

# ECONOMIC JOURNAL OF EMERGING MARKETS

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QUALITY ON INDONESIAN IMPORTS**

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## MODELLING CONSUMER EMPOWERMENT LEVEL

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### Abstract

This study aimed to analyze the effect of socioeconomic characteristics, consumer reference group, and the intensity of having consumer education on consumer empowerment among the residents of urban and rural area in Bogor. Better socio-economic characteristics were associated with better consumer empowerment, i.e. more the subjects were more skillful, more to acknowledge their rights, and more assertive. Reference group had no direct effect on the consumer empowerment, but indirectly affected it through its consumer educational aspect. The intensity of consumer education was found to improve the consumer empowerment. All results applied to both in rural and urban areas.

**Keywords:** socio-economic, consumer empowerment, consumer education, reference group

**JEL Classification Number :** D100, D180

### Abstrak

Tujuan penelitian adalah menganalisis pengaruh karakteristik sosial ekonomi, kelompok rujukan dan intensitas mengikuti pendidikan konsumen terhadap keberdayaan konsumen. Karakteristik sosial ekonomi yang semakin baik dan jumlah kelompok rujukan semakin banyak akan meningkatkan intensitas mengikuti kegiatan pendidikan konsumen. Karakteristik sosial ekonomi berpengaruh baik langsung maupun tidak langsung terhadap keberdayaan konsumen, artinya kondisi sosial ekonomi yang lebih baik akan meningkatkan keberdayaan konsumen menjadi lebih terampil, tahu hak-haknya dan lebih tegas. Kelompok rujukan secara langsung tidak meningkatkan keberdayaan konsumen, namun secara tidak langsung melalui pendidikan konsumen yang lebih intensif dapat meningkatkan keberdayaan konsumen. Intensitas mengikuti pendidikan konsumen mampu meningkatkan keberdayaan konsumen baik di perdesaan maupun perkotaan.

**Keywords:** sosial ekonomi, keberdayaan, konsumen, pendidikan, kelompok rujukan

**JEL Classification Number:** D100, D180

### INTRODUCTION

The main consumer problem in Indonesia is the lack of public awareness on consumer's rights and responsibilities (Sumiyati and Fatmasari, 2006) as reflected by the

lower number of consumer complaints in comparison with that of any other countries. Indonesian Consumers Foundation states that in 2012, 620 cases of consumer complaints were found lower than Hong

Kong which reached 25,280 cases in the same year. This low number of complaints does not represent the low consumer protection violations, but is likely an iceberg phenomenon caused by the low awareness of Indonesian consumers to report the unfair practices which they suffered from. Yet in the midst of the world economic deceleration, the invasion of low-quality products increasingly becomes widespread and diverse. The Ministry of Commerce states that during 2012 it has been found 621 products which do not meet the standard requirements. The number of the findings is higher than that of 2011 which only reached 28 cases (Prihtiyani, 2013).

The empowered consumers are the consumers who have "real choices, accurate information, market transparency, and trust on effective protection and solid rights" (Commission of the European Communities, 2007). Study of Nardo et al., (2011) measured consumer empowerment index on European consumers using three pillars, namely consumer skills (numeric and basic financial skills and knowledge about logos and symbols), level of consumer information (consumers' knowledge about their rights, unfair practices of advertising, knowledge about government and non-governmental institution that stand for protecting consumers), and consumer assertiveness (courage on delivering complaints and consumers experiences against the misleading offers).

## METHODS

This research used explanatory and descriptive research design with survey and cross sectional approach. The research took place in eight villages of four districts under the administrative of Bogor Regency and Bogor City. The unit of analysis in this research is family with housewife as the respondent determined by multistage sampling. The total sample size is 320, 160 from each location.

The data collected include: (1) socio-economic characteristics (education and

income), (2) reference group, (3) the intensity of consumer education (consumer education media, the frequency of accessing consumer education, and consumer education materials), and (4) consumer empowerment (includes three pillars which are consumer skills, experience of unfair practices and consumer rights fulfillment, and consumer assertiveness). The data collection used structured questionnaire instrument assisted with show card to facilitate data retrieval. Before the interview, respondents were asked to sign the informed consent first as a form of approval in participating in research activities.

