

**Consumer  
Protection**

**RESEARCH  
& EVALUATION**

# Businesses and the Consumer Guarantees Act

**Summary Findings**



**MINISTRY OF BUSINESS,  
INNOVATION & EMPLOYMENT**  
HĪKINA WHAKATUTUKI

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## Consumer Guarantees Act Survey

Investigating businesses’ relationship with the law.....	3
The results show that respondents generally have high awareness of the CGA.....	4
Role in the business has the strongest relationship with level of knowledge .....	4
Sole traders are more likely to go beyond their legislated responsibilities to keep customers happy, but have no more knowledge than those in larger businesses.....	4
Product- and service-based respondents are equally aware of consumer laws .....	4
Business respondents have higher awareness of consumer laws than consumers .....	5
Increasing respondents’ knowledge may lead to better outcomes for consumers .....	5
Respondents have high awareness of consumer laws.....	6
Nearly all respondents are aware that laws exist to protect the rights of consumers.....	6
Eight out of ten respondents have at least a moderate understanding of the CGA .....	7
When tested on their knowledge of the CGA, respondents had difficulty with the more complex questions .....	8
Tested knowledge is consistent across most respondent characteristics .....	9
Just one in five have learned about the CGA through formal training .....	10
Very few have sought information about consumer laws in the past two years .....	10
Front-line workers do not have enough information about consumer laws.....	11
Respondents believe they are compliant with the CGA .....	12
The majority of respondents agree that they deal with customer problems in a way that is fully compliant with the CGA .....	12
Two thirds of respondents agree that it is easy for businesses to comply with the CGA... ..	12
The biggest perceived challenge in complying with the CGA is in meeting the quality guarantees.....	13
Only half of all respondents agree they have enough information about their responsibilities under the CGA.....	13
Less than half of all respondents assess customer problems to identify responsibility.....	14
Few respondents say their business sells extended warranties, but those who do are not always giving customers the information required .....	15
A third of respondents don’t know whether their business provides information to customers about their rights.....	15
Customer service is a key part of resolving problems .....	16
The majority of respondents will always apologise to the customer for the problem.....	16
Three quarters of respondents are influenced by the possibility of negative publicity when dealing with customer problems .....	17
Respondents are confident that they treat customers and problems fairly .....	17
Two thirds of respondents go beyond what is required of them under the law.....	18
Respondents with higher knowledge of consumer law are more likely to take actions geared toward keeping their customers happy .....	18

Appendix A: Questionnaire .....	19
Appendix B: Demographic information.....	32

## Investigating businesses' relationship with the law

The Consumer Guarantees Act (CGA) protects consumers by setting out minimum guarantees that apply to all products and services, and allows consumers to seek remedies when those guarantees are not met.

The National Consumer Survey, conducted in late 2016, sought information from consumers about their awareness and understanding of the CGA, and the frequency of issues experienced when purchasing products and services. The results from this survey showed that consumers are generally aware of their rights under the law and are confident when purchasing. However, just over half are experiencing problems with products and services within two years of purchasing and not all problems are being resolved.

This companion survey was commissioned to obtain a broader picture of the consumer environment. It aimed to gather information from people in customer-facing roles with regards to their awareness and understanding of their responsibilities as a business under the CGA. See Appendix A for the full questionnaire.

Together these surveys of businesses and consumers offer a more holistic view of the consumer experience and help to identify areas of strength and weakness.

### **The survey had 1,000 respondents from across New Zealand**

The survey was sent to 8,137 people on Colmar Brunton's online panel. Of those, 2,556 responded with 1,000 eligible under the set criteria. Based on eligibility estimates for the total sample, the response rate was calculated as 40%.

For respondents to be eligible to complete the survey, they had to own or work for a business that sells products or services to consumers and directly interact with their customers at least once a week.

Demographic information was collected regarding number of hours worked, business size, role in the business, type of product or service sold, and level of authority to deal with customer problems. All reported demographic differences are significant at the 95% confidence interval.

Respondents by role in the business (more than one option could be selected):

- 21% are the owner, part-owner or director
- 11% are key decision-makers or help set policies for the business
- 25% manage other people (eg, supervisors or team leaders)
- 59% work on the front-line, carrying out the day-to-day operations.

Respondents by business size (number of other people directly employed by the business):

- 7% are the only paid person working for the business (sole traders)
- 21% work for a business with one to five employees
- 21% work for a business with six to nineteen employees
- 51% have twenty or more employees at their business.

Due to very small sample sizes, results have not been examined by product or service type.

See Appendix B for information on the target sample and full tables of respondent demographic information.

### **The results show that respondents generally have high awareness of the CGA**

Overall, the majority of respondents rate their understanding of the CGA as at least 'moderate' and perform fairly well when tested on their knowledge. However, very few have received formal training on the CGA or sought information about consumer laws in the past two years.

When dealing with customer problems, the majority of respondents agree that they are fully compliant with the CGA and that it is easy for them to comply. Despite this, only half agree that they have enough information about their responsibilities under the CGA, and a third don't know whether they provide any information to their customers about their rights.

Still, respondents are confident that they treat customers and problems fairly. The majority will always apologise to the customer for the problem, and two thirds of respondents agree that they will go beyond what is required under the CGA to keep their customers happy.

### **Role in the business has the strongest relationship with level of knowledge**

Respondents generally know a lot about consumer laws, but this information is not distributed evenly, with front-line workers having much lower knowledge than those in any other role. This is steady across both self-rated and tested knowledge. In addition, front-line workers are more likely to say that they 'don't know' if their business provides information to customers, or what actions are taken when addressing customer problems.

Front-line workers are also significantly less likely to agree that they have enough information about the responsibilities of businesses under the CGA when dealing with customer problems – only 47% 'agree' or 'strongly agree', compared with 62% across all other roles.

Compared with all other demographic features, the role of the respondent consistently shows significant differences across measures, indicating that it is likely the key distinguishing factor.

### **Sole traders are more likely to go beyond their legislated responsibilities to keep customers happy, but have no more knowledge than those in larger businesses**

When comparing across business size, sole traders are significantly more likely to agree that they are influenced by negative reviews and will go beyond the requirements of the CGA to keep their customers happy. This could be linked to the level of personal risk involved if the business does not successfully retain its customers.

While sole traders are more likely to say they have enough information about their responsibilities when dealing with customer problems, in all other respects, they are similar to respondents in larger businesses: there are no differences in self-rated level of knowledge about consumer laws and no differences when tested on the CGA.

### **Product- and service-based respondents are equally aware of consumer laws**

Although service providers rate their understanding of consumer laws slightly lower than those from businesses that sell products, there are no differences when tested on this knowledge.

When dealing with customer problems, service providers are less likely to report how often they perform actions to resolve the problem, instead responding that these actions are 'not applicable' to them. They are also more likely to say that they 'don't know' whether their business is compliant with the CGA. This could indicate that although service providers understand the CGA in theory, there is still a gap between this and their actions.

### **Business respondents have higher awareness of consumer laws than consumers**

When comparing results with those from the 2016 National Consumer Survey, business respondents had higher self-rated levels of understanding of consumer laws than consumers themselves. Most respondents (80%) rate themselves as having at least 'moderate' understanding of the CGA, compared with 65% of consumers; this difference is matched by tested knowledge, where overall, those in customer-facing roles out-performed consumers on the three questions that were given in both surveys.<sup>1</sup>

Though most consumers (75%) feel confident that they will be treated fairly by businesses, just half of consumers (56%) say they have enough information about their rights when purchasing. At the same time, only a third of those in customer-facing roles (35%) say their business provides information to customers about their rights, while also commenting on their concern that their customers don't understand the products and services they are purchasing.

This points to an opportunity for those in customer-facing roles to do more for their customers at the point of sale – before any problem occurs. By providing customers with more information about the products and services they purchase, as well as their rights under the CGA, people in customer-facing roles can improve on their performance, while building knowledge and confidence in their customers.

### **Increasing respondents' knowledge may lead to better outcomes for consumers**

Respondents with a high level of understanding of consumer laws – both self-rated and tested – are significantly more likely to agree that they will go beyond their CGA obligations in order to keep customers happy, compared with those who have lower understanding. In addition, the frequency of actions taken to keep customers happy, such as apologising for the problem or discussing solutions, is also greater with higher levels of knowledge.

This shows that higher knowledge of the CGA could lead to better treatment of customers when resolving problems, and may even include going beyond what is required under the CGA.

The key point of difference, however, is between those with the lowest level of knowledge and those in the mid-range – meaning that only a small increase in knowledge would see a large impact on the actions that are taken when dealing with customer problems.

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<sup>1</sup> Source: Ministry of Business, Innovation and Employment. (2017). *National Consumer Survey 2016*. <https://www.consumerprotection.govt.nz/news-and-media/national-consumer-survey-2016/>.



## Respondents have high awareness of consumer laws

To be able to purchase with confidence, consumers must be aware of the rights and protections afforded them under consumer law. This applies equally to those representing the businesses, who have responsibilities to consumers under the law.

