



Update on Behavioural studies

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Structure of the presentation

1. Short review on the behavioural approach
2. Insights from a recent study "Hidden fees for the use of payment cards"
3. A few words on the recent Conference (30/09/13)
4. Brief overview of 2 forthcoming studies

Behavioural Insights add another dimension

1. Regulation



2. Incentives

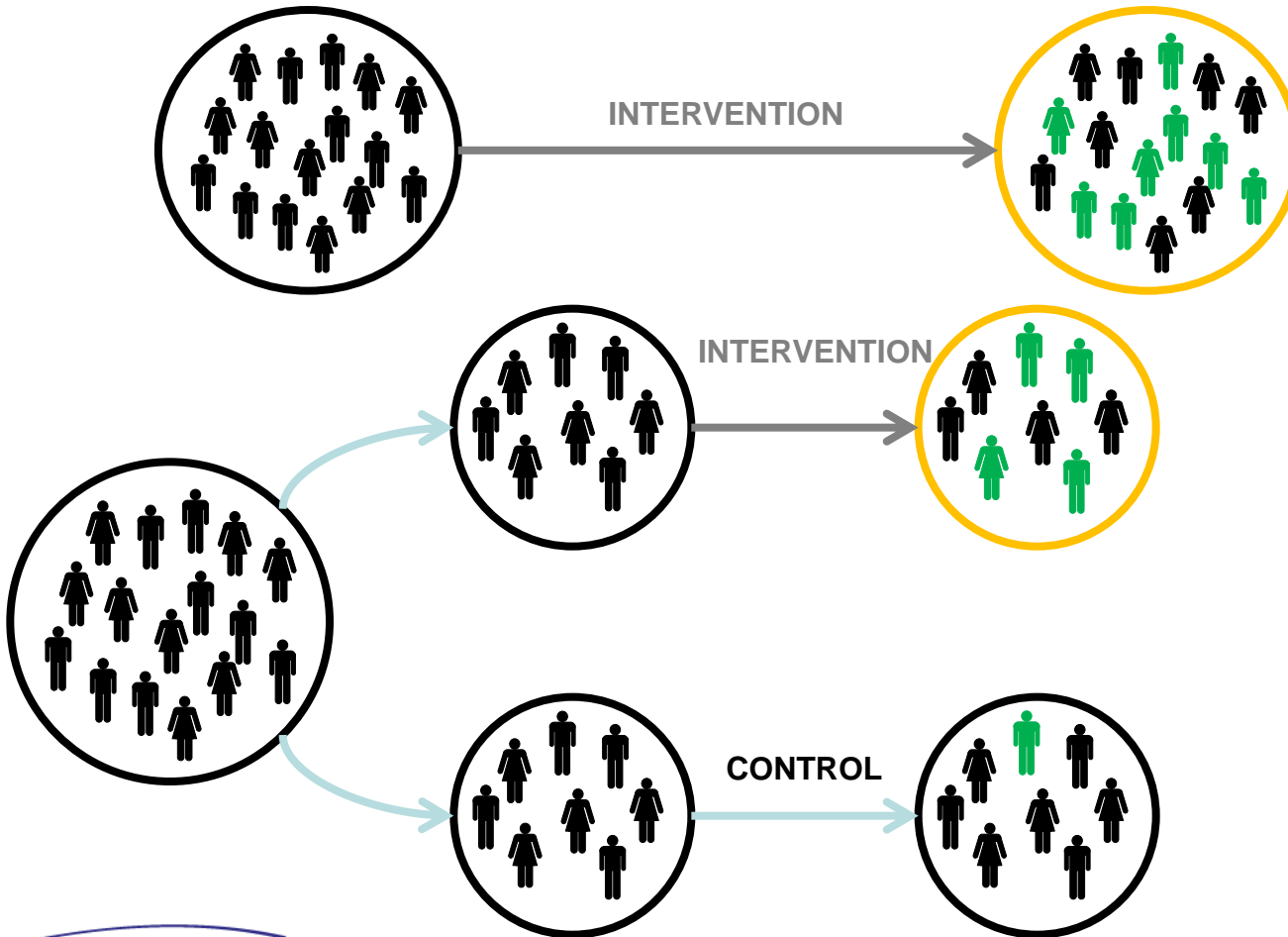


3. Information



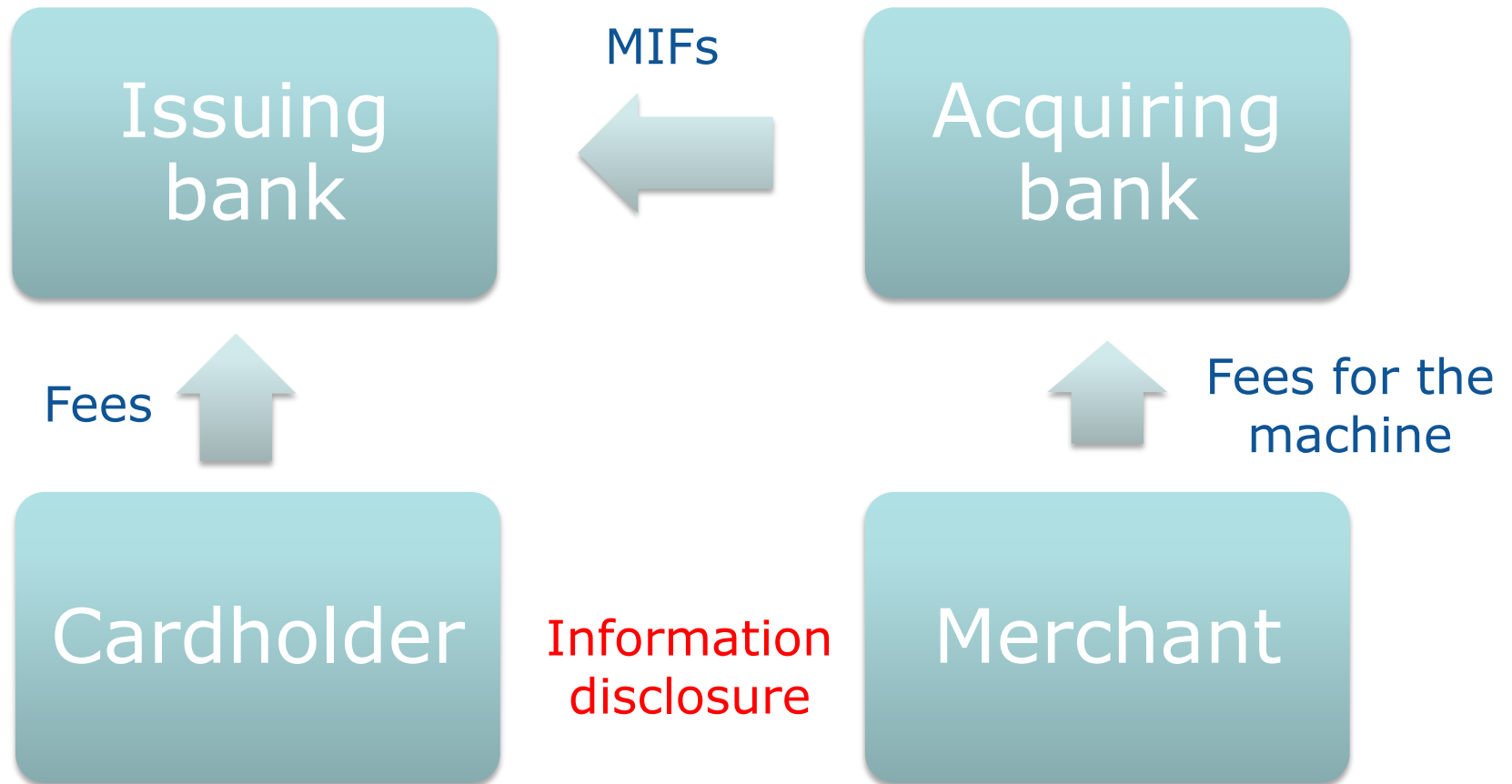