Consumer empowerment was measured by using the three pillars namely consumer skills, experience of unfair practice and consumer rights fulfillment, and consumer assertiveness. The instrument of consumer empowerment was a modified version of that developed by Nardo et al., (2011) with his study titled "The Consumer Empowerment Index: A measure of skills, awareness and engagement of European consumers" and also gained from the Consumer Protection Act Republic of Indonesia Number 8 Year of 1999 on Consumer Protection and Law Republic of Indonesia Number 18 Year of 2012 on Food. The consumer skill pillars include three sub-pillars i.e. basic skills (4 items), comprehension about product label (4 items), and label reading skills (8 items). The experience of unfair practice from business stakeholders and consumer rights fulfillment pillar include two sub-pillars i.e. experience of unfair practice (23 points) and consumer rights fulfillment (7 points). The consumer assertiveness pillar includes four sub-pillars, i.e. product comparison (6 points), comprehension about law and consumer protection institution (5 points), tendency to talk (3 points), and complaints and redress (4 items). The research used Likert and Guttman's scale. The result of reliability and validity test in the research instruments are presented in Table 1.

**Table 1:** The results of reliability and validity testing of research instruments

Variables	Reliability	Validity
<b>A. The intensity of consumer education</b>		
a. Consumer education media	0.542	0.167**-0.752**
b. Frequency of accessing consumer education	0.523	0.169**-0.781**
c. Consumer education materials	0.905	0.267**-0.760**
<b>B. Consumer Empowerment</b>		
1. Consumer skills		
a. Basic Skill	0.543	0.501**-0.714**
b. Comprehension about product label	0.613	0.450**-0.707**
c. Label reading skills	0.642	0.156**-0.714**
2. Experience of unfair practice from business stakeholders and consumer rights fulfilment		
a. Experience of unfair practice	0.879	0.242**-0.698**
b. Consumer rights fulfillment		
3. Consumer assertiveness		
a. Product comparison	0.751	0.312**-0.791**
b. Comprehension about law and consumer protection institution	0.802	0.198**-0.760**
c. Tendency to talk	0.730	0.663**-0.852**
d. Complaints and redress		

Note : \*\* significant at  $p < 0.05$ ; Reliability: (1) 0.00 – 0.20 less reliable; (2) 0.21 – 0.40 rather reliable; (3) 0.41 – 0.60 quite reliable; (4) 0.61 – 0.80 reliable; and (5) 0.81 – 1.00 very reliable.

The data quality was controlled with instrument trial to 32 housewives (10% of the total sample) who were not the samples of the research. Furthermore, we conducted the "face validity" test of the instrument by requesting suggestions from two academics and one practitioner on consumer field.

The data obtained was processed with Microsoft Excel 2007 version, SPSS 18.0 for Windows, and AMOS (Analysis of Moment Structure) 21 version. Score of each variable was composited and transformed to a scale of 0 to 100. For the statistical analysis, this research employed independent sample t-test and Structural Equation Modeling (SEM). Pathway diagrams of the exogenous and endogenous variables are presented in Figure 1, while the structural equation model tested is provided below:

$$\eta_1 = \gamma_{11} \xi_1 + \gamma_{12} \xi_2 + \zeta_1 \quad (1)$$

$$\eta_2 = \gamma_{21} \xi_1 + \gamma_{22} \xi_2 + \beta_{21} \eta_1 + \zeta_2 \quad (2)$$

as the information that  $\eta_1$  and  $\eta_2$  are the endogenous latent variable of the intensity of consumer education and consumer empowerment,  $\gamma_{11}$  and  $\gamma_{12}$  are coefficient pathways from the exogenous latent variable of socio-economic characteristics and reference group to the endogenous latent variable of intensity of consumer education,  $\xi_1$  and  $\xi_2$  are the exogenous latent variable of socio-economic characteristics and reference group,  $\gamma_{21}$  and  $\gamma_{22}$  are coefficient pathway from the exogenous latent variable of socio-economic characteristics and reference group to the endogenous variable latent of consumer empowerment,  $\beta_{21}$  is coefficient pathway from the endogenous latent variable of intensity of consumer education to the endogenous variable latent of consumer empowerment,  $\zeta_1$  and  $\zeta_2$  are the prediction error of the endogenous variables.