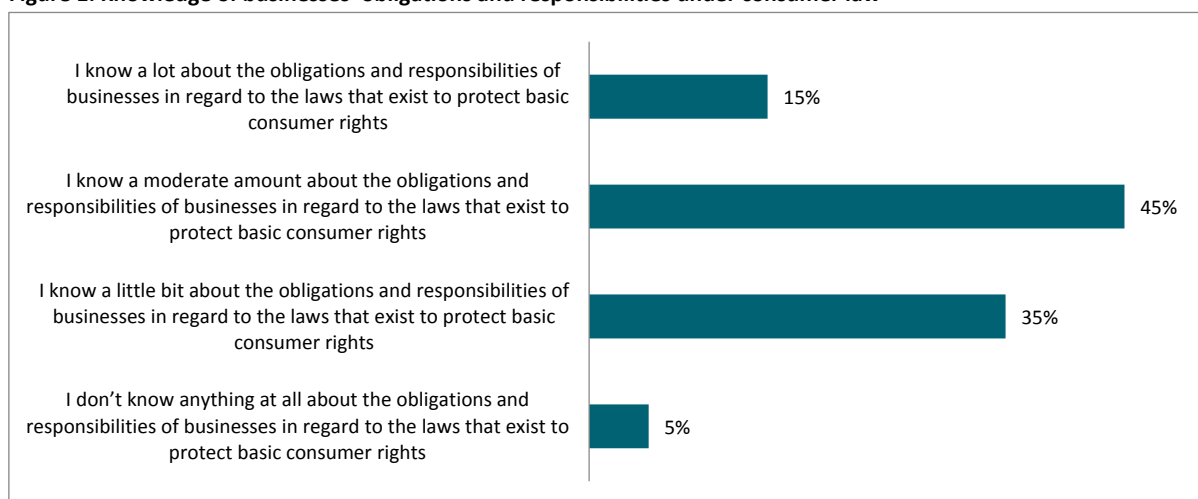
Respondents were asked about their awareness and understanding of not only the CGA but also the Fair Trading Act (FTA) and Credit Contracts and Consumer Finance Act (CCCFA), although only the CGA is explored in detail.

- The CGA sets minimum standards for products and services, and provides remedies for consumers when these standards are not met.
- The FTA sets rules for the conduct of businesses and provision of accurate information about products and services, and protects consumers from unsafe products.
- The CCCFA sets out the responsibilities of lenders in order to protect consumers when they borrow money or enter into a credit agreement. Although this law is most often related to those in the financial sector, it also applies to businesses that allow their customers to buy products and pay for them at a later date (a credit contract).

### Nearly all respondents are aware that laws exist to protect the rights of consumers

Nearly all respondents (96%) say they are aware that New Zealand businesses are bound by laws that exist to protect basic consumer rights when selling products or services. However, when asked to rate their knowledge, only 15% say they know 'a lot' about the responsibilities of businesses in regard to these laws while another 45% know 'a moderate amount'. Five per cent respond that they 'don't know anything at all' about these laws (see Figure 1).

**Figure 1: Knowledge of businesses' obligations and responsibilities under consumer law**



**Base: Total respondents (n=1000).**

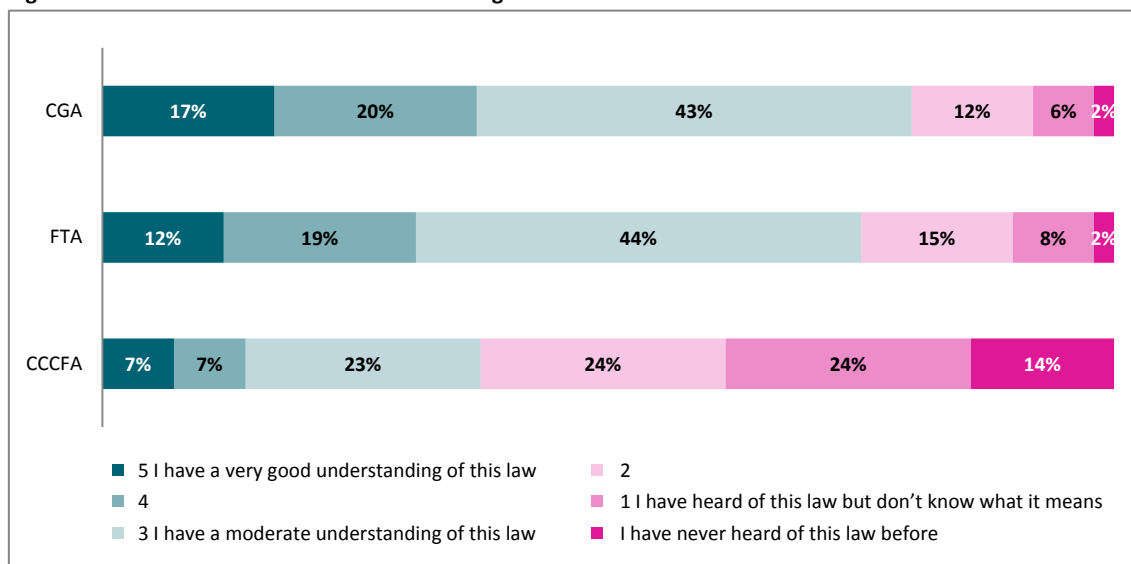
- Only half (52%) of **respondents who work in front-line positions** rate their knowledge as at least 'moderate', significantly lower than the 73% for business owners and 67% for managers.
- **Respondents who work fewer than 10 hours per week** rate their knowledge much lower than those working full-time (at least 30 hours per week) – only 41% report knowing at least 'a moderate amount' compared with 62% for those working full-time.



## Eight out of ten respondents have at least a moderate understanding of the CGA

Respondents were asked to rate their understanding of specific consumer laws, including the CGA and FTA. Eighty per cent of respondents report having at least a 'moderate' understanding of the CGA, including 17% with a 'very good' understanding (see Figure 2).

Figure 2: Self-rated awareness and understanding of consumer laws



Base: Total respondents (n=1000).

Reported understanding of the FTA was very similar, with 75% rating their understanding as at least 'moderate'. For both the CGA and FTA, only 2% say they have 'never heard of' these laws.

Business owners and people managers have a significantly higher level of understanding of both the CGA and FTA than front-line workers:

- CGA: 87% of business owners and 86% of managers rate their understanding as at least 'moderate', compared with 77% of front-line workers.
- FTA: 79% of business owners and 83% of managers give a rating of 'moderate' or higher, compared with 71% of front-line workers.

However, when asked to describe, in their own words, the main obligations of businesses as required by the law, 44% of respondents say they 'don't know'. A quarter of respondents (26%) mentioned the standards that products and services must meet under the CGA, while 17% outlined the requirements for resolving customer problems.

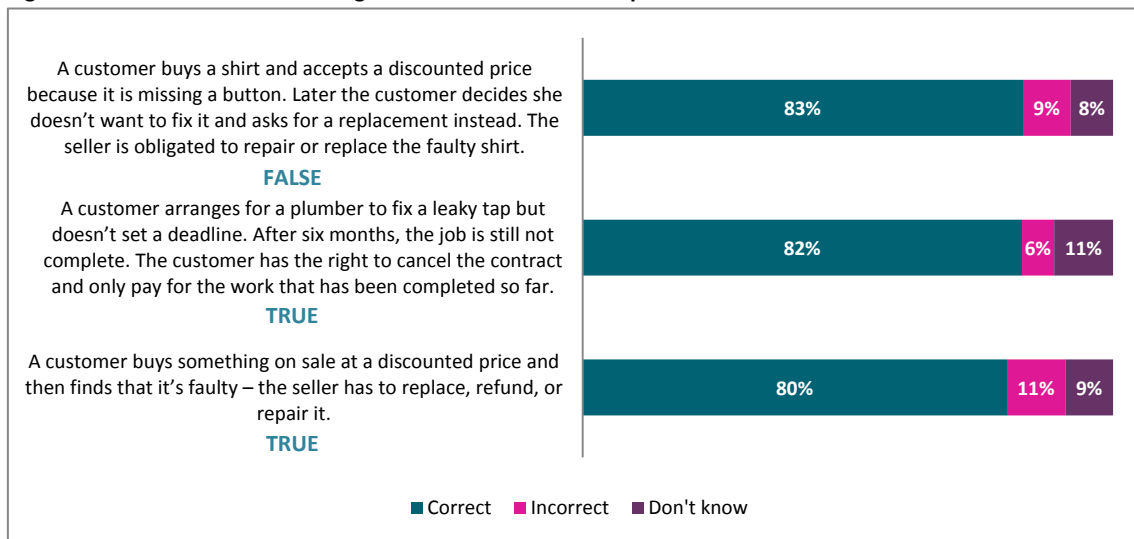
It is possible that respondents may have marked 'don't know' to be able to skip the question and avoid writing a detailed response. Interestingly though, those with lower-rated knowledge of consumer laws were significantly more likely to say they 'don't know', compared with those with higher-rated knowledge (60% and 33%, respectively), indicating that a sizeable portion of the 'don't know' responses are legitimate.

### When tested on their knowledge of the CGA, respondents had difficulty with the more complex questions

Respondents were given nine scenarios to apply their understanding of the CGA when dealing with customer problems, and to be able to compare their practical understanding with their self-rated understanding.

