Against the clock

Why more time isn't the answer for consumers

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citizens advice

Contents

Summary

Time is a precious resource. Despite this, policymakers can be too quick to offer solutions that demand more of people's time, without thinking through what the broader implications of demanding it will be.

Consumers often feel short of time to deal with problems they face in markets for goods and services. Recent Citizens Advice research has found that consumers are losing out to the tune of at least £23 billion in the form of poor service, faulty goods and the time it takes to deal with these problems.[1] And this is only the detriment we know about - it does not include the savings forgone through not switching to get a better deal, for example.

The answer to these problems often offered by policymakers is for consumers to engage more in markets. To access all the relevant information about goods or services, to evaluate all the available options and courses of action, and to act in their best interest to maximise their utility. While there has long been an acceptance that markets need to be easier for consumers to engage with, it should follow that increased engagement leads to better outcomes.

Engaging in markets in this way will, of course, take up more of consumers' time. This report explores how much and what the impact of spending this extra time in consumer markets would be, by comparing 'good' engagement with what comes naturally to consumers. To make our study manageable, we limited it to the pre-sale, decision-making process only. To make it realistic, we invited consumers to contribute to designing the 'good' engagement process we would eventually test.

Our findings are striking. Following a 'good' decision-making process takes longer than following a natural process (an average of 107 vs 76 minutes per week). This is particularly stark in regulated markets such as energy or financial services. Spending this extra time in consumer markets deprives consumers of the opportunity to use it in other ways, but this may be a price worth paying if it delivers more of what consumers want. This report suggests it does not.

The report details how following a 'good' decision-making process leaves consumers feeling less satisfied with their decision than when they decide naturally. Again, this is worse in regulated markets, perhaps because the

[1] Citizens Advice, Consumer detriment: counting the cost of consumer problems, 23 September 2016

complexity of these markets leads consumers to suffer the effects of information overload. They feel even less satisfied when they take the time to read terms and conditions, than if they don't bother to do so. When we look at individual markets the story is even more troubling. Around 25% of those who followed a 'good' consumer process are very satisfied with their broadband or energy decision, compared to over half who feel the same in markets for clothing and groceries.

How do we explain these findings and what are the implications of them? Our research adds to the growing body of evidence showing that certain features of regulated markets in particular (e.g. complexity, level of enjoyment people derive from engaging) make them very difficult for consumers to engage with. The clear implication of our findings is that spending more time will not necessarily increase consumer satisfaction. This undermines a key assumption in markets - why should consumers spend the time trying to find better deals if it makes them less satisfied? Why should they be encouraged to read terms and conditions if it makes them even less confident than those who don't?

We hope that this report contributes to a continuing discussion about how to reform consumer markets to ensure they are designed around how people really behave, deliver what people actually want, and truly work for everyone. This report offers 3 reflections for policymakers, regulators, companies, and others to inform that discussion.

Reflections

1. The journeys that consumers have to follow are too difficult - this has a big impact on their experience and improvements should be a priority. **Regulators should explore ways to incorporate the quality and speed of consumer journey into their assessment of whether a market is working well or not**
2. Consumer policy and interventions should be judged according to the outcomes they deliver for consumers. **Take terms and conditions: a measure of good T&Cs should be determined by how helpful they are to consumers. Part of this is about making them shorter and more digestible**
3. There is a consensus emerging that consumer markets should be designed around how people behave in the real world, instead of how idealised models assume. But there is still much to learn about how to operationalise this in practice. **The Department for Business, Energy and Industrial Strategy, the UK regulators network, and consumer organisations should continue to explore how to make markets deliver for consumers**

Research method

This research[2] was conducted in two stages. The first, preparatory stage involved establishing a definition of a 'good' decision-making process, and a typology of markets consumers need to engage with to have an adequate standard of living. The former provided an example of what increased consumer engagement might look like, which could then be compared with engagement that comes more naturally. The latter gave an appropriately limited list of markets to measure consumers' engagement in. In order to keep the research project manageable, a representative sample of 12 markets was tested and extrapolated to the rest based on their relevant characteristics.

The first, preparatory stage included two primary research methods:

- **16 depth interviews** to find out what consumers think a 'good' decision-making process involves and what factors could influence decisions, and to identify which markets consumers considered it necessary to engage in to ensure an adequate standard of living. These took place between 19 January and 2 February 2016.
- A **nationally representative survey** of 2,000 UK consumers to test and build on our understanding of what constituted following a 'good' decision-making process, and to validate our understanding of the most important consumer markets. A proportion of consumers engaging in each market was captured and frequency of supplier review, which was used when estimating the annual decision making time investment in the second stage of the research. The fieldwork took place between 12 and 16 February 2016.

The method for the second stage of this research had three steps.

1. Mystery shopping tasks in the 12 consumer markets selected for testing. 656 consumers were split into two demographically matched[3] groups. One 'natural cell' of 345 consumers were given no prompts and told only to complete decision making as they would usually do. Another 'prompted cell' of 311 consumers were given specific steps to follow that constituted a 'good' process. Consumers completed up to 3 'tasks' each and had to be a decision-maker and intending to make a purchase in the market in order to qualify. To maximise the accuracy of response consumers were asked to report the time they spent on each individual step of the

[2] See Against the clock: why more time isn't the answer for consumers - Appendixes for more detail on the methodology of this research
[3] Cells were matched on age and gender

decision-making process, rather than the whole process. The fieldwork took place between 11 and 25 April 2016.

2. Once the time invested by consumers in decision-making for these 12 selected markets was established, a predictive algorithm (using statistical regression) established a link between the 6 dimensions identified earlier as predictors of time (the independent variables in our regression) and the actual time spent (the dependent variable). This algorithm was used to estimate the time that consumers are likely to invest in a further 17 markets, for which data was available on the 6 predictors of time, but no actual timings.
3. Finally, to report the 'total time spent on decision-making in an average year by consumers in the UK' the total decision times was multiplied (observed data for 12 markets, estimated for the additional 17) first by the annual frequency with which the decision was reviewed and second by the proportion of UK online adults who participate in the market.

There are 4 features of this research that are worth noting from the outset:

- The overall times presented in this report represent the **mean average consumer**, unless otherwise specified.
- The figures presented for the amount of time spent making consumer decisions are based on consumers **self-reporting**. Timing data was collected for each individual stage of the decision-making process, rather than asking consumers to estimate their total decision time which had been shown to drive self-reporting inaccuracies during the qualitative phase (consumers tended to respond in days or weeks rather than minutes, but when challenged on particular estimates they accepted some over claim and found it easier to answer accurately using stages of decision.)
- An **online methodology** was used for the majority of the primary research. Therefore, our results can be seen as representative of the online population,[4] though some qualitative depth interviews were undertaken with offline consumers to better understand the decision making experiences and needs of this group.
- Because the method required respondents to focus on making a particular decision within the fieldwork period, **timings are likely to be conservative**. They exclude 'unconscious' thinking time acknowledged in the depth interviews as part of the decision process that is difficult to measure.