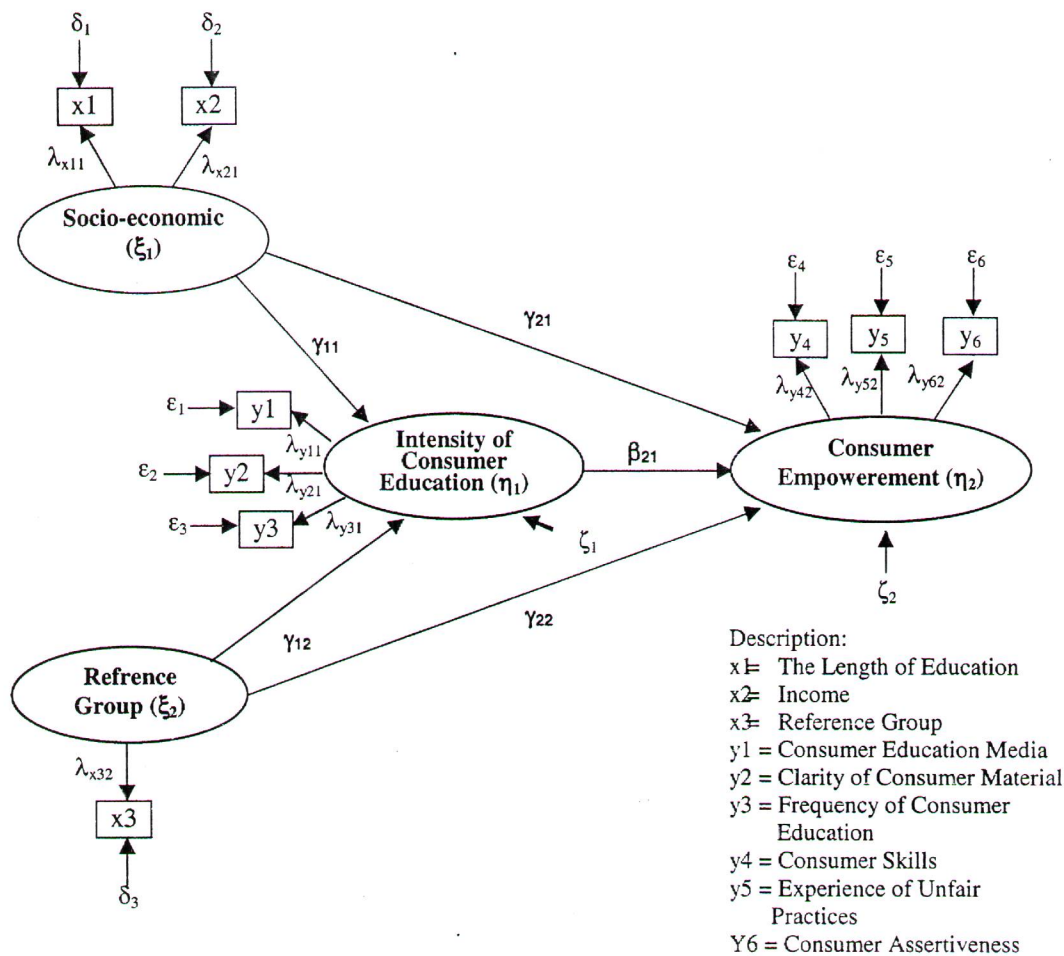


Figure 1: Pathway diagram of research exogenous and endogenous variables

**RESULTS AND DISCUSSION**  
**Consumer Empowerment**

The pillar of consumer skills includes sub-pillar of basic skills, comprehension about labels, and label reading skills. The score composite results of the three sub-pillars indicated that more than a half of the respondents in rural areas (56.9%) had a low level of consumers skill, whereas in urban areas, as many as 61.3 percent of respondents had a high level of consumer skills. Based on the differential test results, the level of consumer skills in rural and urban areas had significant differences ( $p = 0.000$ ) with the average score of urban respondents was higher than rural respondents (rural areas  $42.92 \pm 17.23$  and urban areas  $54.83 \pm 14.21$ ).