More than 80% of respondents were able to correctly answer questions related to the more straightforward aspects of the CGA, such as when a customer has the right to cancel a service contract or have a faulty product replaced (see Figure 3).

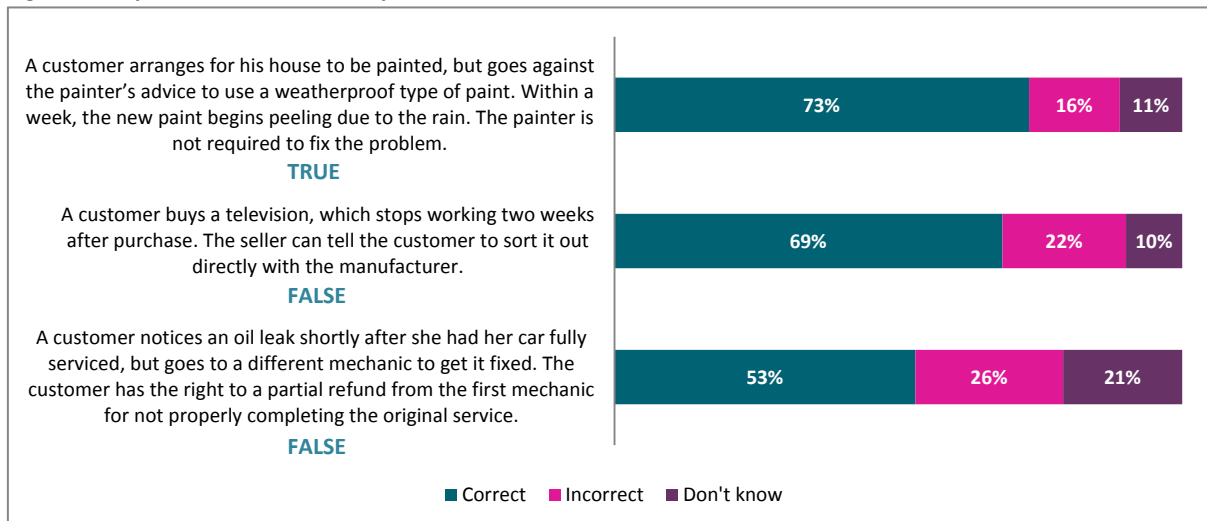
**Figure 3: CGA scenarios with the highest number of correct responses**



Base: Total respondents (n=1000).

Respondents generally had some difficulty with questions related to who is responsible for remedying customer problems. Three quarters of respondents (73%) are aware that a service provider is not required to resolve a problem if the customer did not take his or her advice (see Figure 4). A similar proportion (69%) know that the seller cannot tell the customer to instead deal with the manufacturer to sort out a faulty product. However, only half (53%) are aware that a customer must give the original service provider the opportunity to make things right before going to someone else to resolve the problem.

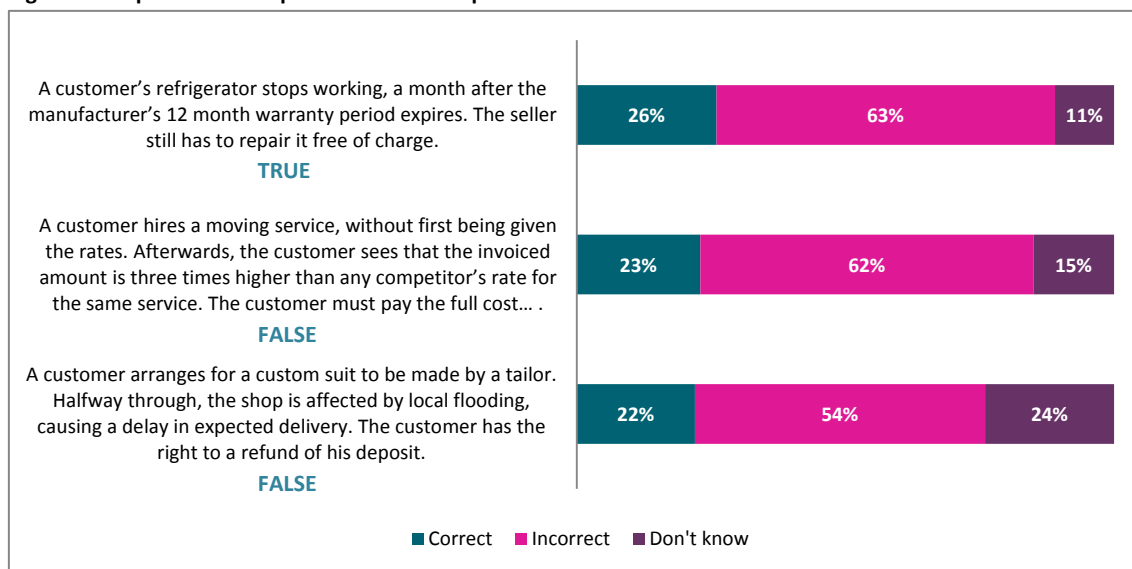
**Figure 4: Responses to CGA scenario questions**



Base: Total respondents (n=1000).

Where respondents had the most difficulty was with the questions dealing with the more complex aspects of the CGA (see Figure 5). Only a quarter of respondents (26%) are able to correctly identify that the seller is still responsible for resolving a problem with a faulty refrigerator after the 12 month warranty has expired, as the CGA may extend beyond a manufacturer’s warranty if the reasonable lifespan of a product is longer than that period.

**Figure 5: Responses to complex CGA scenario questions**



**Base: Total respondents (n=1000).**

The CGA also guarantees that costs be reasonable, even if the fee for a service has not been agreed in advance. Only 23% of respondents are aware that a customer may not be required to pay the full cost of a service if the cost is unreasonable.

Just 22% of respondents are able to correctly identify that a customer does not have the right to a refund for a service that has not been carried out if the cause is due to reasons beyond the seller’s control (such as a natural disaster).

**Tested knowledge is consistent across most respondent characteristics**

There are no noteworthy differences in responses when comparing across business size. Furthermore, those from service businesses are no more likely to respond correctly to the questions related to services than those from product-based businesses, and vice versa.

Some differences do appear, however, when comparing by role in the business:

- **Respondents who manage other people** are significantly more likely to know the correct responses for the first three scenarios (see Figure 3) when compared with business owners, decision-makers and front-line workers. However, these managers display no difference in knowledge for the remaining questions, when compared with the other groups.
- **Front-line workers**, on the other hand, are significantly more likely to say they ‘don’t know’ the response to most of the questions, particularly for the more complex scenarios.

### **Just one in five have learned about the CGA through formal training**

When asked how they have learned about the CGA (more than one response allowed), more than a third of respondents (36%) credit their experience working in customer-facing roles. Also more common was learning through self-study (34%) and learning informally on the job or through other staff (33%), compared with 19% who learned through formal training programmes.

While business owners are most likely to have learned about the CGA through self-study, front-line workers are most likely to credit experience or on-the-job learning. Managers are the most likely to have been put through formal training than any other role type.

Overall, 18% report learning about the CGA at school or university, though this number is significantly higher among respondents between the ages of 18 and 26 (43%).

### **Very few have sought information about consumer laws in the past two years**

Only 14% of respondents say they have looked for information about consumer rights and laws (including the CGA) in the past two years.

- **Respondents with full authority to deal with customer problems** were more likely to have looked for information (19%) compared with those with some or no authority (11%).
- **Those with higher self-rated knowledge of consumer laws** were also more likely to have sought information in the past two years (19%) than those with lower-rated knowledge (6%).

Of the few who had sought information, Consumer NZ was the most used (42% had used their services in the past two years) and the most well-known (47% had not used but are aware of their services). In comparison, 29% had used Citizens Advice Bureau, 28% had used Business.govt.nz, and 22% the Commerce Commission. Twenty per cent have sought information from Consumer Protection but another 16% were not aware of their services.

### Front-line workers do not have enough information about consumer laws

The staff who work on the front-lines tend to be the first point of contact for customers when purchasing and when seeking problem resolution. However, these respondents have significantly lower-rated understanding across all consumer laws.