The fieldwork for this report was conducted by Verve Market Research.

[4] 89% of households have internet access. Office for National Statistics, Internet Access - household and individuals, 4 August 2016

1. More engagement means more time

This section provides the context for the argument made in the rest of the report. Three important trends are outlined. First, consumers now have many more goods and services to choose from, and many more ways to access them. Second, consumers still experience considerable problems. Third, policymakers often offer increased consumer engagement as the answer to these problems. The sections that follow this one examine what increased engagement would look like, and what impact it will have on consumers.

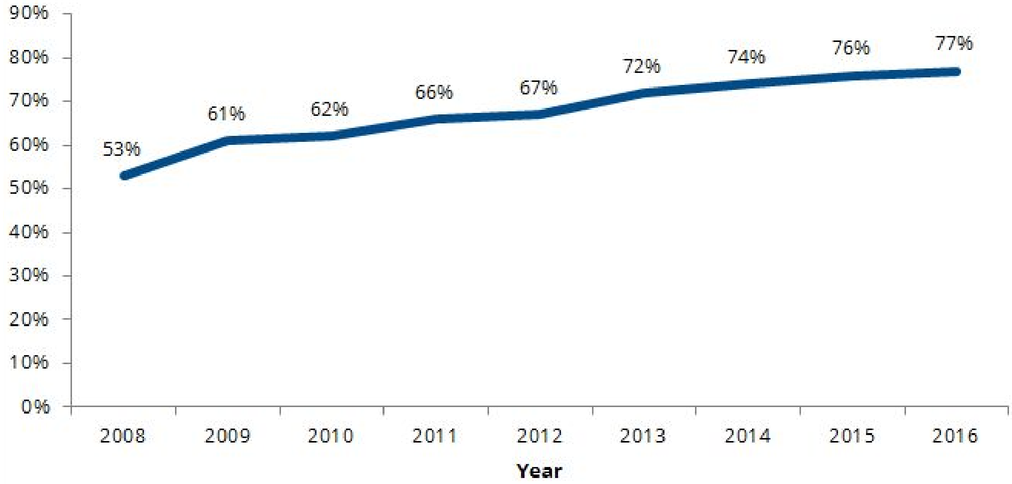
The consumer landscape has transformed

The consumer landscape has transformed over the past few decades, resulting in a more varied and diverse marketplace. Developments in global trade, manufacturing and technology have delivered many more goods and services for people to choose from. The basket of goods - used by the Office for National Statistics (ONS) to calculate inflation - contained around 150 items when it began in 1947[5] - now it includes over 700.[6]

At the same time, there has been a transformation in the way consumers access goods and services, driven largely by technological change. Increasingly, people are choosing to go online to research and purchase consumer items. 76% of people in Great Britain used the internet to find information about goods and services in the last three months, up from 57% in 2007. More than three quarters of people made at least one online purchase in 2016, as Chart 1 on the following page shows.[7]

[5] Office for National Statistics Digital, Basket of goods 2015: what's in and out?, 17 March 2015
[6] Office for National Statistics, Consumer Price Index Basket of Goods and Services: 2016, 15 March 2016
[7] Office for National Statistics, Internet Access - household and individuals, 4 August 2016

Chart 1: Increasingly people are turning online to do their shopping



Source: Office for National Statistics[8]

Consumers now also have more tools to help them assess goods and services, again a result of technological innovation. Price comparison websites help people to compare consumer items across the market, and online customer reviews allow consumers to gather the insights of previous purchasers of a product before making a decision.

Consumers are still experiencing problems

The trends just highlighted have undoubtedly brought many positives, convenience and lower prices (including the ability to easily find these prices) chief amongst them. But consumers still face considerable problems. Recent Citizens Advice research has found that UK consumers experienced at least 123 million consumer problems in 2015, costing at least £23 billion in the form of faulty goods, substandard service, and the time and money spent on dealing with these issues.[9]

Television, phone, and internet service provision was the sector where most occasions of consumer detriment occurred, accounting for 22 per cent of all instances. Overall, consumers spent 1.2 billion hours dealing with these problems, which equates to 22.5 hours per person over the 12 month period.

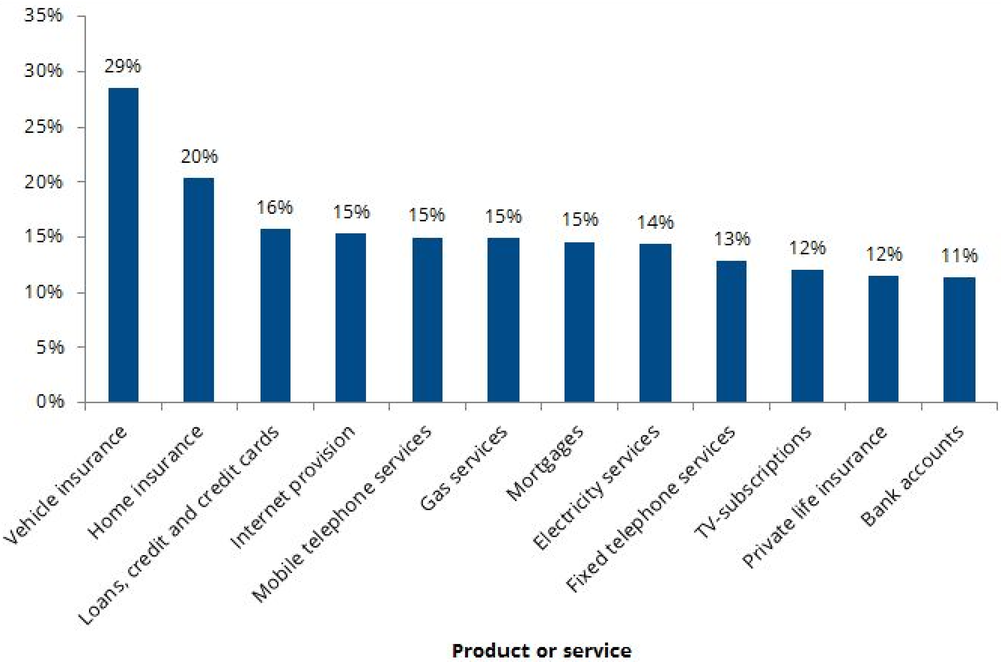
The £23 billion figure noted above does not include 'structural' costs, such as the savings foregone by not switching tariff or supplier to get a better deal. The full scale of consumer detriment in the UK is therefore likely to be much higher. We know that people find it difficult to engage in some markets, which means that