The pillar of unfair practices experience and consumer rights fulfillment encompasses experiences of unfair practice sub-pillars and consumer rights fulfillment sub-pillars. The result of composite score of the two sub-pillars indicated that experience of unfair practice and consumer rights fulfillment categorized as low (75.0% in rural areas and 63.1% in urban areas). Average score of experience of unfair practice and consumer rights fulfillment in urban respondents was higher than in rural areas (rural areas  $39.65 \pm 11.51$  and urban areas  $45.36 \pm 12.39$ ), and the differential test result between the two locations was significant ( $p = 0.000$ ). Experience of unfair practices in this research was viewed as how often respondents experienced unfair practices by businesses stakeholders along with a score which had been inverted, so the higher expe-

rience of unfair practices scores means that the unfair practices were rarely found. Thus, rural respondents were less empowered than urban respondents because the unfair business practices were still prevalent in rural areas and consumer rights fulfillment has not yet fully met.

The pillar of consumer assertiveness includes four sub-pillars which are product comparisons, comprehension about the law and consumer protection institution, the tendency to talk, and complaints and redress. Consumer assertiveness is identical with consumer personal characteristic before and after purchasing product along with the comprehension about trade practices. Consumers, who are able to make decisions, tend to reflect an assertiveness character.

The composite score result of the four sub-pillar indicated that mostly consumer assertiveness of respondent was still low (the number of low and very low categories in rural areas was 93.8% and urban areas was 85.6%). It was also proved from the average scores which categorized as low both in rural and urban areas (rural areas  $27.26 \pm 15.93$  and urban areas  $35.15 \pm 16.41$ ). The differential test results showed that consumer assertiveness between rural and urban respondents had significant differences ( $p = 0.000$ ). Respondents in urban area tend to be more assertive in playing their role as a consumer than in rural ones.

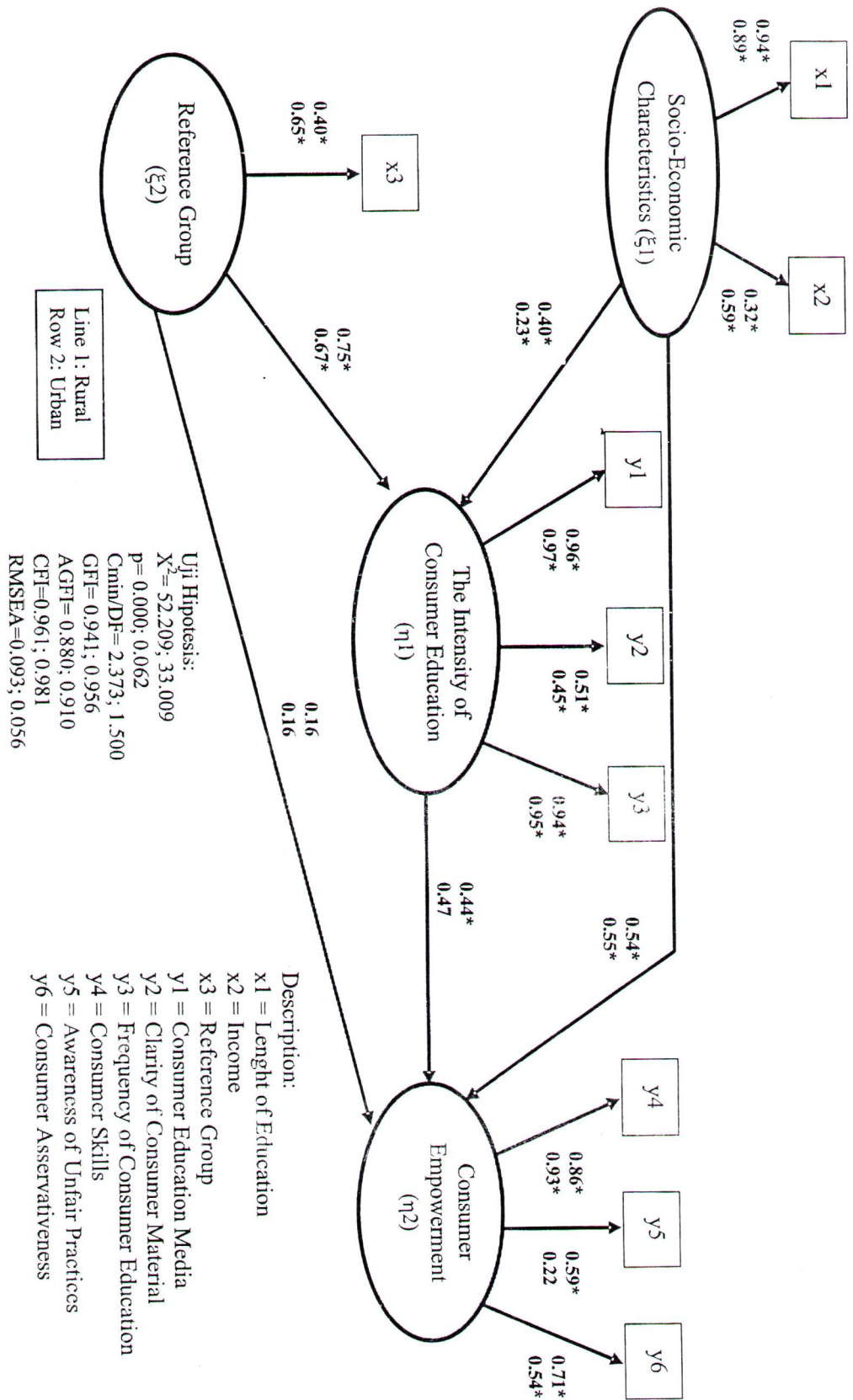
### **Determinant Factors of the Consumer Empowerment: Structural Equation Modeling Analysis**

