Australia. According to the researcher, this is because the consumerism paradigm in Australia has been integrated with the company's daily practice so that managers think that the paradigm is not too special. This is different from their colleagues in Bangladesh who think consumerism is a new thing, so they are very enthusiastic in responding to it.

The complete results of Quazi's research can be seen in table 2. The results of this study indicate that in developed countries consumerism has been integrated with company policies. They have a strong self-regulation mechanism so that in carrying out the production process they will pay attention to the rights and interests of consumers. Companies in developed countries tend to be skeptical of government regulations governing consumer rights. Why does this happen?

We can see a recent case in Australia, when a dietary supplement company recalled all of its products worldwide because they found a dangerous ingredient in the product. This fast response shows that their awareness of consumer interests is very high, so there is no need for government regulations to regulate it.

Another study conducted by Wang and Jin (2002) in China showed that foreign investment companies in the country have better control than state-owned enterprises and national private companies in controlling the level of pollution. In the Bamboo Curtain country, there are other forms of companies, namely collective companies (a kind of cooperative) which also have good self-regulation policies in controlling pollution. Wilson, Otsuki and Sewadeh (2002) conducted a study by comparing export volume with awareness of consumerism in companies in developing countries with developed countries using econometric models. The results of their research prove that companies that are aware of consumerism tend to have high sales volume and export competitiveness.

CONCLUSION

Consumerism as a phenomenon is still ongoing in the global industry. This issue is so important because it is related to changes in consumer behavior. The behavior of consumers who are more aware of their interests must be responded appropriately by marketers. Marketers should see this trend as a positive boost for the company. The development of consumerism in the countries

of the world is different. Developed countries have adopted this consumerism in their daily corporate policies. This can be seen from their high self-regulation mechanism. Meanwhile, developing countries consider the issue of consumerism as a new thing, so they are very enthusiastic in responding to it.

The global industry responds positively to consumerism. The world trade organization or WTO responds to this with an ecolabeling policy. This is motivated by the increasingly severe damage to the global environment due to industrialization. However, there are suspicions that the WTO policy is nothing more than an effort to create a barrier to entry for developing country industries that will enter the international market. This suspicion is based on the fact that companies in developing countries are affected by this policy so that their competitiveness in the form of low prices is lost. This is because to make an environmentally friendly product at a low price must be sacrificed.

Some of the researches discussed above show that consumer awareness in developing countries is still low on consumerism. For example, in Indonesia, consumer protection is still very weak, even though we already have regulations to regulate it. Indonesian consumers are still marginal in terms of their purchasing power, they think cheap prices are everything so they forget about more substantial things such as the safety of consuming these products. This fact is the other side of the development of consumerism and consumer protection in the global industry.

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