[8] Shopping online, 2008 to 2016. Base: Adults (aged 16+) in Great Britain

[9] Citizens Advice, Consumer detriment: counting the cost of consumer problems, 23 September 2016

they rarely change product or provider: only 11 per cent of people in the UK switched their bank in 2015, and only 14 per cent switched electricity tariff or supplier.[10]

Chart 2: There are some markets in which people in the UK rarely changed product or provider in 2015



Source: European Commission[11]

This 'inertia' is leading consumers to miss out on considerable reductions to their bills. The Government recently claimed that many households could save around £200 a year through switching energy supplier.[12]

More engagement means more time

How should we respond to the fact that known consumer detriment is so high and switching levels so low? One answer consistently offered is to increase consumer engagement and activity in markets. The Office of Fair Trading (now part of the Competition and Markets Authority) has argued that we "need engaged consumers, able to access, assess, and act on information".[13] Similarly, according to the European Commission:

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[10] European Commission, Consumer Markets Monitoring Survey, 2016

[11] Percentage who switched product or provider in 2015. Base: Consumers (aged 18+) who bought the product/service relating to each market (500 per market)

[12] Department for Energy and Climate Change, Many households could save around £200 per year through switching energy supplier: Basis for claim, 12 February 2016

[13] Office of Fair Trading What does Behavioural Policy Mean for Regulated Markets?, March 2010

> “[e]mpowered consumers make optimal decisions by understanding their own preferences and the choices available to them. They know their rights, recognise when they have been breached and if so, complain and seek redress if necessary.”[14]

In an ideal world, all consumers would be able to reach this high standard, without significant inconvenience or effort. They would be able to easily assess the goods and services on the market, evaluate the options, and acquaint themselves with the rights and responsibilities associated with the contract they are entering into.

In the real world, however, more consumer engagement means that more of consumers’ time is spent engaging in consumer markets. The impact of this is less time spent performing other activities.[15] The ONS found that, on average in 2005, people spent 13% of their time on domestic work, including shopping.[16] And previous research has shown that only 1% of the British population would choose to spend more time on “shopping and services” if they could.[17] Increased engagement in consumer markets is, therefore, unlikely to be either effortless or convenient for consumers. While it is welcome that regulators are increasingly incorporating insights from behavioural economics into their approach, there is more that could be done to ensure that consumer markets work better, and reduce the detriment consumers face.

More engagement is often offered as the answer to the challenges that consumers face, but there is such intense competition for consumers’ limited time. This report looks to better understand the impact increased engagement would have on consumers’ lives.

Consumer engagement can be divided into three parts: pre-sale activities (browsing and researching options), sale (placing orders and making the purchase), post-sale (cancelling and changing orders, returning unwanted goods, making complaints, etc).[18]

To restrict the scope of the project, this research focuses on the first part of consumer engagement - the pre-sale, decision-making process. The rest of this

[14] European Commission Staff Working Paper, Consumer Empowerment in the EU, 7 April 2011
[15] Gurshuny, J, Changing Times: Work and Leisure in Postindustrial Society, 2003
[16] Office for National Statistics, Time Use Survey, 2005, 31 August 2016
[17] Ipsos Mori, National Survey of Time Use, 2000. Cited in Gill Wales research for Citizens Advice, Consumers’ engagement with markets and the implications for their use of time, February 2014
[18] Gill Wales research for Citizens Advice, Consumers’ engagement with markets and the implications for their use of time, February 2014

report explores what this process would look like if consumers were more engaged in markets, and the impact this would have on consumers.

2. Following a 'good' decision-making process takes longer than is natural

The previous section outlined significant recent changes to the consumer landscape, the high level of detriment people face, and the suggestion that increased engagement is the answer. The rest of this report is devoted to exploring the impact that increased engagement would have on consumers, focusing on the pre-sale, decision-making process specifically. This section examines what a 'good' decision-making process would look like and how long it would take to complete compared to a process that is more natural for consumers.

The research finds that a 'good' decision-making process requires more of consumers' time than if they were making the decision naturally, and has a proportionately larger impact on the certain stages of the decision-making journey - especially reading reviews and consulting others.

A consumer-led definition of a 'good' process

There is extensive literature on how consumers should behave in order to secure a good deal and make a market work efficiently. Typically, this assumes that consumers will have access to all the relevant information, have assessed all the options, and make a decision that successfully maximises personal utility. The problem with much of this is that it relies on a highly idealised account of the way people behave. In the real world, consumers exhibit a range of behavioural 'biases' and use rules of thumb which mean decisions systematically deviate from what you would expect from a perfectly 'rational', utility-maximising economic actor.[19]

In order to avoid proposing a decision-making process that strayed too far from what consumers in the real world are capable of, a realistic process was co-designed with consumers. This was explicitly designed to not be a 'perfect' process, as this would be unrealistic for most consumers. This involved asking consumers in focus groups what they think a 'good' decision-making process involves: what do people want from a consumer decision-making process, what different factors affect the process, and what steps should be included in it.

[19] For an overview of the range of behavioural 'biases' observed in human behaviour, see Kahneman, D, Thinking, Fast and Slow, 2012

The findings regarding what the objectives of a good process are should come as no surprise: consumers want to follow a decision-making process that **delivers the best deal for them and their family** and that **leaves them feeling satisfied**. The question of what decision-making process leads to the best deal for consumers was outside the scope of this research. The important issue of what leaves consumers satisfied is something we will come back to in section 3.

The factors affecting a 'good' decision-making process

Following a 'good' decision-making process can be a complicated and challenging task, informed by a variety of factors. When developing a consumer-led account of a good decision-making process, consumers identified five influential factors:

1. Whether the decision has emotional implications
2. Whether there are outside influences (e.g. the arrival of a new baby or an urgent decision about placing an elderly relative in care)
3. Whether the decision involves more than one person
4. Whether the decision is complex
5. The number of decisions and amount of information being juggled at any one time

Emotional implications (factor 1) and outside influences (factor 2) were beyond the remit of this research. The remaining three features are explored in more detail below.