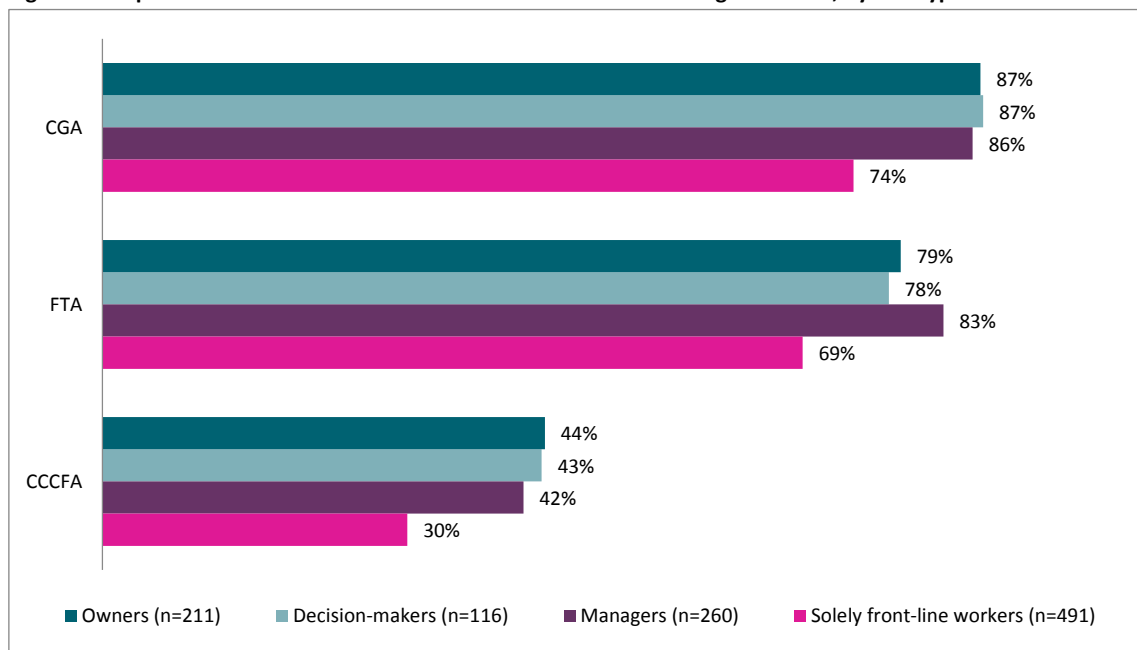
Because respondents could fill more than one role within their organisation, this analysis isolates the ‘front-line worker’ group by looking only at those who selected that one option to describe their role. Half of all respondents (50%) identify as only working on the front line, the majority of the 59% of overall respondents who work on the front-line as part of their role.

There is roughly equal representation across all age groups and business types (products or services). Other key demographic information on front-line workers is as follows:

- 69% work full-time hours, with only 5% working fewer than 10 hours per week.
- 68% have some authority to deal with customer issues and 18% have none.
- 67% work for businesses with 20 or more employees.

When comparing across role types, the percentage of respondents who rated their understanding as at least ‘moderate’ is mostly consistent for business owners, decision-makers and managers, but is significantly lower for front-line workers (see Figure 6).

**Figure 6: Respondents with at least ‘moderate’ self-rated understanding of the law, by role type**



**Base: Variable – total respondents by role type, as above.**

Of the front-line workers with lower-rated knowledge, there are no characteristics that definitively set them apart from the front-line group as a whole – that is, there are no differences in age, business size, number of hours worked, or whether their business sells mainly products or services – that could be seen as a reason for their lower level of knowledge.

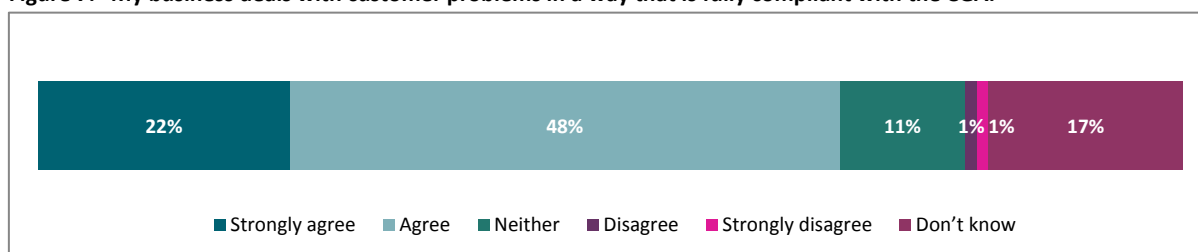
## Respondents believe they are compliant with the CGA

The CGA sets out quality guarantees for products and services, to ensure that customers get what they pay for. Should a consumer find a problem with a product or service they have purchased, the CGA also prescribes means by which the business must remedy the issue: the business is required to repair, replace or refund the faulty product or substandard service.

### The majority of respondents agree that they deal with customer problems in a way that is fully compliant with the CGA

More than two thirds of respondents (70%) 'agree' or 'strongly agree' that their business deals with customer problems in a way that is fully compliant with the CGA (see Figure 7). Only 2% 'disagree' or 'strongly disagree', but 17% say they 'don't know'.

Figure 7: "My business deals with customer problems in a way that is fully compliant with the CGA."



Base: Total respondents (n=1000).

- **Respondents who work fewer than 10 hours per week** are less likely to agree than all other respondents – only 51% 'agree' or 'strongly agree' while 33% 'don't know'.
- Those from **businesses that mainly sell products** are more likely to agree than those from service-focused businesses (75% and 64%, respectively). Respondents from businesses that mainly provide services are more likely to say that they 'don't know' if their business is fully compliant when dealing with customer problems.

### Two thirds of respondents agree that it is easy for businesses to comply with the CGA

Around two thirds of respondents (62%) 'agree' or 'strongly agree' that it is easy for businesses to comply with the CGA. Only 5% 'disagree' or 'strongly disagree' while 13% don't know.

- **Respondents who rated themselves as having at least 'moderate' understanding of consumer laws** were significantly more likely to agree (71%) than those with lower understanding (49%).
- Similarly, **those who were able to correctly answer at least four of the CGA scenario questions** were much more likely to agree (65%) than those who could correctly answer no more than three (40%).

This indicates that whether businesses find it easy to comply with the law may be related to how much they understand it.

## The biggest perceived challenge in complying with the CGA is in meeting the quality guarantees

When asked to describe, in their own words, the biggest challenge in meeting their obligations under the CGA, the most common response is ensuring that their products and services are of high enough quality that customers do not have problems.<sup>2</sup>

However, many respondents also say the challenge lies with their customers understanding the scope of the law. While some describe their frustrations with customers inappropriately taking advantage of the CGA, more often businesses say that customers have unrealistic expectations of the products and services they purchase.

*“Customers’ expectations are much higher nowadays – so many people have champagne tastes on beer budgets and want top of the line for minimal cost.”*

It is here where businesses might find opportunity to improve this relationship with the customer: if customers are provided with more education about the products and services they purchase, businesses may face fewer challenges with unrealistic customer expectations.

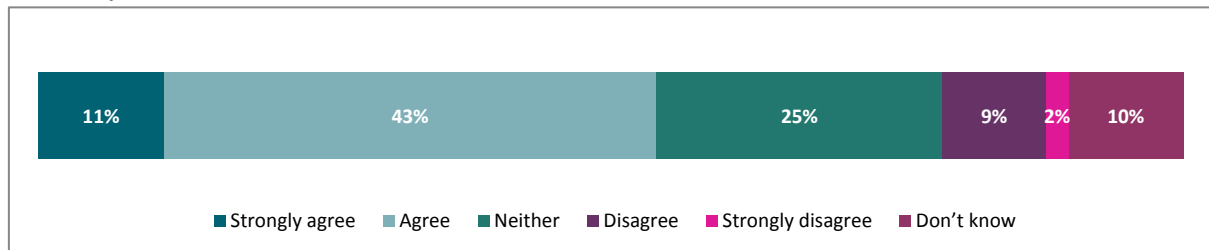
On the other hand, roughly one in eight respondents say there is no challenge in meeting these obligations, echoing the sentiment that it is easy for businesses to comply with the CGA.

*“I don’t see any challenges [meeting our obligations]. We provide quality products and services, and are prepared to back them. To me the Consumer Guarantees Act is common sense.”*

## Only half of all respondents agree they have enough information about their responsibilities under the CGA

When asked whether they agree they have enough information about complying with the CGA, half of respondents (54%) ‘agree’ or ‘strongly agree’ (see Figure 8).

**Figure 8: “I have enough information about the responsibilities of businesses under the CGA when dealing with customer problems.”**



Base: Total respondents (n=1000).

- **Sole traders** showed higher agreement than all other respondents – 65% agree, including 21% who ‘strongly agree’.
- **Front-line workers** are less likely to agree that they have enough information – only 49% ‘agree’ or ‘strongly agree’ compared with 62% of both business owners and managers. This figure decreases to 47% when considering only those who are solely front-line workers (not having additional roles within the business), indicating that their level within the business plays a large part in whether respondents feel as though they have enough information.

<sup>2</sup> (n=563). This question was not asked of those who did not know anything about the CGA or said they ‘don’t know’ how to describe, in their own words, the main responsibilities under the CGA.