Behavioural insights

From surveys to direct observation

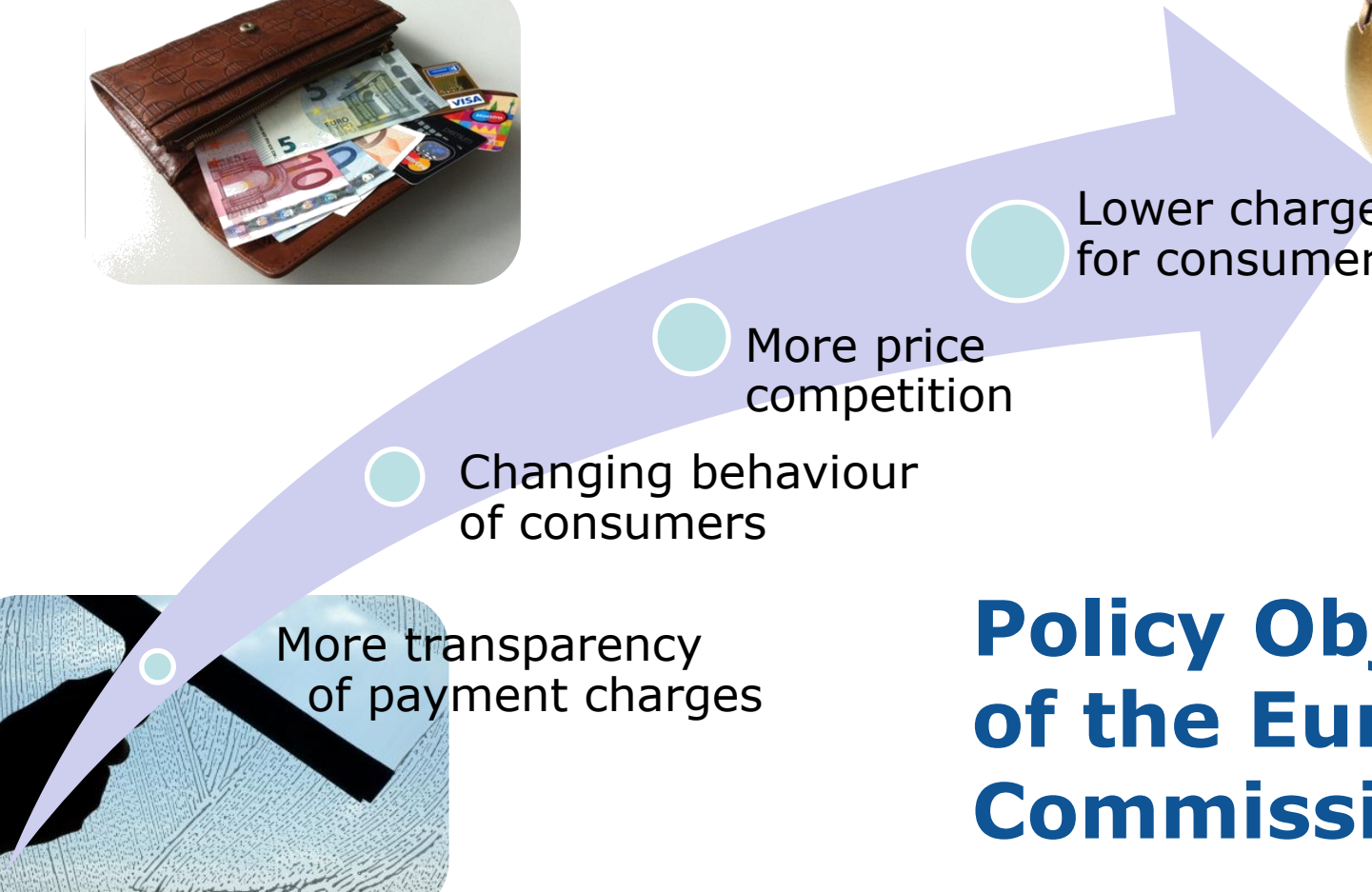


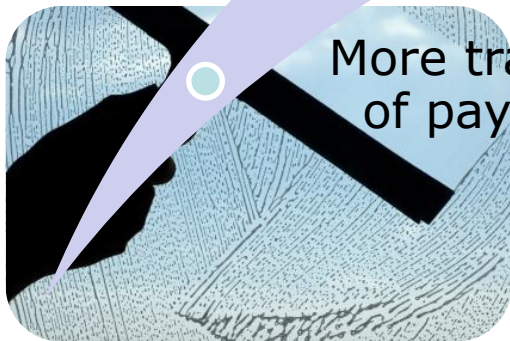
2. Hidden fees for the use of payment cards

Multilateral Interchange Fees for credit cards





- 
- Lower charges for consumers
 - More price competition
 - Changing behaviour of consumers
 - More transparency of payment charges



Policy Objectives of the European Commission

Beyond the scope of this study

This study does **not** say:

- 1. Whether the potential changes in consumers' behaviour will actually bring about competition on MIFs**
- 2. Whether greater transparency will generate higher or lower prices for consumers**

Country Selection

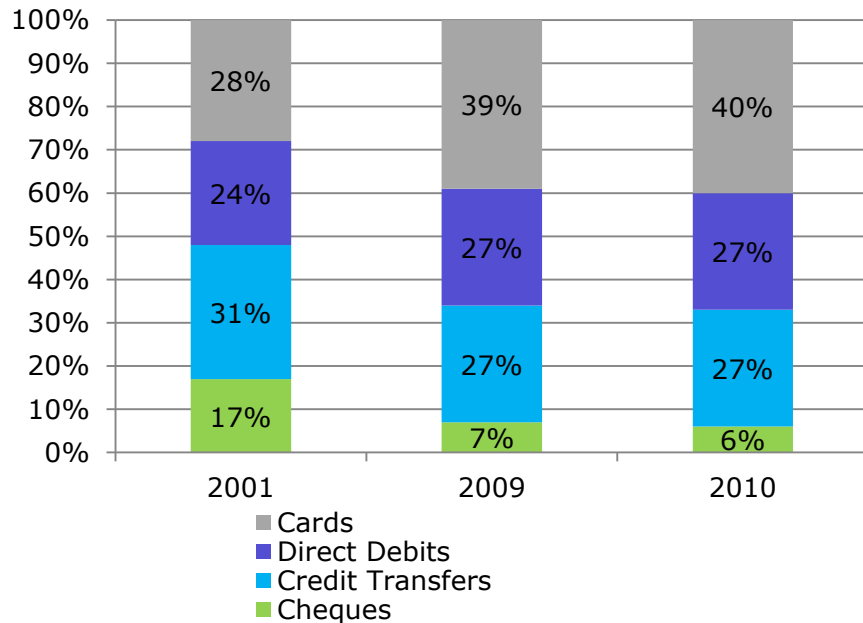
covering differing legislations and card usage



Short version of test scenarios

A: Status – quo (control group)

Payment costs included in/displayed on prices displayed on products



B: Rebate offered if cheaper method chosen

C: Surcharge levied if expensive method chosen

D: Pure information (no rebate/surcharge) on merchants costs

Research Objectives

Explore consumers' decision-making process:

A. Identify the main individual biases and external barriers

B. Identify the most effective policy options

→ ... *that prevent/drive cost-conscious payment choices from a consumer perspective*

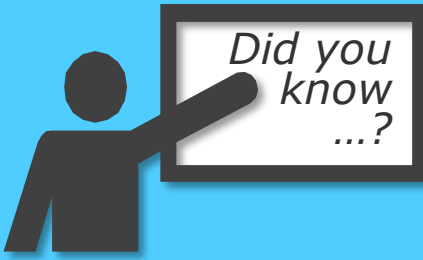
Tested Policy Options

Information based measures

Merchant cost information

FYI:
merchant costs are ...