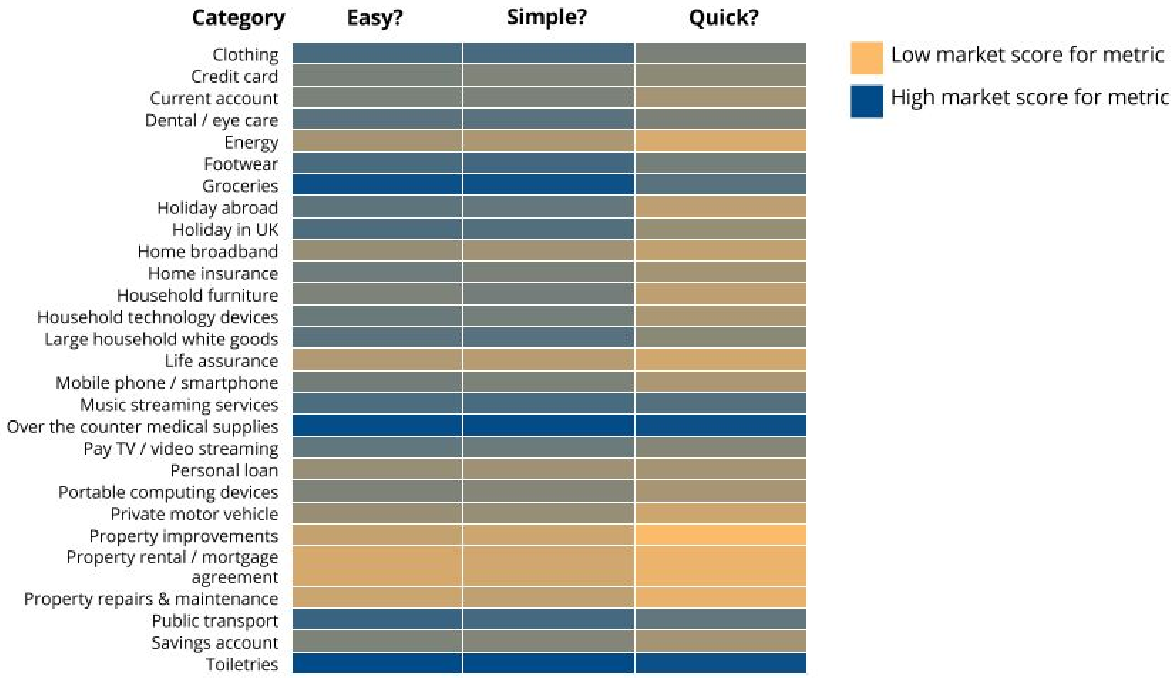
Factor 3: Decisions that involve more than one person

Consumers feel that decisions involving more than one person took longer. This is not specific to any group of markets – in fact, in multi-person households there is some level of joint decision-making taking place in all markets, even in those we might consider solely 'personal' products and services such as clothing.

Factor 4: Decisions that are more complex

The complexity of the decision-making process contributes to longer decision-making time. A representative sample of consumers rated the decision-making process in each market on 3 scales in order to identify certain market characteristics, including complexity. One of the measures asked about time to give an indication of consumer *perceptions* of how long decisions would take.

Chart 3: Consumers perceive complex markets as taking more time



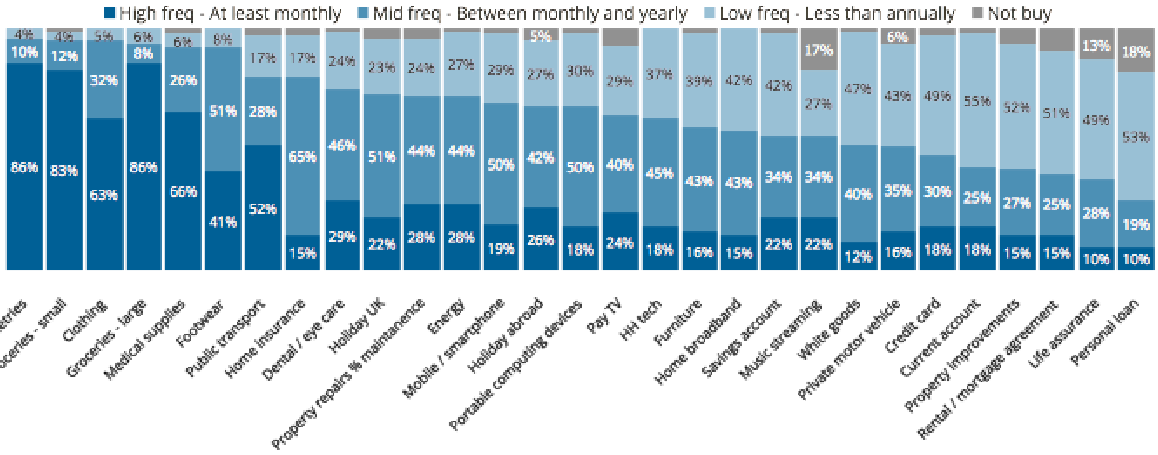
Source: Verve Market Research[20]

Factor 5: The number of decisions and amount of information being juggled

When consumers were asked how often they consider which company to buy goods and services from, the research found that decisions in some markets are reviewed more frequently than others. For example, a decision on a current account is reviewed less than annually by the majority of consumers whilst decisions on toiletries are reviewed at least monthly, if not more often. This means there are multiple decisions being juggled at any one time, which impacts on the thoroughness consumers apply to decision-making in some markets.

[20] Question: 'Using the scale shown, how would you describe the process of choosing which companies to buy the following goods and services from?' Base: All seeing question (minimum 1,200)

Chart 4: Decisions in some markets are reviewed more frequently than in others



Source: Verve Market Research[21]

The steps a 'good' decision-making process should include

Consumers identify seven different steps involved in a 'good' decision-making process. These steps are not always linear or necessary in every market: a typical grocery shop, for example, shortcuts many stages because it is often completed on 'auto-pilot'.

Figure 1: Stages consumers identified as part of a 'good' decision-making process

Before testing the consumer-led account of a 'good' decision-making journey, the steps were refined to cover specific activities that consumers might undertake when making a decision. These steps would act as cues to the group of prompted consumers in our research. This gave five steps of a 'good' consumer decision-making journey.

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[21] Question: 'When was the last time you reviewed/considered which companies to buy the following goods and services from?' Base: All who make decisions for household (minimum 607)

Figure 2: Steps for consumers in 'prompted' decision-making process group [22]

How does 'good' compare with how consumers naturally behave?