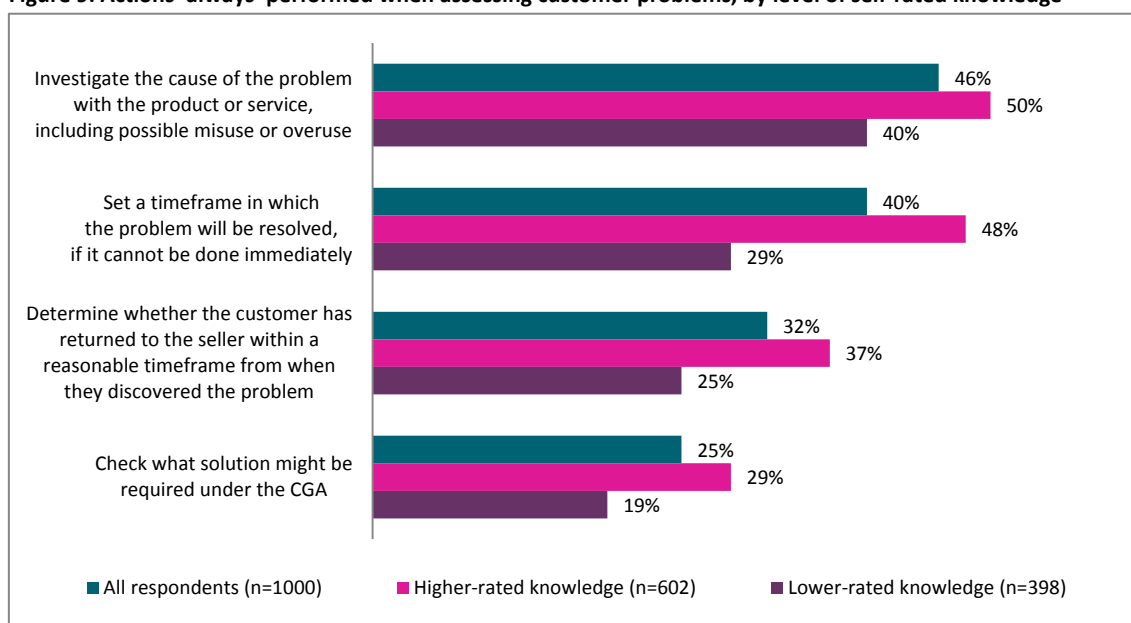


### Less than half of all respondents assess customer problems to identify responsibility

Although the CGA only specifically legislates that businesses must remedy customer problems by refunding, replacing or repairing the faulty product or service, there are a number of other actions that can be performed, in order to determine whether the problem fits within the scope of the law. For example, a business may not be responsible for resolving the problem if the customer has misused the product or not returned to the seller within a reasonable period of time after discovering the problem.

Just under half of respondents (46%) report that they ‘always’ investigate the cause of the problem with the product or service (see Figure 9). Far fewer respondents (32%) will ‘always’ determine whether the customer has returned to the seller within a reasonable timeframe from when they discovered the problem.

Figure 9: Actions ‘always’ performed when assessing customer problems, by level of self-rated knowledge



Base: Variable – total respondents, as above.

The CGA also dictates that a problem should be resolved within a ‘reasonable timeframe’. In this regard, 40% of respondents report that they will ‘always’ set a timeframe in which the problem will be resolved, if it cannot be done immediately.

Only a quarter of respondents (25%) will ‘always’ check what solution might be required under the CGA and another 16% will do this ‘most of the time’.

- All of these actions show significant differences by level of knowledge. **Those who had rated their knowledge of consumer law as being at least ‘moderate’** are far more likely to ‘always’ perform the above actions, compared with those who rate themselves as having ‘little’ or ‘no’ knowledge.
- **Front-line workers and those without full authority to deal with customer problems** are both more likely to respond that the actions are not applicable to their business or role, suggesting that this responsibility is being passed along to those in more senior positions.

### Few respondents say their business sells extended warranties, but those who do are not always giving customers the information required

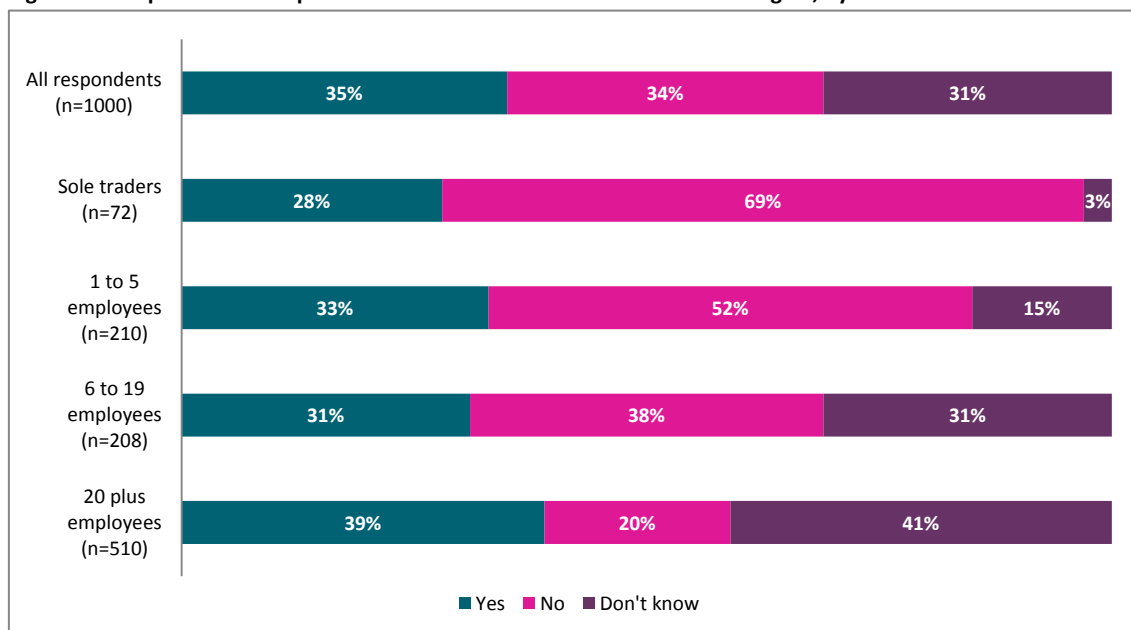
The CGA offers consumers protections for a reasonable amount of time after a product or service is purchased. The guarantees provided by the CGA apply regardless of whether a manufacturer’s warranty or extended warranty is in place, and act as an unwritten contract between businesses and consumers. When businesses offer their customers extended warranties, they must identify the additional protections afforded them under the agreement, provide a written copy, and outline the right and method to cancel an agreement. These rules are set out in the FTA.

Although very few respondents say their business offers extended warranties (8%), only half of those who do say they ‘always’ detail the additional protections given by the warranty, above the CGA. Half (47%) report that they ‘always’ tell the customer how they can cancel the agreement and only 44% ‘always’ explain to customers that they can change their mind about purchasing the warranty within the cooling off period.

### A third of respondents don’t know whether their business provides information to customers about their rights

Only 35% of respondents say their business provides information to customers about their rights, 34% say they do not, while another 31% don’t know (see Figure 10).

Figure 10: Respondents who provide information to customers about their rights, by business size



Base: Variable – total respondents, as above.

- Two-thirds of **sole traders** (69%) and half (52%) from **businesses with one to five employees** do not provide this information to customers but the percentages of those who do are not very different from the overall total. The key difference is that they are less likely to say they ‘don’t know’ whether they provide this information.
- Respondents from **businesses with 20 or more employees** are more likely to provide information (39%) but, at the same time, more likely to say they ‘don’t know’ (41%).

Of those who do offer information, this is typically provided through signs or brochures in store (43%), at the point of sale (38%), on the company website (37%) or verbally (37%).

## Customer service is a key part of resolving problems

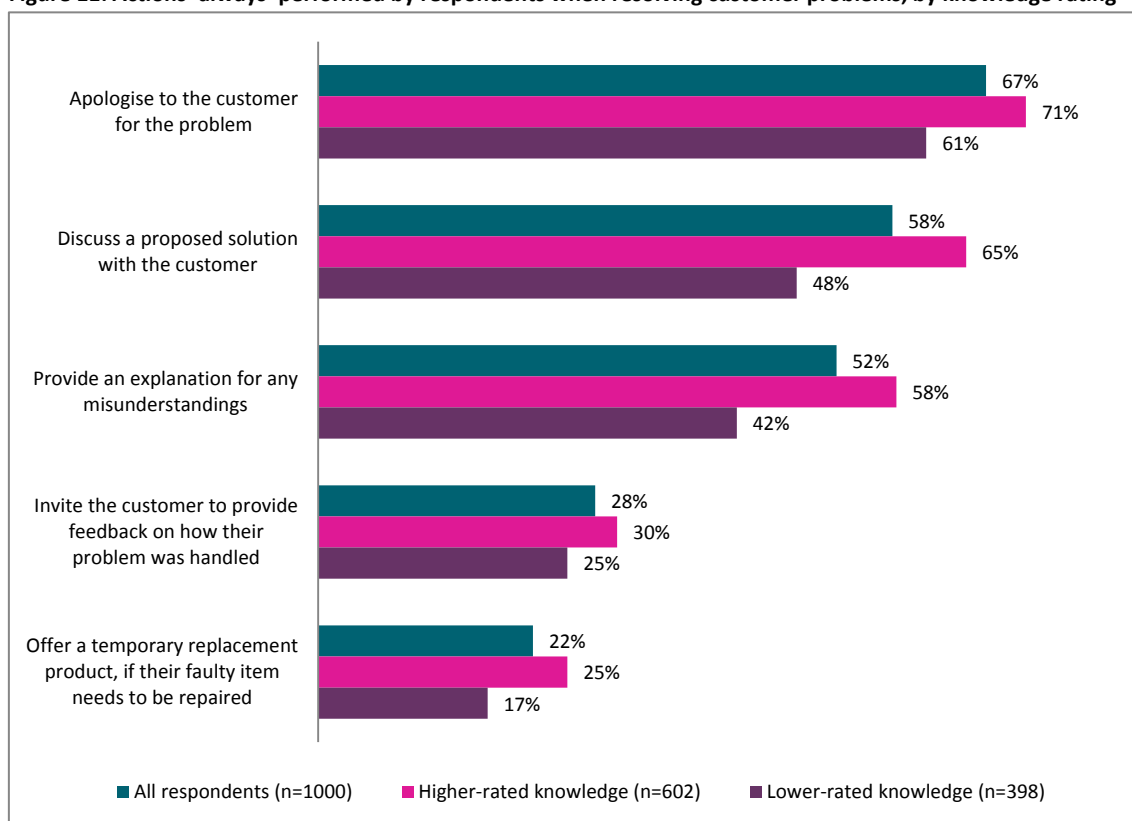
In the 2016 National Consumer Survey, a third of those with problems listed poor customer service as a factor in their problem. This reveals that although providing quality guarantees and remedying problems are the main obligations of businesses under the CGA, providing a high level of service is an integral part of the customer experience.