The results of Structural Equation Modeling (SEM) analysis resulted in consumer empowerment determinant model which distinguished by geographic location (Figure 1). Based on the value of GFI, CFI and AGFI which generally showed higher values than 0.90, it indicated that consumer empowerment model obtained from the SEM analysis result could be considered a feasible.

The independent latent variable of socio-economic characteristic with two indicator variables is the length of education and income which proved to have a good influence significantly in rural and urban toward dependent latent variable on the intensity of consumer education that formed by the three indicator variables which consist of frequency, media, and material of consumer education. Respondents, who have good socio-economic backgrounds, tend to consider that consumer education is a necessity which can improve their knowledge related to consumer issues hence it would potentially engage more involvement frequently in consumer education. Socio-economic characteristics of respondents in rural areas also had a positive influence significantly on consumer empowerment. This indicated that respondents would be empowered if the social and economic condition was getting better as well. Consumer empowerment was influenced significantly, but it was not directly influenced by the socio-economic characteristics for samples who were living in rural areas.

The dependent latent variable of consumer empowerment both in rural and urban was not directly influenced by latent variable of reference group which formed by indicator variable. Conversely, reference group significantly influenced the intensity of consumer education either in rural and urban. The empowerment of consumers both in rural and urban was significantly and directly influenced by the intensity of consumer education. It means that the more intensive respondents access consumer education, the more empowered respondents would might be. Table 2 presents the model effect decomposition result of SEM analysis result about the influence of socio-economic characteristics, reference groups, and intensity of consumer education, toward consumer empowerment in urban and rural areas.





**Figure 2:** Model of SEM analysis result about the influence of socio-economic characteristics, reference group, the intensity of accessing consumer education toward the consumer empowerment in urban and rural areas

**Table 2:** The model effect decomposition result of SEM analysis result about the influence of socio-economic characteristics, reference groups, and intensity of consumer education, toward consumer empowerment in urban and rural areas

Variable	Rural			Urban		
	TE	DE	IE	TE	DE	IE
The intensity of consumer education ( $\eta_1$ )						
1. Socio-economic characteristics ( $\xi_1$ )	0.401*	0.401*	0.000	0.231*	0.231*	0.000
2. Reference Group ( $\xi_2$ )	0.747*	0.747*	0.000	0.671*	0.671*	0.000
Consumer empowerment ( $\eta_2$ )						
1. Socio-economic characteristics ( $\xi_1$ )	0.719*	0.543*	0.177	0.662*	0.554*	0.108
2. Reference Group ( $\xi_2$ )	0.493*	0.164	0.329*	0.470*	0.157	0.314*
3. The intensity of consumer education ( $\eta_1$ )	0.440*	0.440*	0.000	0.468*	0.468*	0.000

Note: TE= Total effect; DE= Direct effect; IE= Indirect effect; \*significant at  $p < 0.05$

Socio-economic characteristics directly influenced the intensity of consumer education activities with the value of beta respectively in rural and urban are  $\beta = 0.4401^*$  and  $\beta = 0.231^*$ . This means that the better socio-economic conditions consumers have the higher intensity of consumer education they get. Regarding to Ekanem et al. (2006) the level of education influences the application of word-of-mouth, television, and internet as an information media.

