

Box 4.7. Factors to consider in developing a code of conduct

- Factors that may be relevant in developing a code of conduct include:
 - ❖ The consumer issue being addressed; for example, would a code of conduct aid consumers in:
 - ❖ Evaluating the quality of the product?
 - ❖ Identifying a competent supplier?
 - Getting defective products fixed or securing redress?
 - The nature of the industry concerned. How the following could influence the effectiveness of a code should be considered:
 - ❖ The size and structure of the industry.
 - ❖ Other industry characteristics such as the geographic spread and cohesiveness of the industry.
 - ❖ The history of the industry in relation to the objective of the code.
 - ❖ The existence, coverage and strength of an industry association.
 - The types of existing or proposed standards which are aimed at addressing the issue (and the existence of supporting mechanisms for these standards).
 - The current degree of confidence, trust, or credibility the industry has with the community and consumers.
 - Commitment of the industry to self-regulation.
 - Willingness and ability of the code administrator to act against non-compliance.

consultation. Consumers can benefit from a greater focus by firms on customer service and on being responsible for their own behaviour (Truss, 1998). Self-regulation can also play a role in making markets work well for consumers, particularly in terms of the quality of products and services they receive. Self regulation helps achieve better market outcomes by influencing business incentives under conditions which make it difficult for consumers to assess product attributes and for firms to signal quality. Box 4.8 provides additional examples of industry-based codes in several countries.

The OECD's Committee on Consumer Policy is carrying out research on the roles that industry can play in promoting and protecting consumer interests. Case studies of self-regulatory and co-regulatory schemes within the OECD are being examined, with a view to developing insights into the conditions under which these schemes can contribute positively to the overall regulatory framework.

Industry-based codes have limitations in terms of their scope and effectiveness, and more formal government interventions, including legislation, may be needed to address issues effectively. In these situations, government endorsement of codes can be used to enhance compliance with the code.

Research suggests that industry-enforced codes of conduct tend to be more effective when the self-regulatory body has widespread industry support, comprises representatives of the key stakeholders (including consumers, consumer associations, the government and other community groups) and operates an effective system of complaints handling (ACCC, 2005).