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**II RUOLO DEL CONSUMATORE NELLA POLITICA PER LA
CONCORRENZA: IL CASO DEI MERCATI LIBERALIZZATI**

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Abstract

Consumers play a critical role in the functioning of the marketplace. A market needs consumers to be well-informed and to make rational choices in order for an efficient market to develop and be maintained.

Consumers' role is clear in the utilities industries (telecommunications, electricity, and gas) as their information helps formulate the demand side of the market.

In these industries, governments and regulators expected increased competition to deliver lower prices and better services. However, the reporting shows low switching rates and almost unchanged market power of the incumbent firms.

In some countries this is mainly due to structural barriers, including the inability of entrants to develop solid infrastructures, which strongly limit the entry of new competitors as well as their ability to impact prices and level of services. Lawmakers have attempted to prevent or lower these barriers of entry through the use of strong competition law.

Even in potentially competitive markets, however, unfair market practices combined with the lack of clear and easy-to-compare information and distrust from consumers prevent the market from becoming more efficient. Consumers sometimes do not switch, despite potential savings, because of lack of information or inability to process the available information.

Many authors identify switching costs as the main reason why incumbents still retain high market power. Switching costs can be real costs (including learning and transactional costs), artificial costs created by firms to hinder switching, or the consumer's psychological perception of costs.

Firms know that fears and the perceptions of consumers are influential and, thus, they not only try to impede new competitors, but also capitalize on consumer fear and consumers' inability to process complex information

Therefore, intervention should not only promote competition by removing barriers to entry but also reduce switching costs, improve the value of information and facilitate consumers' ability to properly channel information into efficient choices.

Consumer protection laws emphasize providing reliable information to consumers in order to improve their ability to make rational decisions. These laws often take the form of information disclosure requirements that force firms to provide useful information to consumers that the firms have not been persuaded by the market to disclose voluntarily. Sometimes, however, the level of information disclosed is insufficient, preventing the consumers from making informed choices. The opposite occurs as well where too much information is disclosed and consumers' rational response is to ignore the information as it would be too costly to analyze all the information.

Recent economic research has shown that often consumer choices are not consistent with the maximization of their welfare. Behavioral economics identifies in consumer behaviour another potential reason of market failure. Neoclassical economics foresees bounded rationality, but behavioral economics takes this one step further: it shows systematic errors in the elaboration of the information. Even when information is available, behavioral economics teaches us that consumers might not be able to process that information. The intuitions of behavioral economics suggests that even when information is available, consumers are not able to understand it, use it or decide, consciously or subconsciously, not to do it. If consumers are dissuaded to actively participate in the market, firms are then able to fix supra competitive prices.

The results of the behavioral economics give important suggestions not only for consumer protection law, but also for antitrust authorities in those markets, like utilities, that present problems of several kinds: structural, informational and psychological.

The utilities industry is a prime example where competition itself was unable to produce low prices and better service. Markets are complex and information available in the marketplace is not easily valued nor can its quality be examined ex ante. Given this, consumers can be inexperienced with the market or the available information and as a result are unable to make informed decision on complex goods. Additionally, consumers may lack confidence in their ability to analyze the information resulting in a safe decision to stay rather than face the unknown impacts of a switch.

This thesis examines the gas and telecommunications markets.

In the Italian gas market, small consumers do not have adequate choices because the activity of potential competitors is limited by lack of infrastructure. In the fixed line telecommunication

market problems are mainly caused by strategies to deter switching and the slowness of switching procedures.

In markets like the UK where regulators have already solved structural problems to entry and are even taking some measures to reduce switching costs, consumer behaviour still hinders the competitive process. Consumers are sluggish and reluctant to leave the incumbent operators because of their doubts regarding the reliability of the information they receive and on the effectiveness of the offers. Although the information is available, it is not clear nor fully accessible, not only because the complexity of the market, but also because of intentional market strategies.

Consumers do not trust their ability to choose, fear a lower quality service, and, most of all, the potential hitches in the switching procedures. Inefficiencies in the switching procedures harm not only incoming competitors but also discourage consumers from participating in the market and filtering the available information to make the market more efficient.

The lack of consumer participation in the market delays the results governments were expecting from liberalization and has allowed those with market power to sustain their positions.