### The majority of respondents will always apologise to the customer for the problem

When asked about actions their business might take when dealing with a customer problem, 67% of respondents said they would ‘always’ apologise to the customer for the problem (see Figure 11).

- This was significantly higher among respondents from **businesses that mainly sell products** rather than services, where 72% said they would ‘always’ apologise, compared with the 59% of service providers.

Figure 11: Actions ‘always’ performed by respondents when resolving customer problems, by knowledge rating



Base: Variable – total respondents, as above.

Just over half of respondents (58%) report that they will ‘always’ discuss a solution with the customer and 52% will ‘always’ provide an explanation for any misunderstandings. Only 28% will ‘always’ invite the customer to provide feedback on how their problem was handled. Of businesses that sell products, 22% will ‘always’ offer a temporary replacement product if their faulty item needs to be repaired.<sup>3</sup>

<sup>3</sup> (n=593). “Offer a temporary replacement product, if their faulty item needs to be repaired” was only asked of those who reported that their business sells products.

Interestingly, respondents say they will apologise, discuss solutions and provide explanations more often than they will perform actions to identify whether they are even liable for resolving the problem (see Figure 9) – suggesting that keeping customers happy, rather than determining the correct course of action under the CGA is their standard response.

### Three quarters of respondents are influenced by the possibility of negative publicity when dealing with customer problems

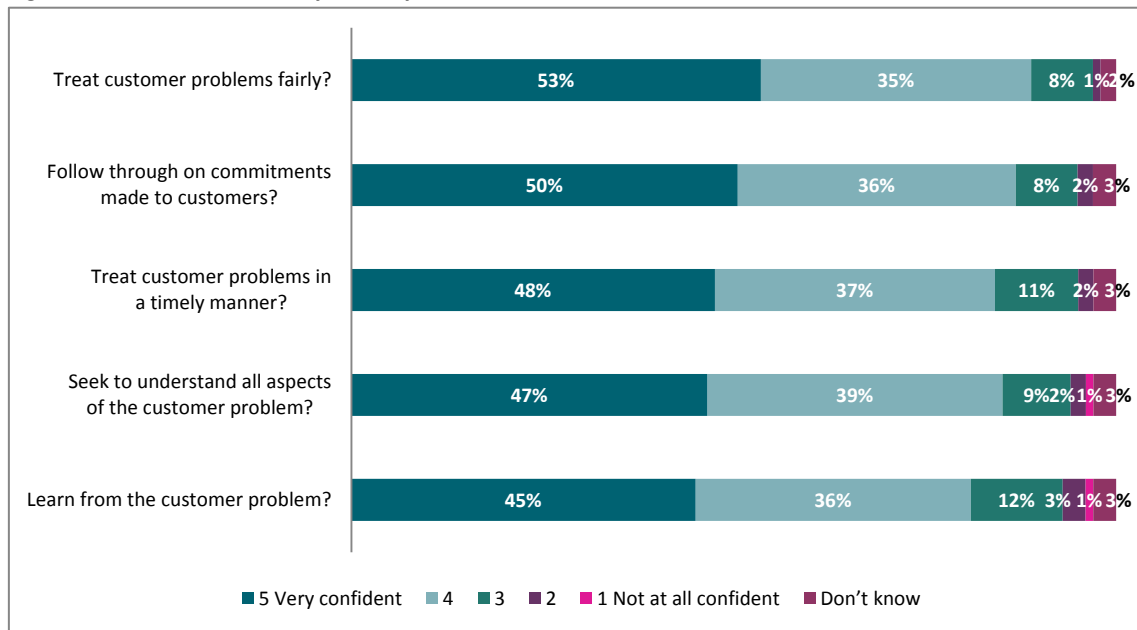
The majority of respondents (74%) agree that they will take customer problems more seriously due to the possibility of negative reviews or publicity, including 25% who ‘strongly agree’.

- **Business owners** are significantly more likely to ‘strongly agree’ (33%), as are **sole traders** (38%), suggesting that these respondents would be most hurt by the impact of negative reviews on their business and are willing to react accordingly.

### Respondents are confident that they treat customers and problems fairly

When asked to rate their confidence, on a scale from 1 (‘not at all confident’) to 5 (‘very confident’), 53% of respondents were ‘very confident’ that their business tended to treat customer problems fairly (see Figure 12). Half (50%) are ‘very confident’ that they follow through on commitments made to customers.

Figure 12: “How confident are you that your business tends to...”



Base: Total respondents (n=1000).

The results were similar across all statements: 48% are ‘very confident’ that they treat customer problems in a timely manner; 47% that they seek to understand all aspects of the problem; and 45% that they learn from the customer problem.

### **Two thirds of respondents go beyond what is required of them under the law**

In order to keep their customers happy, 67% of respondents 'agree' or 'strongly agree' that they will go beyond what is required of them under the law.

- **Sole traders** are significantly more likely to agree with this statement (86%) than businesses with 6 to 19 employees (65%) or those with 20 or more employees (65%).
- **Front-line workers** had lower agreement (61%), as did **those with only some or no authority to deal with customer problems** (62%).

These demographic differences appear to align with the level of risk that respondents in these roles may face if they do not try to keep their customers happy – front-line workers and those with little authority to deal with problems are much less likely to feel directly impacted by losing customers to dissatisfaction than sole traders.

### **Respondents with higher knowledge of consumer law are more likely to take actions geared toward keeping their customers happy**

In addition to any CGA-specific actions, respondents who rate themselves as having high understanding of consumer laws are significantly more likely to agree that they will go beyond what is required of them to keep customers happy (76%), compared with those who have lower-rated understanding of the law (56%).

When comparing by actions that businesses take to keep customers happy, respondents with higher knowledge are much more likely than those with lower knowledge to 'always' apologise to customers, discuss proposed solutions and provide explanations for misunderstandings (see Figure 11).

This holds true when comparing respondents by tested knowledge: those who performed well with the scenario questions are more likely to 'always' perform the above actions – as well as the actions to determine responsibility under the CGA – than those who could correctly answer very few questions. Interestingly, the real difference between these groups appears between those with the lowest knowledge (fewer than three correct responses) and those in the mid-level range (four to six correct responses). Those with lower knowledge are significantly less likely to 'always' apologise for the problem, discuss a solution or provide an explanation, particularly when compared with the mid-level knowledge group.

It appears then, that only a small difference in levels of knowledge of consumer law – from low to medium – may see a notable rise in those who take action, not only to satisfy their CGA obligations, but also their customers.

## Appendix A: Questionnaire

### Screeners

S1. Are you...?

Male	1
Female	2

S2. Which of the following best describes you?

Please tell us even if you're mainly doing something else, e.g., retired, studying, looking after children, etc.

Working full time (30 or more hours per week)	1	<i>CONTINUE</i>
Working part time (10 to 29 hours per week)	2	
Working part time (less than 10 hours per week)	3	
Working casually (holiday periods or occasional contracts)	4	
Not working at this time	5	<i>THANK &amp; CLOSE</i>
Other (specify)	6	
Don't know / prefer not to say	7	

TXT If you work in more than one organisation, please think about the one you spend most of your time working in.

S3. Is the main organisation you work for a **not-for-profit** organisation, a **government agency or department**, or is it neither of these?

Yes, it's a <b>not-for-profit organisation</b>	1	<i>ASK D1 to D3, THEN CLOSE (NON-QUALIFIER)</i>
Yes, it's a <b>government agency or department</b>	2	<i>ASK D1 to D3, THEN CLOSE (NON-QUALIFIER)</i>
No, it's neither of these	3	<i>CONTINUE</i>

S4. Who purchases products or services from your business?

Please only think about who purchases **directly** from your business.

The general public, using the products or services for personal or household use	1	<i>CONTINUE</i>
Other businesses or organisations, using the products or services for commercial use or for on-selling	2	<i>ASK D1 to D3, THEN CLOSE (NON-QUALIFIER)</i>
Both consumers and businesses	3	<i>CONTINUE</i>

- S5. In your role, do you **interact directly with customers or clients at least once a week**? This could be either in person, over the phone or online.

Yes	1	<i>CONTINUE</i>
No	2	<i>ASK D1 to D3, THEN CLOSE (NON-QUALIFIER)</i>

- S6. In your role, what level of authority do you have when it comes to dealing with customer issues?