Reference group directly influenced the intensity of consumer education with a value of beta respectively in rural and urban  $\beta = 0.747^*$  and  $\beta = 0.671^*$ . It means that the more diverse of reference group consumers have, the more possibilities there are to increase the intensity of consumer education activities. This case is in line with the statement of Martiskainen (2007) that there are many consumer behaviors which are not resulted just from rational choices only. Complex consumer behaviors often imitate and learn from others. Imitating involves a complex learning process that may not be visible to the consumer educators.

Reference group had an indirect influence but through the mediator variable

of intensity of consumer education toward consumer empowerment with each beta value for rural and urban respectively  $\beta = 0.493^*$  and  $\beta = 0.470^*$ . This describes that the increasing number of respondents considerably can empower consumer to become more skillful, more acknowledging their rights, and more assertive through their involvement in consumer education. Socio-economic characteristics influenced either directly or indirectly the consumer empowerment with each beta value for rural and urban  $\beta = 0.719^*$  and  $\beta = 0.662^*$ . This case means that a better socio-economic conditions would increase consumer empowerment to become more skilled, more acknowledging their rights, and more assertive. Intensity of consumer education directly influenced consumer empowerment with each beta value for rural and urban  $\beta = 0.440^*$  and  $\beta = 0.468^*$ . It reveals that respondent's participation in consumer education activities would be able to empower consumers.

The phenomenon occurring in trade practices illustrates a weak position of consumers to fight for their rights. The number of consumers who truly understands their rights and responsibilities is relatively still not comparable to the number of Indone-

sian consumers as a whole. A study conducted by Crafford and Bitzer (2008) found that the knowledge about rights and responsibilities of consumers was not yet widely owned by the consumers themselves, in this case, the respondents of the present study; only 27.2 percent of them has the knowledge. However, Knights (2000) revealed that more opportunities to develop right and responsibility awareness of the consumers would influenced consumer decisions and a broader implications of the decision ahead.

Empowered consumers are more confident to fight for their rights when they perceive a loss or an unpleasant situation. According to Nardo et al. (2011), the combination of skills, knowledge, and assertiveness function and the availability of consumer protection institution and laws is designed for supporting the role of the consumer as an indicator which describes consumer empowerment.

Consumers can be categorized as empowered when they are able to manage their knowledge balanced with the assertiveness in responding change. The feeling of empowered is also maintained by a sense of belonging (Thogersen, 2005), for example, the consumers believe in being able to use opportunity which is potentially useful to themselves and others. Empowered individuals consider themselves as successful persons in carrying out the role and are assessed efficiently by others when they have completed the jobs (Quinn and Spreitzer, 1997; Beomcheol and George, 2005).

Consumer empowerment level is influenced by socio-economic characteristics. If the respondents are coming from families with good socio-economic background, it can possibly reinforce a higher level of consumer empowerment. The length of education contributes a significant influence on consumer empowerment. A respondent who has successfully taken a higher level of education would have better opportunities to become more empowered to

fight for consumer rights and to do the obligations as a consumer. The level of education can be related to consumer empowerment (Suja, 2012). A study by Gunasekaran and Ezhil (2012) showed that both in rural and urban areas the educational background was shown to have significant a positive effect on women empowerment.

The reference group influences either directly or indirectly someone's attitudes and behavior. Reference group can give opinions, values, and beliefs about the benefits of a particular product (Dasipah et al., 2010). However, in this research reference group is more influential to the intensity of consumer education attendance than directly to consumer empowerment. Consumer education is a process of educating people on how to be empowered and successful in playing their role as a consumer, focusing on rights and responsibilities, and participating as consumer (McGregor, 2013).