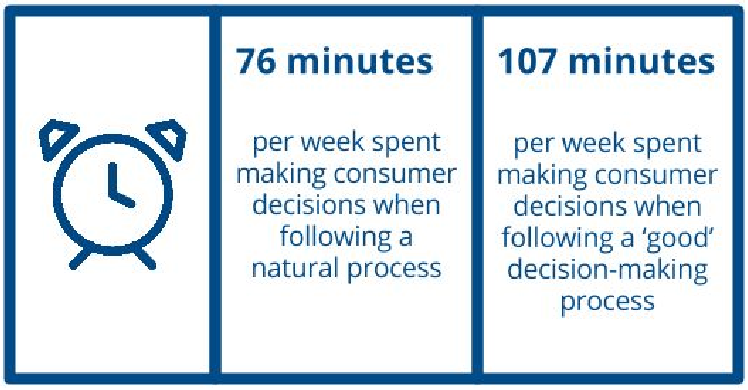
Once the steps involved in following a 'good' decision-making journey were identified, the time it takes to complete a 'good' decision-making journey was compared with the time consumers take when behaving naturally, or unprompted.

When following a natural, unprompted decision-making process, consumers spend an average of 66 hours a year making decisions in consumer markets. This equates to 5.5 hours a month, 76 minutes a week, or 11 minutes a day. This is the amount of time consumers spend *making consumer decisions* and does not include other tasks such as carrying out the transaction itself or returning unwanted goods, which fall under the sale and post-sale components of consumer engagement respectively. The figure for the average amount of time spent on *all consumer tasks* will be greater.[23]

How does this compare with when consumers are prompted to follow a 'good' process and undertake steps they themselves consider important? Analysis shows that to follow a 'good' process consumers would need to spend 95 hours a year making consumer decisions. That equates to 7.7 hours a month, 107 minutes a week, or 15.4 minutes a day. This is an increase of 41% on the natural, unprompted consumer decision-making time.

[22] Consumers involved in our research were not required to read terms and conditions when making purchases in 'high frequency consumer markets' such as groceries and over the counter medical supplies, as this would be considered to go far beyond a 'good' consumer decision-making process for these items
[23] In 2011, the European Commission estimated that European consumers spend an average of 27 minutes a day on 'all consumer tasks'. See: European Commission Staff Working Paper, Consumer Empowerment in the EU, 7 April 2011

Figure 3: Following a 'good' decision-making process takes longer than is natural

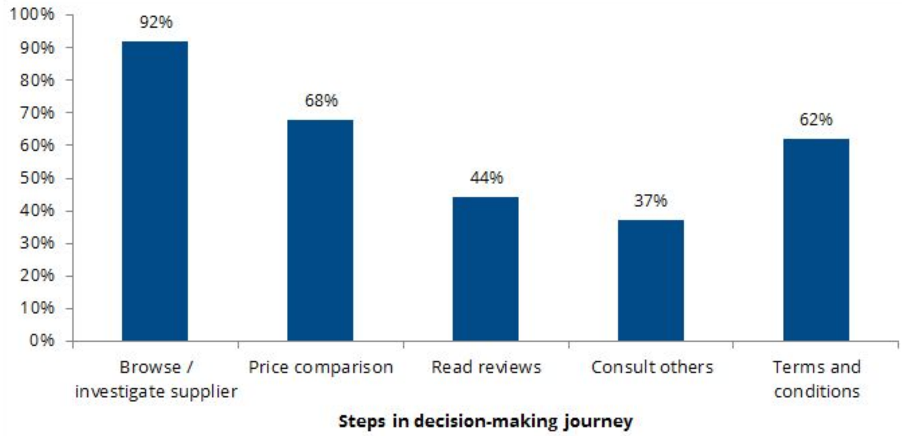


What do consumers spend their time doing?

The research explored in more detail where consumer decision-making time - both natural and prompted - is spent. This analysed how much time both the natural group and the prompted group[24] spent on each of the steps highlighted by consumers themselves as defining a 'good' decision-making process.

Browsing or investigating suppliers directly is the most common step to be followed naturally, with over 9 in 10 consumers completing this step. Almost 7 in 10 consumers use price comparison websites when following a natural decision-making process. Less than half read reviews.

Chart 5: Browsing or investigating suppliers is the most common step completed by consumers following a natural decision-making process



Source: Verve Market Research[25]

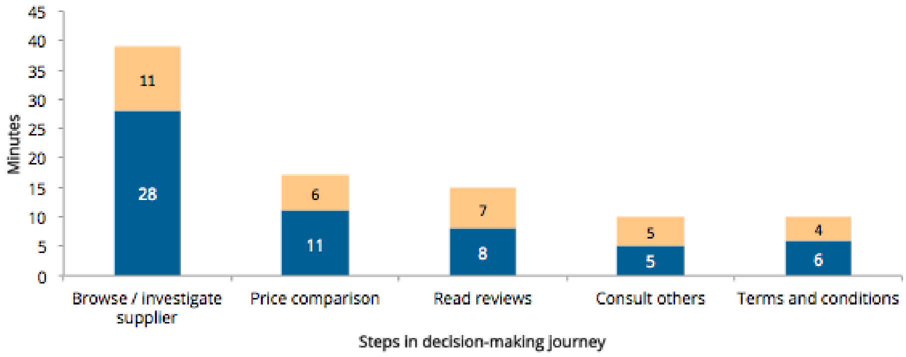
[24] Each group contained a demographically matched selection of over 300 people. Only decision-makers who were intending to renew or purchase in market in the next year (shorter time period for high frequency items clothes and groceries) were selected to be participants. See Against the clock - Appendixes for more on sample size and breakdown

[25] Question: 'How long did you spend on each of the following steps, in minutes?' Base: All consumers deciding naturally (345)

Consumers also spend the majority of their natural decision-making time browsing or investigating the supplier directly, and less time is spent on other activities such as reading terms and conditions. Consumers only spend an average of 6 minutes on this final step, despite nearly two thirds claiming to read terms and conditions.

Asking consumers to follow a 'good' decision-making process leads them to take longer on every step, but the extent of the extra time spent varies considerably. Prompting makes the most difference to the time spent reading reviews and consulting others, which take 7 and 5 extra minutes respectively when prompted - doubling the natural decision-making time for consulting others. For terms and conditions, we see a 67% uplift in the time spent reading them when consumers are prompted, which is equivalent to an additional 4 minutes.

Chart 6: Prompting consumers to follow a 'good' decision-making process has different impact on different steps



Source: Verve Market Research[26]

How long do different demographic groups take to make consumer decisions?

Unless otherwise stated, all of the findings in this report represent the decision-making times of the average consumer in different markets. But how long do different groups take to make consumer decisions?