I have full authority to deal with customer issues, no matter the situation or cost	1
I have some authority to deal with customer issues (only in specific situations or up to a certain dollar value)	2
I don't have any authority to deal with customer issues (I would have to ask a manager to handle the situation)	3

- S7. Which of these best describes your role in your business or organisation?  
*Please select all that apply.*

I am the owner, part owner, or director of the business	1
I help set policies for the business, or other operational decisions	2
I manage other people (eg. supervisor or team leader)	3
I work on the front-line, carrying out the day-to-day operations (eg. salesperson, service technician, help desk support)	4
Something else (please tell us)	5

- S8. In total, how many people are directly employed by your business in New Zealand, including all business sites? Please provide your best estimate if you are unsure.

None, I am the only paid person working for the business	1
1-5 employees	2
6-19 employees	3
20 or more employees	4

- S9. Which of these best describes your business?

The business mostly sells goods or products	1
The business is mainly a service provider	2
The business sells products and services in relatively equal measures	3



- S10. Which of the following products or services does your business sell or provide to customers?  
Please select all that apply.

Provides <b>utility services</b> , such as water, gas, or electricity	1
Provides <b>mobile telecommunications services</b> , such as mobile voice, text, or data service	2
Provides <b>fixed-line telecommunications services</b> , such as landline phone or copper/fibre internet service	3
Sells or provides <b>banking or financial products or services</b> , such as insurance or loans	4
Provides <b>professional or technical services</b> , such as legal or accounting services	5
Sells <b>electronics or electrical goods</b> , such as mobile devices, televisions or refrigerators	6
Sells <b>non-electrical household goods</b> , such as furniture or cooking equipment	7
Sells <b>motor vehicles</b>	8
Provides <b>motor vehicle repairs, servicing or maintenance</b>	9
Provides <b>construction or trades services</b> , such as electrical, plumbing, and other home building/maintenance services	10
Provides <b>accommodation or travel services</b> , such as hotel, flights, car hire or tours	11
Sells <b>clothing, footwear, cosmetics, or other personal products</b>	12
Sells or provides <b>health products or services</b> , such as residential care services, or medical/dental products and services	13
Sells or provides <b>recreation or leisure activities</b> , such as gym memberships, sporting activities or personal training	14
Sells or provides <b>entertainment</b> , such as movies, music, or tickets for events	15
Sells or provides <b>food or drink</b> , such as groceries or other food or drink products, restaurants and bars, or catering services	16
Other (specify)	17

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*Section A: Unprompted awareness and understanding of obligations*

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**IF S4 = 3 SHOW TXT1**

TXT1 For the rest of this survey, please think only of your role when interacting with **individual consumers**, rather than times when you are interacting with customers who are other businesses or organisations.

A1. If a customer came to you with a complaint about the quality of a [IF S9 = 1: product your business sold them] [IF S9 = 2: service your business provided them] [IF S9 = 3: product or service your business sold or provided them], what are some things you might be required to do?

A2. Before today, were you aware that New Zealand businesses are bound by laws that exist to protect basic consumer rights when selling products or services?

Yes	1
No	2

A3. How much do you feel you know about the obligations and responsibilities of businesses in regard to the laws that protect the rights of consumers?

**REVERSE SCALE FOR 50% OF RESPONDENTS**

<b>I know a lot</b> about the obligations and responsibilities of businesses in regard to the laws that exist to protect basic consumer rights	1
<b>I know a moderate amount</b> about the obligations and responsibilities of businesses in regard to the laws that exist to protect basic consumer rights	2
<b>I know a little bit</b> about the obligations and responsibilities of businesses in regard to the laws that exist to protect basic consumer rights	3
<b>I don't know anything at all</b> about the obligations and responsibilities of businesses in regard to the laws that exist to protect basic consumer rights	4

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## Section B: Prompted awareness and understanding of the CGA

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- B1. The following laws relate to the rights of consumers and the responsibilities that businesses must meet when dealing with consumers. Please **rate your understanding of what these laws mean** for you as someone who deals with customers on behalf of the business.

**DYNAMIC GRID. RANDOMISE LIST.**

i. Consumer Guarantees Act (CGA)
ii. Fair Trading Act (FTA)
iii. Credit Contracts and Consumer Finance Act (CCCFA)
iv. Commerce Act

**REVERSE CODES 2-6 FOR 50% OF RESPONDENTS**

I have never heard of this law before	1
1...I have heard of this law, but I don't know what it means	2
2	3
3...I have a moderate understanding of this law	4
4	5
5...I have a very good understanding of this law	6

**SKIP B2 IF B1(i) = 1 (NEVER HEARD OF THE CGA)**

- B2. How have you learned about the Consumer Guarantees Act?  
Please select *all that apply*.

**RANDOMISE LIST.**

Formal on-the-job training (e.g. a course provided by an employer, staff induction)	1
Informal training or learning on the job (e.g. learning from other staff)	2
External training (e.g. a course not provided or paid for by an employer)	3
At school or university	4
Self-study (e.g. pamphlets, internet websites)	5
My experience working in customer-facing roles	6
Other (please tell us)	7
Don't know	8

**SKIP B3 IF B1(i) = 1 (NEVER HEARD OF THIS LAW BEFORE)**

- B3. Thinking specifically about the **Consumer Guarantees Act**, what do you consider to be the main obligations and responsibilities for businesses as required by this law?

If you're not sure, please select 'Don't know'.

Don't know	1
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**SKIP B4 IF B1(i) = 1 (NEVER HEARD OF THIS LAW BEFORE) OR B3 = 1 (DON'T KNOW)**

B4. We asked you at the last question what you consider to be the main obligations and responsibilities for businesses as required by the Consumer Guarantees Act, and you said:

**<INSERT RESPONSE FROM B3>**

What do you see as the biggest challenge for your business, or the business you work for, in meeting these obligations and responsibilities?

--

Don't know	1
------------	---

**ASK ALL**

B5. Here are some examples of situations that businesses might face when dealing with customers. Please indicate whether you think the following statements are true or false, or if you don't know.

**DYNAMIC GRID. RANDOMISE LIST.**

A customer buys something on sale at a discounted price and then finds that it's faulty – the seller has to replace, refund, or repair it.
A customer's refrigerator stops working, a month after the manufacturer's 12 month warranty period expires. The seller still has to repair it free of charge.
A customer buys a television, which stops working two weeks after purchase. The seller can tell the customer to sort it out directly with the manufacturer.
A customer buys a shirt and accepts a discounted price because it is missing a button. Later the customer decides she doesn't want to fix the shirt and asks for a replacement instead. The seller is obligated to repair or replace the faulty shirt.
A customer arranges for a custom suit to be made by a tailor. Halfway through, the shop is affected by local flooding, causing a delay in expected delivery. The customer has the right to a refund of his deposit.
A customer arranges for a plumber to fix a leaky tap but doesn't set a deadline. After six months, the job is still not complete. The customer has the right to cancel the contract and only pay for the work that has been completed so far.
A customer arranges for his house to be painted, but goes against the painter's advice to use a weatherproof type of paint. Within a week, the new paint begins peeling due to the rain. The painter is not required to fix the problem.
A customer notices an oil leak shortly after she had her car fully serviced, but goes to a different mechanic to get it fixed. The customer has the right to a partial refund from the first mechanic for not properly completing the original service.
A customer hires a moving service, without first being given the rates. After the move, the customer sees that the invoiced amount is three times higher than any competitor's rate for the same service. The customer must pay the full cost as the service was already carried out.

True	1
False	2
Don't know	3

B6. Thinking about actions your business might take when dealing with a customer problem, how often do you or does your business do the following things?

A customer problem could be when:

- a product or service turned out to be faulty or did not deliver what was expected
- the information given to the customer about the product or service was misleading or not true
- the customer felt deceived, pressured or unfairly treated
- their legal rights as a customer were not met.

**DYNAMIC GRID. RANDOMISE LIST.**

Apologise to the customer for the problem
Provide an explanation for any misunderstandings
Determine whether the customer has returned to the seller within a reasonable timeframe from when they discovered the problem with the product or service
Investigate the cause of the problem with the product or service, including possible misuse or overuse
Discuss a proposed solution with the customer
Check what solution might be required under the Consumer Guarantees Act
<b>IF S9 = 1 OR 3 (GOODS):</b> Offer a temporary replacement product, if their faulty item needs to be repaired
Set a timeframe in which the problem will be resolved, if it cannot be done immediately
Keep a record of the problem and what was agreed with the customer
Invite the customer to provide feedback on how their problem was handled

Never	1
Occasionally	2
Sometimes	3
Most of the time	4
Always	5
Not applicable to my business or role	6
Don't know	7

**USE LEAST FULL QUOTA TO SELECT ONE ACTION CODED 2-5 AT B6. SKIP B7\_1 IF NONE CODED 2-5 AT B6.**

B7. What are **the main reasons** you or your business **[INSERT ACTION FROM B6]**?

Don't know	1
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B8. Does your business offer extended warranties?

Yes	1	<b>CONTINUE TO B9 GO TO B10</b>
No	2	
Not applicable to my business	3	
Don't know	4	

**SKIP IF B8 = 2, 3, OR 4 (DOES NOT OFFER EXTENDED WARRANTIES, N/A OR DON'T KNOW)**

B9. When selling extended warranties, how often do you...?