The success of consumer empowerment needs to be supported by the success of consumer education application. The changes in consumer situation will never stop; it even closely intertwined with the other changes in the world system so that consumer education should be acknowledged as a lifelong education (Jarva, 2011). The indicator of consumer education success is analyzed from the intensity of the routine materials taught, the clarity of information resources and material presented, as well as the accuracy of the method used. Knights (2000) argued that the effectiveness of consumer education depends on the method used. Fitzsimmons (1997) in Renouf (2002) states that people are only motivated to learn when their urgent needs are met and when they want to acquire the knowledge and skills offered because they believe it would be useful or interesting to them. One of the moments that consumers tend to be motivated to learn is when they seek some advices related to the problems they are dealing with.

Therefore, it is important to take consumer education strategies into consideration for bridging education and/or information through 'gatekeepers', i.e. the people inside and outside the community who are being considered as the source of information for consumer when they needed it.

The intensity of consumer education probably gives a significant influence on the consumer empowerment. Being exposed by information to access consumer education allows the consumers to be more skillful and assertive in making purchasing decisions and to be more open-minded towards practices which are likely to harm them. A study by Gunasekaran and Ezhil (2012) showed that both in rural and urban areas the exposure to the media has a significant positive effect on women empowerment. McGregor (2007) stated that consumer education is potentially leading to the empowerment and global responsibility in their role as a consumer. People would feel empowered as long as they feel inclusive, have their voice heard, have the opportunity to participate, hold responsibility, have access to information, and have the opportunity to build up their capacity and skills toward the action and social change (Pande, 2004; McGregor, 2005).

The effort to increase consumer empowerment should be optimally supported by the implementation of policy. Satory (2010) revealed that consumer empowerment policies consist of policy development (drafting the structural of consumer protection policy and the evaluation of consumer protection policy), consumer empowerment and entrepreneur building (acculturation, socialization, active participation in cross-sector communication forum), and institutional development.

The harmony of consumers and businesses role that is supported by the functioning policy of government and consumer protection institution will further support the consumer empowerment. Consumers who are increasingly exposed to

information gain enriched comprehension about the consumer issues. The role of businesses that is responsible to conveying information clearly and honestly is also a part of guaranteeing aspect for consumer rights fulfillment.

## CONCLUSION

The conclusions of this research are the better socio-economic characteristics and the bigger number of reference groups consumers have, the more intense the accessing consumer education will be. Furthermore, socio-economic characteristics have a direct and indirect influence on consumer empowerment, meaning that better socio-economic conditions would increase consumer empowerment to become more skillful, acknowledging their rights, and more assertive. In addition, reference group does not directly increase the consumer empowerment, but it has an indirect influence through a more intensive consumer education which in turn would increase the consumer empowerment. Finally, the intensity of consumer education increases the consumer empowerment both in rural and urban areas.

The significant influence of consumer education on empowerment indicates the urgency of intense consumer education movement. The present research data indicates that the consumer counseling and education both in urban and rural areas are still categorized as less. In this case, there's a need to do evaluation matters to the consumer protection institution or local government for providing more frequent guidance to consumers both in urban and rural areas. The presence of family planning program officer should certainly be optimized by giving consumer education messages for the extension worker in the district level so that it would not be necessary to have specific extension workers on consumer education only. The intensive training must be conducted first. Moreover, with this additional task, the government

should also give a serious attention to the welfare of the extension workers by giving additional incentives regarding to the new workload for the family planning program officer. The presence of family planning program officer in the district level relatively leave the education process easier compared to the only consumer education activities which are incidental and sporadic; this mechanism can certainly be implied as an alternative for further consumer education promotion in Indonesia. In addition, consumer education should be started at early age and held in schools so that children learn to be smart consumers.

The suggestion for the future research is that the instrument of consumer empowerment should be arranged based on

empirical reference and enriched by consumer protection law, developed and examined as standardized measuring instrument. Thus a consumer education instrument needs to be developed in order to be used in various researches with consumer education topic. The research about consumer empowerment needs to be expanded without focusing on certain product to portray consumer empowerment holistically/comprehensively. Nevertheless, the research can be done with just focusing in one product if more specific result is demanded, for example consumer empowerment in personal finance, health, education, advertisement, consumption and environment, food security and others.

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