When making consumer decisions naturally, women take more time than men. This may be explained by the fact that women are more likely to consider themselves joint decision-makers and to consult others in the decision-making process, both of which contribute to longer decision time overall. Subsequently, men spend more time per decision-making occasion when prompted to make a 'good' decision than women do (97 vs. 76 minutes).

[26] Question: 'How long did you spend on each of the following steps, in minutes?' Base: All consumers deciding naturally (345)

35-54 year olds tend to spend more time making natural consumer decisions than both those younger (18-34) and older (55+). Being prompted to follow a 'good' decision-making process has a striking impact on the decision-making time of 18-34 year olds, leading them to spend an extra 29 minutes per decision-making occasion compared to the average consumer.

The same is not true for the over 55s, however. This group spends less time on decision-making than average, both when deciding naturally (12 minutes less) and when prompted to follow a 'good' decision-making process (21 minutes less). This suggests that older consumers may be less responsive to prompts to engage more in consumer markets.

What about the financially vulnerable?[27] This group spends less time on natural decision-making compared to those that are better off (53 vs 60 minutes). However, unlike men and younger consumers, compared to the average time all consumers spend on decision making when prompted, the uplift in time spent by those who are financially vulnerable is lower, suggesting that prompting has less of an impact on this group. This suggests that prompts are less effective for the group who arguably could benefit the most.

[27] See Against the clock - Appendixes for details of how 'financially vulnerable' was defined

3. Following a ‘good’ process leaves consumers feeling less satisfied

The previous section showed that following a ‘good’ decision-making process takes longer than it takes consumers to follow an unprompted process. This leads to more time spent on all steps, especially those where consumers are not spending much time naturally, such as reading reviews. But consumers themselves highlight that a ‘good’ decision-making process is not an end in itself - it is a means to deliver a good deal and satisfaction.

The question of which decision-making process resulted in the best deal for consumers was beyond the scope of this research. This section explores how much time consumers spend in different markets, and examines whether taking the extra time to follow a ‘good’ decision-making process delivers the second part of what consumers want from a consumer decision: satisfaction.

The research finds that consumers spend the least amount of overall natural decision-making time in regulated essential services markets, despite the relatively high cost of these services. Following a ‘good’ decision-making process also has the biggest impact on the length of time spent making decisions in these markets. Furthermore, following a ‘good’ decision-making process leaves people feeling less satisfied. In regulated markets, reading terms and conditions has a particularly negative impact.

Consumers deciding naturally spend the least amount of time in regulated markets

Following a natural consumer decision-making process takes 11 minutes a day, rising by 41% when a ‘good’ decision-making process is followed. But how is this time distributed across different markets?

When looking at that how decision-making times varied across markets, a pattern quickly emerges. Those markets in which decisions are made frequently and which require fewer steps take less time, while choosing in markets where decisions are made less frequently and require more steps takes longer. Within the latter group of markets, in which decisions are infrequent but involve more steps, a further divide can be made between those markets that are heavily regulated and those that are not. This produced the following three macro groups, which we used in the rest of the analysis:[28]

Low frequency consumer purchases	Regulated essential services markets	High frequency consumer purchases
Cars, Holidays, Household furniture	Financial services, Energy, Broadband	Clothing, Footwear, Groceries

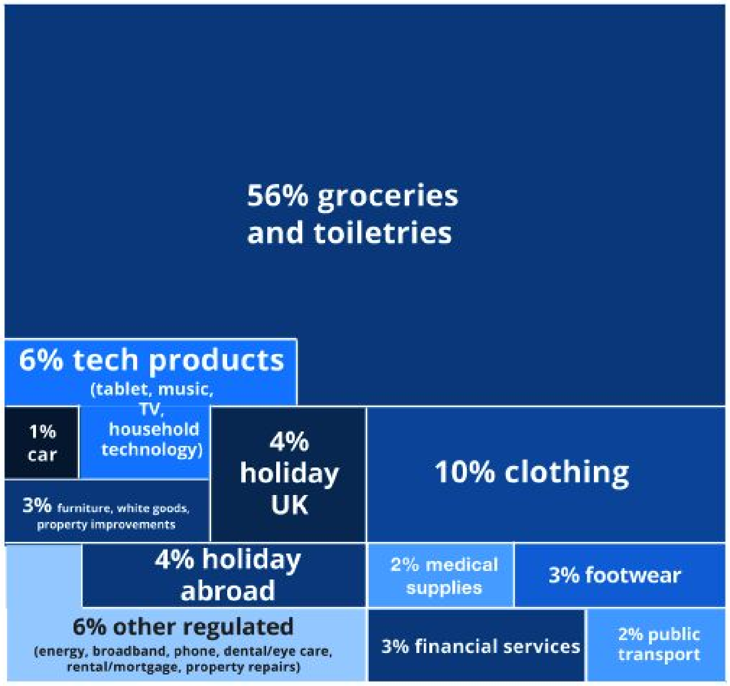
If each decision-making occasion is considered separately, consumers spend the most time choosing infrequent consumer purchases such as holidays, technology products and home improvements (including new furniture), while very frequent, transactional decisions such as buying over the counter medical supplies and groceries are completed relatively quickly. Decision time in regulated essential services markets comes somewhere in the middle – consumers do not spend as long on these decisions as they do their holidays, for example, but they demand more time than the average grocery shop.

As noted previously, consumers review their decisions in different markets with varying frequencies. For example, supplier decisions in markets such as groceries and toiletries take relatively little time per occasion, but happen much more often than for a current account or energy provider where it takes consumers longer to reach a final decision. When we account for the frequency with which consumers make *all* their different decisions in a year, most of the 76 minutes a week is actually taken up with the minor transactional decisions (like choosing where to buy groceries). Further, when we compare how long consumers spend on other infrequent purchases with comparable purchase frequency (such as holidays or household furniture), they spend longer on average making those decisions than they do making decisions in regulated essential services markets.

Chart 7 on the following page shows the percentage of decision-making time that each market takes up in an average week. Chart 8 shows the percentage of decision-making time taken when markets are sorted into the three macro groups identified at the beginning of this section. Only 11% of consumer decision-making time is spent on regulated essential services markets such as energy, telecoms and financial services. This is compared to 18% of overall decision-making time spent on infrequent consumer purchases (holidays, technology, private transport, etc.) and 71% on high frequency consumer purchases (groceries, clothing, toiletries, etc.).