**DYNAMIC GRID. RANDOMISE LIST.**

Detail what protection the extended warranty gives the customer on top of the rights they already have under the Consumer Guarantees Act
Explain that there is a cooling off period where a customer can change their mind about purchasing the extended warranty
Tell the customer about how they can cancel the extended warranty
Provide a full copy of the agreement to the customer at the time they purchase the extended warranty

Never	1
Occasionally	2
Sometimes	3
Most of the time	4
Always	5
Don't know	6



B10pre. In the past two years, have you sought information about consumer rights and laws (including the Consumer Guarantees Act) either in person, through a website, or over the phone when you needed information or advice about consumer rights and laws **for your business**?

Yes	1	<b>CONTINUE TO B10</b>
No	2	<b>GO TO C1</b>

**ASK B10 IF B10pre = 1 (HAS SOUGHT INFORMATION ABOUT CONSUMER RIGHTS)**

B10. The following organisations provide information to businesses and employees about consumer rights and laws (including the Consumer Guarantees Act).

In the past two years, have you used their services by seeking information either in person, through their website, or over the phone, when you needed information or advice about consumer rights and laws for your business?

**DYNAMIC GRID. RANDOMISE LIST.**

Consumer Protection, MBIE (formerly Ministry of Consumer Affairs)
Consumer NZ (consumer.org.nz)
Citizens Advice Bureau
Community Law Centre
Commerce Commission
business.govt.nz
Retail NZ

Yes, I have used their services	1
No, I have not used their services but am aware of these services	2
I wasn't aware of these services	3
Not applicable to my role	4

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### Section C: Confidence and information

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- C1. In general, when dealing with customer complaints or customer issues, how much do you agree or disagree with the following statements?

**DYNAMIC GRID. RANDOMISE LIST.**

<b>SKIP IF S8 = 1 OR S7 = 1:</b> I feel supported by my business when dealing with customer problems.
I feel informed about how to deal with customer problems.
<b>SKIP IF S8 = 1 OR S7 = 1:</b> I understand my business' expectations about how to deal with customer problems.
The possibility of negative reviews or publicity means I take customer complaints more seriously.
To keep customers happy I go beyond what is required by the law.
I have enough information about the responsibilities of businesses under the Consumer Guarantees Act when dealing with customer problems.
It is easy for businesses to comply with the Consumer Guarantees Act.
My business deals with customer problems in a way that is fully compliant with the Consumer Guarantees Act.
Most problems that customers approach my business with are legitimate.

**REVERSE CODES FOR 50% OF RESPONDENTS**

1...Strongly disagree	1
2...Disagree	2
3...Neither	3
4...Agree	4
5...Strongly agree	5
Don't know	6

- C2. And how confident are you that your business tends to...  
Please answer using a scale of 1 to 5 where 1 is 'not at all confident' and 5 is 'very confident'.

**DYNAMIC GRID. RANDOMISE LIST.**

Seek to understand all aspects of the customer problem?
Treat customer problems fairly?
Treat customer problems in a timely manner?
Follow through on commitments made to customers?
Learn from the customer problem (e.g. make changes to ensure the problem doesn't reoccur)?

**REVERSE CODES FOR 50% OF RESPONDENTS**

1...Not at all confident	1
2	2
3	3
4	4
5...Very confident	5
Don't know	6

- C3. Does your business provide information to customers about their rights as consumers?

Yes	1
No	2
Don't know	3

**ASK C4 IF C3 = 1 (PROVIDES INFO ABOUT CONSUMER RIGHTS), ELSE SKIP TO D1**

- C4. And does the information your business provides to customers about their rights as consumers **include information about the Consumer Guarantees Act (CGA)?**

Yes	1
No	2
Don't know	3

**ASK C5 IF C3 = 1 (PROVIDES INFO ABOUT CONSUMER RIGHTS), ELSE SKIP TO D1**

- C5. How does your business provide this information to customers?  
*Please select all that apply.*

Signs or brochures in store	1
At the point of sale	2
On the business's website	3
Verbally	4
Other (please tell us)	5
Don't know	6

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## Section D: Additional demographic information

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D1. Which of these age groups do you fit into?

18-26 years old	1
27-36 years old	2
37-46 years old	3
47-56 years old	4
57-66 years old	5
67+ years old	6

D2. Which of these groups do you fit into? You can be in more than one.  
Please select all that apply.

New Zealand European	1
New Zealand Māori	2
Samoan	3
Cook Island Māori	4
Tongan	5
Niuean	6
Another Pacific Island group (please tell us)	7
Chinese	8
Indian	9
Another Asian group (please tell us)	10
Another European group (please tell us)	11
Another ethnic group (please tell us)	12
Don't know	13
Prefer not to say	14

D3. In which of the following regions do you normally **work**?

We are interested to know where **you personally** work, rather than where your business might operate.

Northland	1
Auckland	2
Waikato	3
Bay of Plenty	4
Gisborne	5
Hawkes Bay	6
Manawatu-Wanganui	7
Taranaki	8
Wellington	9
Tasman	10
Nelson	11
Marlborough	12
West Coast	13
Canterbury	14
Otago	15
Southland	16
Area outside these regions	17

## Appendix B: Demographic information

The target population for this survey was identified as being those who own or work for a business that sells products or services to consumers. They must also have regular, direct interaction with their customers – this could be in person, over the phone or online but must take place at least once a week.

All respondents, including those who were ineligible, were asked about gender, age and region. As the specific characteristics of this target group are unknown, weighting was applied to both eligible and ineligible respondents to ensure the total was representative of the New Zealand population, with eligible respondents then taken from that representative group. The eligible respondents for this survey, therefore, are not necessarily representative of the New Zealand population but will hopefully resemble the characteristics of the target population.

**Table 1: Respondent demographic information**

Category	Demographic	Respondents (unweighted)	Respondents (weighted)	Percentage of total (n=1000) <sup>4</sup>
Gender	Male	441	451	45%
	Female	559	557	55%
Age band	18 to 26 years	120	146	14%
	27 to 36 years	204	265	26%
	37 to 46 years	256	212	21%
	47 to 56 years	262	223	22%
	57 to 66 years	158	162	16%
	67 years and over	-	-	-
Ethnic group <sup>5</sup>	NZ European	801	806	80%
	Māori	46	44	4%
	Pacific	19	21	2%
	Asian	103	108	11%
	Other ethnicity	82	51	5%
Region of work <sup>6</sup>	Auckland	326	355	35%
	Wellington	96	112	11%
	Rest of North Island	263	299	30%
	Canterbury	110	122	12%
	Otago	43	51	5%
	Rest of South Island	157	61	6%

<sup>4</sup> Due to weightings being applied based on both eligible and ineligible respondents, the weighted total number of respondents (n=1008) is higher than the unweighted total (n=1000).

<sup>5</sup> Respondents may have selected more than one ethnicity.

<sup>6</sup> Respondents were asked to identify the region in which they personally work, which may not represent where the business mainly operates.

**Table 2: Respondent working arrangements**

Category	Demographic	Respondents (unweighted)	Respondents (weighted)	Percentage of total (n=1000)
<b>Hours worked per week</b>	Full-time (30 or more hours)	755	768	76%
	Part-time (10-29 hours)	190	188	19%
	Part-time (< 10 hours)	40	38	4%
	Casual (holidays/contracts)	15	15	1%
<b>Role in business<sup>7</sup></b>	Owner or director	211	212	21%
	Policy- or decision-maker	115	112	11%
	People manager	259	253	25%
	Front-line worker	578	593	59%
<b>Level of authority to deal with customer problems</b>	Full authority	381	377	37%
	Some authority	506	520	52%
	No authority	113	111	11%
<b>Business size (number of other employees)</b>	None (sole trader)	72	70	7%
	1 to 5 employees	210	211	21%
	6 to 19 employees	208	217	21%
	20 or more employees	510	511	51%

<sup>7</sup> Respondents may have selected more than one role.

**Table 3: Respondent business type**

Category	Demographic	Respondents (unweighted)	Respondents (weighted)	Percentage of total (n=1000)
<b>Type of customer</b>	Consumers only	425	429	43%
	Consumers and businesses	575	579	57%
<b>Type of sales</b>	Products	448	454	45%
	Services	407	410	41%
	Both products and services	145	145	14%
<b>Type of product or service sold<sup>8</sup></b>	Food products	212	212	21%
	Professional services	128	129	13%
	Construction/trades services	121	120	12%
	Health products or services	107	106	11%
	Personal products	98	98	10%
	Banking or financial services	71	71	7%
	Electronic goods	59	57	6%
	Non-electrical goods	64	64	6%
	Travel services	62	62	6%
	Motor vehicle services	45	45	4%
	Leisure products or services	40	38	4%
	Educational services	39	42	4%
	Utility services	25	27	3%
	Entertainment products	35	33	3%
	Telecommunication services	25	24	2%
	Motor vehicle sales	20	21	2%
	Construction products	21	20	2%
	Personal or home services	24	23	2%
	Transportation services	20	21	2%
	Other	48	47	5%

<sup>8</sup> Respondents may have selected more than one product or service type.