Education



Did you know ...?

Choice architecture

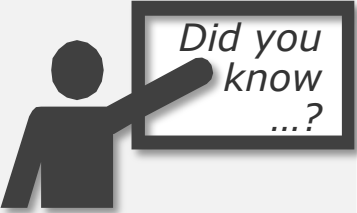




Cost differentiation



- X%/€
rebate

+ X%/€
surcharge

Same price

Education	Merchant cost information	Payment costs <u>not</u> included	Payment costs included	
Yes or no	Yes or no	Surcharge	Rebate	No rebate
				

Timings of information given:

Before first entrance	At entrance and at the till
	Only at the till
	At the till and on the receipt

The overall sample of 10 041 respondents across 10 EU countries allowed for robust sample base per split (n=324).

Example/Extract of experimental design

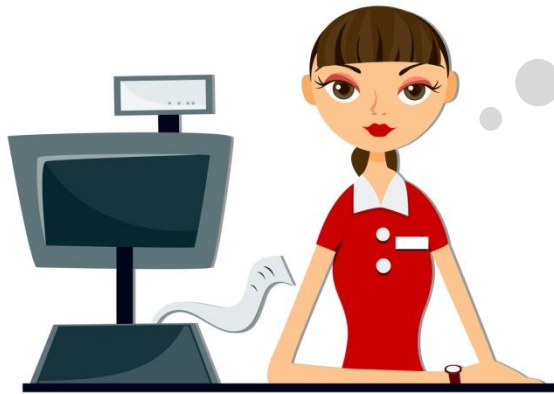


This store will accept several payment methods:



All the prices displayed include VAT and payment charges.

If you pay cash, a 2% rebate will be applied to your bill.
If you pay by debit card, a 1% rebate will be applied.



That will be 200 €.
How would you like to pay?



I would walk to
nearest ATM and
then pay with
cash.

2% rebate
196.00 €



1% rebate
198.00 €



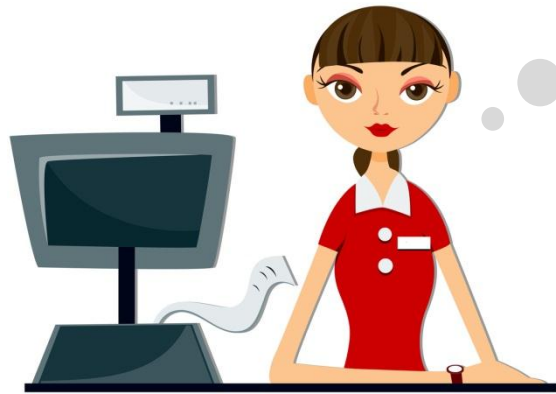
I am collecting
reward points.

no rebate
200.00 €



Payment conditions:
Total amount to be paid:





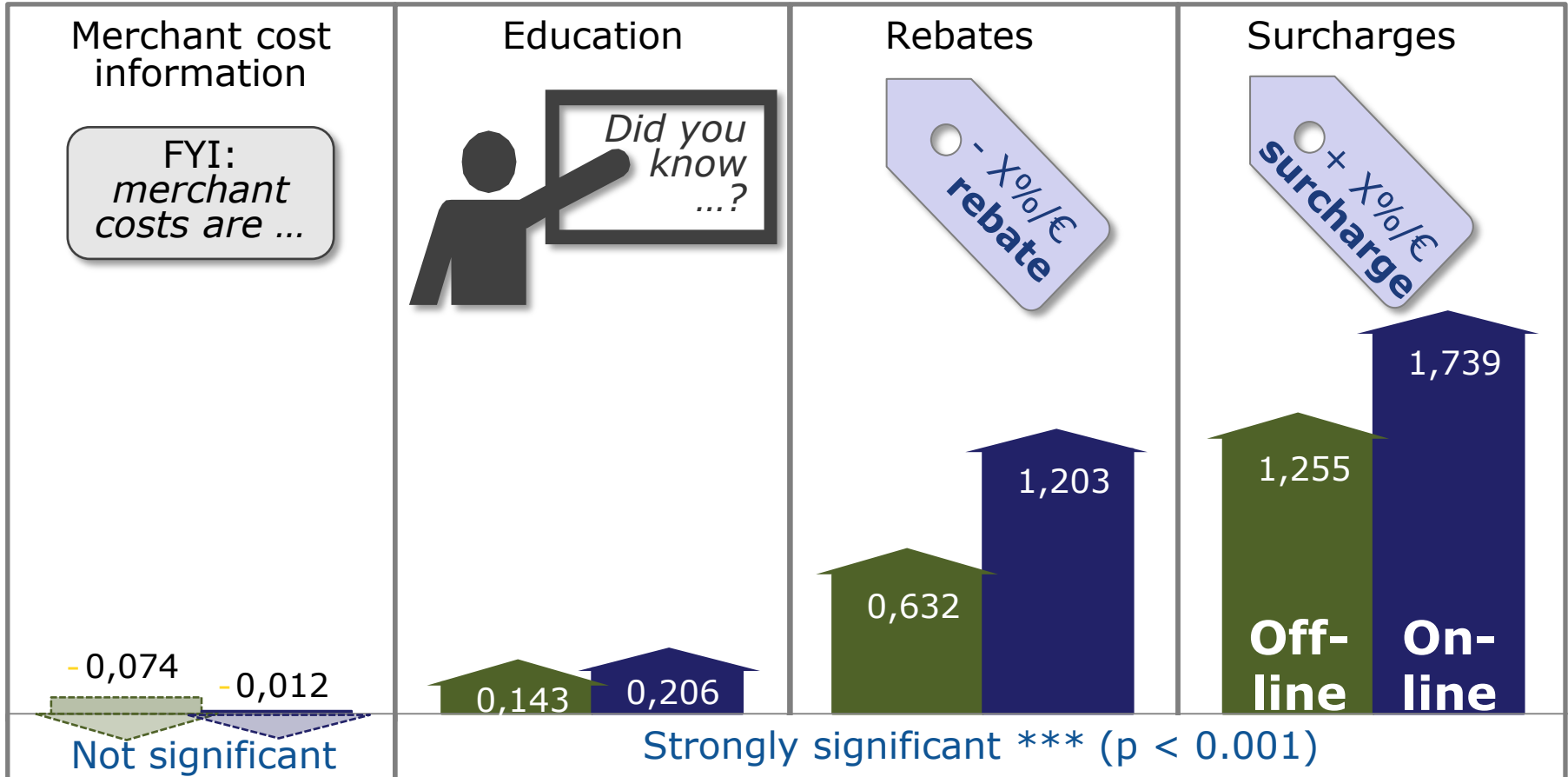
Here is your receipt.

Total incl. VAT (in €):	200.00
Payment charge:	
Rebate for Debit Card	<u>- 2.00</u>
Final total incl. VAT (in €):	198.00

Thank you for your purchase!