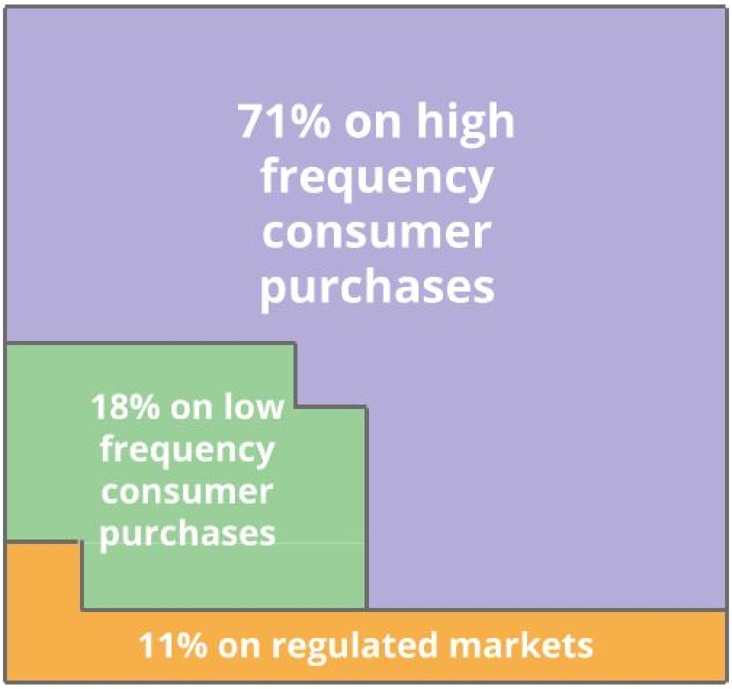
[28] Low frequency purchases are made less than 4 times a year. High frequency purchases are made more than 4 time a year

Chart 7: Proportion of overall time spent on consumer decision-making (accounting for decision frequency), by market



Source: Verve Market Research[29]

Chart 8: Proportion of overall time spent on consumer decision-making (accounting for decision frequency), by macro market grouping



Source: Verve Market Research[30]

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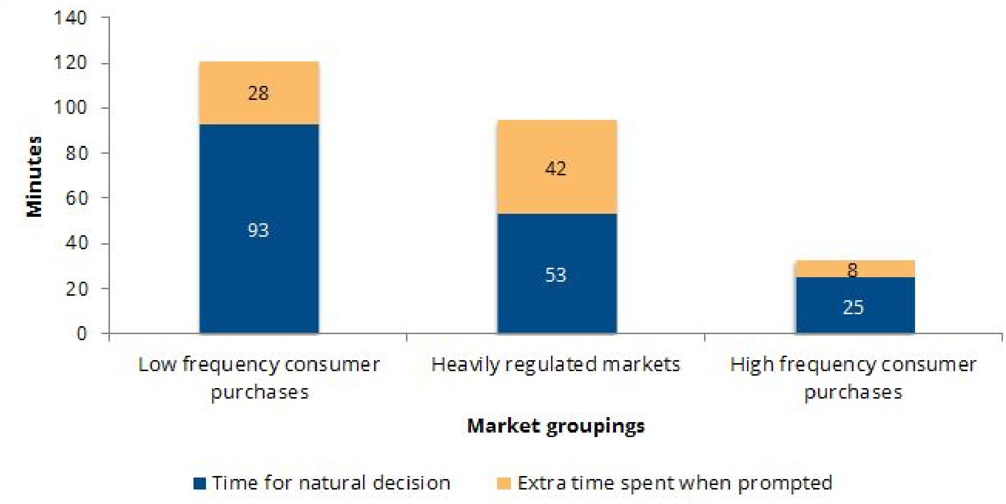
[29] Question: 'How long did you spend on each of the following steps, in minutes?' Base: All consumers deciding naturally (345)
[30] Question: 'How long did you spend on each of the following steps, in minutes?' Base: All consumers deciding naturally (345)

Following a ‘good’ decision-making process has the greatest impact on the time spent in regulated essential service markets

The previous section demonstrated that following a ‘good’ decision-making process takes longer than is natural for consumers. This impacts different markets in different ways. In both high and low frequency consumer markets, prompting consumers to follow a ‘good’ process results in consumers spending an additional 8 and 28 minutes respectively on decision-making, around 30% more time in each case. However, in regulated essential services markets, consumers need to spend an average of 79% more time in order to follow what they deem to be a ‘good’ process - equivalent to an extra 42 minutes.

Chart 9: Following a ‘good’ decision-making process makes the most difference to time spent in regulated markets



Source: Verve Market Research[31]

The amount of time consumers spend in different markets is important because many of the systematic biases people exhibit - such as ‘inertia’, the propensity to stick with the status quo, even when there are benefits from switching - are particularly pronounced in regulated markets.[32] Previous Citizens Advice research found that despite regulated essential service markets appearing high on consumers’ reported list of markets it was important to engage in, observed behaviour showed that they were less of a priority in practice. Consumers engage less often, and when they do engage spend less time, in regulated essential service markets compared to others.[33]

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[31] Question: ‘How long did you spend on each of the following steps, in minutes?’ Base: Vary by market (minimum 196)

[32] The Behavioural Insights Team for Citizens Advice, Applying behavioural insights to regulated markets, 26 May 2016

[33] GFK for Citizens Advice, Consumers’ hierarchies of priorities, May 2014

Why do consumers engage less in regulated essential service markets?

There are two characteristics of regulated essential service markets that make consumers less likely to engage with them. First, the products are often indirect in the sense that consumers do not benefit from them directly. In many cases they are a means to an end: an electricity supply, a bank account, and an internet connection, for example, are used to facilitate or enable other transactions. Second, regulated essential service markets involve infrequent purchases in the sense that they entail entering into contracts with suppliers which last for a significant amount of time. In many cases, consumers need only make one purchase - the default is for the service to continue to be supplied.[34]

A further characteristic of regulated essential service markets helps to shed light on the different levels of engagement between the macro market groups focused on in this research. High frequency purchases such as groceries are quick, simple and require little thought. A research participant making a decision about over the counter medical supplies described the process as a "[v]ery easy task. It's something that is routine to me anyway." This helps to explain the relatively small amount of time spent on decision-making in these markets on average.

Consumers describe the decision-making process in both low frequency consumer purchases and heavily regulated markets as being more time consuming due to the large range of options and choices available, but tend to regard this large amount of choice in a more positive light for low frequency consumer purchases. Indeed, some consumers clearly revel in the process of making decisions in these markets. One consumer who participated in our research noted that they "like researching things like laptops because [they] really look forward to getting the latest models of things".