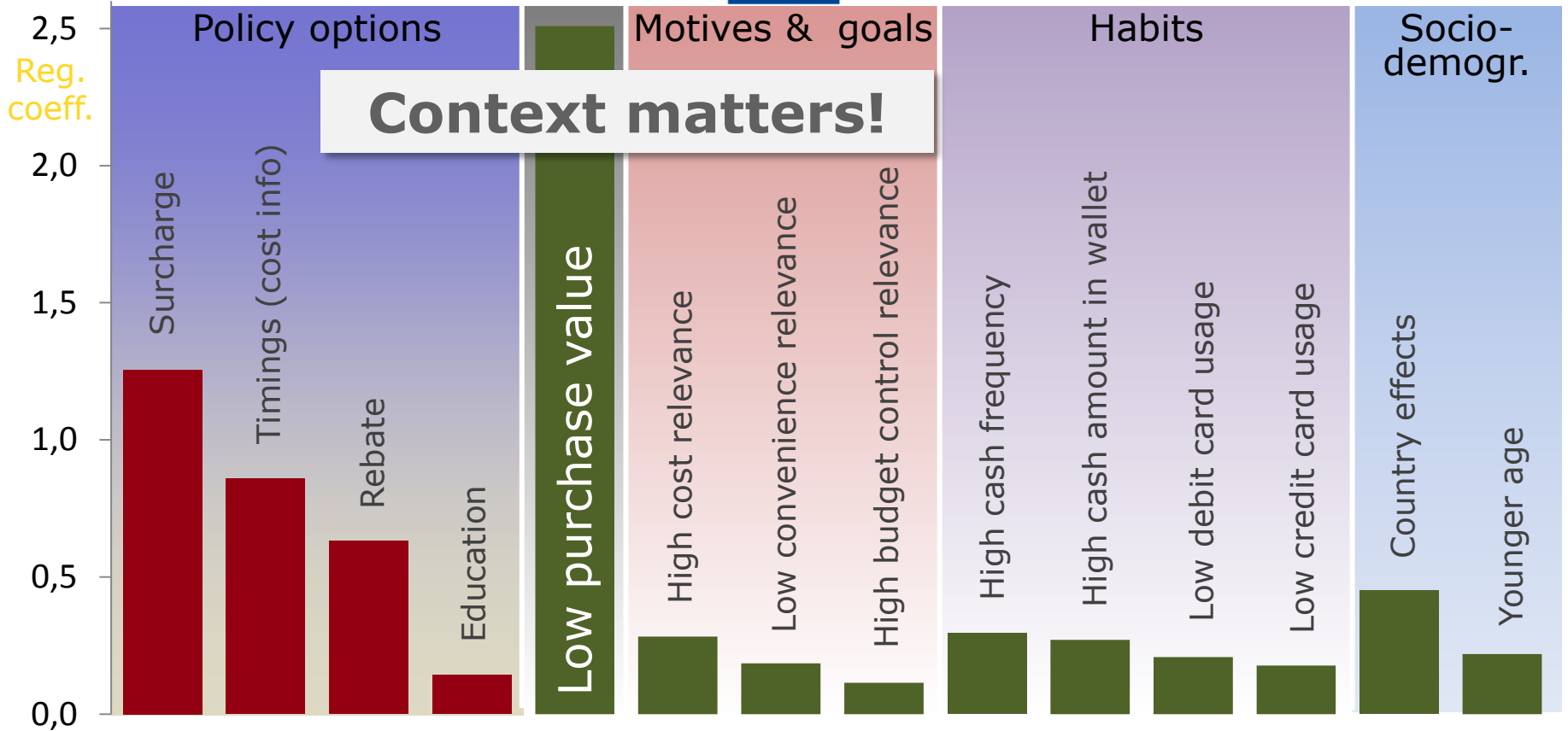
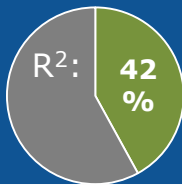
Which policy options were most effective in driving cost-conscious consumer choices?



Extract of results based on logistic regression analysis to identify statistically significant drivers of cost-conscious choices. Values display strength of regression coefficients. Base: EU10 (without missing variables) – offline scenario (n = 8018) – online scenario (n = 7490)



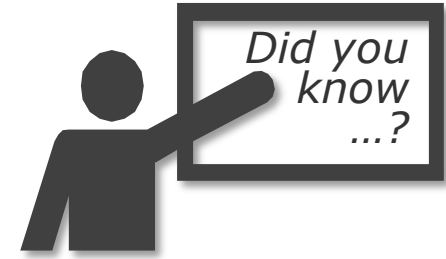
European Commission



Extract of results based on logistic regression analysis to identify statistically significant drivers of cash choices in the offline shopping scenarios. The model explains 42% of the variance. Only variables with strong significance *** ($p < 0.001$) are displayed. Base: EU10 (without missing variables) $n = 8\ 018$

Summary of Policy Implications I

Information based measures



- Payment choice is highly habitualised with low consumer attention.
- Simple notifications do not change consumer behaviour.
- Education treatment has strong impact within lab testing. Further evidence required whether impact visible in real life.
- Consumers change behaviour only if cost differences are made relevant to them directly in form of rebates or surcharges.


Summary of Policy Implications II

Direct regulatory measures

Rebate



Provides a positive framing and is more accepted. 

Is less effective than surcharges in driving cost-conscious choices. 

Does not drive issue salience. 

Surcharge



Provides a negative framing and is less accepted. 

Is most effective in driving cost-conscious choices. 

Drives issue salience. 

3. Conference on "Applying behavioural insights into policymaking"

(30th September 2013)

Feedback

❑ 270 attended and 300 followed it via webstreaming

❑ Highlights:

- ❑ First 2 presentations in the morning worth seeing
- ❑ Very useful reading list
- ❑ Downloadable SANCO-JRC report on the "Applying Behavioural Sciences to EU Policymaking"

❑ Links:

- ❑ http://ec.europa.eu/dgs/health_consumer/information_sources/consumer_affairs_events_en.htm
- ❑ http://storify.com/eu_consumer/eunudge-applying-behavioural-insights-to-policy-m

4. Very brief overview of 2 forthcoming studies

4.1. On Terms and Conditions

Study on Terms and Conditions (T&Cs)

- ❑ **Consumers rarely read T&C or privacy notices**
 - ❑ only 7% read online T&Cs when signing up for products and services (2011 survey data)
 - ❑ 43% of those who do not always read the T&Cs say they are boring or difficult to understand
 - ❑ 21% of people surveyed said they had suffered as a result of blindly ticking the T&Cs box

Study on Terms and Conditions (T&Cs)

- ❑ **End-User License Agreements (EULAs) and privacy notices**
 - ❑ Further evidence - based on people shopping for software online - shows that on 125,000 browsing sessions, only 55 (i.e., less than 0.05%) involved looking at the EULA for more than 1 sec. Even then, the median time looking at it was just 29 sec.
 - ❑ If we were to read all privacy notices that we are supposed to read, every day, it would take anyone about 6 working weeks at a full time rate!

Study on Terms and Conditions (T&Cs)

- Consumers' blind acceptance of such set of rules is neither good for consumers, nor for the market in general, as it disempowers consumers
- **Objectives of the study**
- Collect evidence about consumers' decision-making when it comes to reading, understanding and accepting T&Cs.
- Explore and test various policy options (simplifying T&Cs, shortening them, changing the framing, ...)

4. Very brief overview of 2 forthcoming studies

4.2. On insurance

Study on Insurance

- ❑ **Consumers fail to estimate low probabilities:**
 - ❑ Consumers are affected by the "availability" bias: They overestimate the likelihood of events that are more "available" or noteworthy (e.g., plane crashes);
 - ❑ People have difficulties in estimating low probabilities: a study of horseracing showed that punters generally overbet on longshots by up to 100%.
 - ❑ There exists a wealth of data that could in principle improve consumers' decision-making in the insurance sector

Study on Insurance

- ❑ **Insurance premia show very large and arguably unjustified differences across countries (and regions)**

Country	Average insurance premium RC CAR (€)
Italy	491
UK	357
France	324
Germany	234
Spain	199
Average UE premium (Italy excluded)	278
Average UE premium (Italy included)	321

Source: Boston Consulting Group 2008-2012

Study on Insurance

- Consumers tend to get over-insured and substantial annual savings can be obtained by more pondered decisions as to whether to get insured or not.
- **Objectives of the study**
- Collect evidence about consumers' decision-making when it comes to deciding whether to get insured and on add-ons.
- Explore and test various policy options and the possibility to create a publicly-run website merging all available data, so to help consumers make better choices

Update on Behavioural Studies

Thank you

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