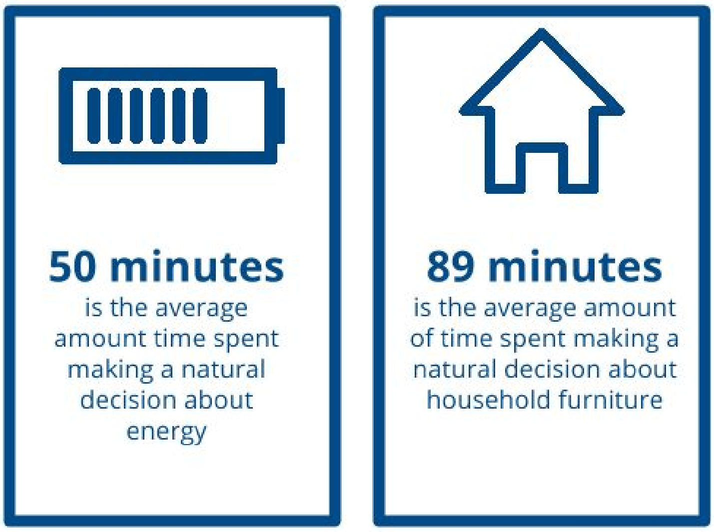
But decision-making in regulated markets is different - often it is described as something that consumers are reluctant to do. As one respondent making a decision about home broadband put it:

> "I found the task tedious because there are so many options to choose from, not just broadband but everything else is bundled in, calls etc."
>
> Consumer making decision about home broadband

[34] GFK for Citizens Advice, Consumers' hierarchies of priorities, May 2014

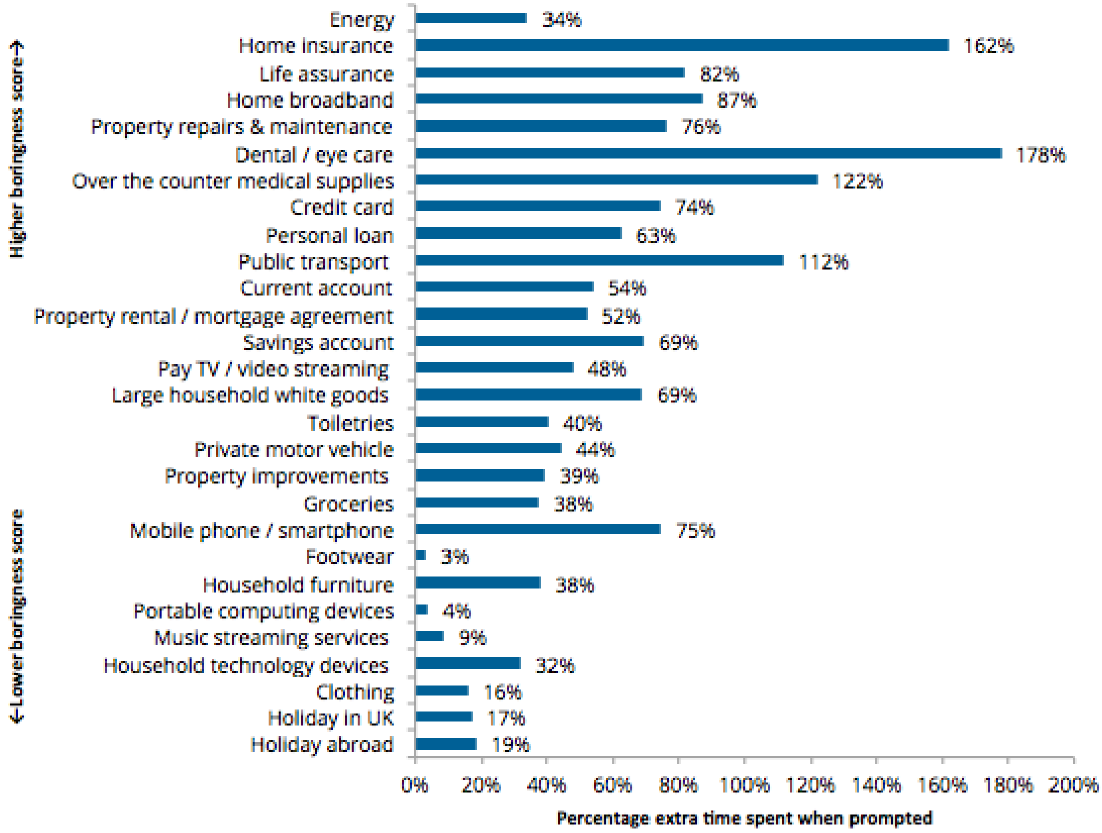
Participants in the research were asked to rate how 'boring' or 'enjoyable' different markets are and this was mapped against the length of time they spend in these markets when deciding naturally. We found that consumers tended to spend less time in those markets which they rated as less enjoyable, such as energy, compared to enjoyable markets such as household furntiure. Regulated markets tended to be rated as less enjoyable than average.

Figure 4: Consumers deciding naturally spend more time making a decision about household furniture than energy



How much consumers enjoy making decisions in markets is also related to how much *extra* time they spend when prompted to adhere to a 'good' decision-making process. When boring / enjoyable scores in each market were compared with the amount of extra time spent when prompted, this research found that the less enjoyable the decision process is considered, the higher the proportion of extra time spent when prompted, as illustrated in Chart 10 on the following page.

Chart 10: Less enjoyable markets demand more extra time when consumers are prompted to follow a 'good' decision making process



Source: Verve Market Research

Following a 'good' process actually reduces satisfaction levels

We know that satisfaction is one of the core objectives consumers want a decision-making process to deliver. Does taking the time to follow a 'good' process lead to higher satisfaction?

Consumers who followed a natural decision-making process and those who were prompted to follow a 'good' process were asked how satisfied they were with the process they took. A higher proportion of consumers who made a natural decision are 'very satisfied' (51%) compared to those who were prompted to follow a 'good' process (39%).

Consumers are more likely to be very satisfied with their decision if they decide naturally than they are when prompted to follow a 'good' decision-making process

This suggests that consumers who were asked to make the effort to follow a 'good' decision-making journey were less happy than those who simply did what came naturally to them. And the situation is particularly bad in regulated markets. Chart 11 shows the proportion of consumers who are very satisfied that the process they adhered to resulted in the best decision after having followed a 'good' decision-making process. Satisfaction levels after being prompted are lowest in regulated markets. This is despite the high proportion of extra time spent on prompted decisions in regulated markets, further underlining the finding that spending more time on a decision does not guarantee greater satisfaction with the result. The fact that satisfaction is lowest in regulated markets may be because consumers are being forced to spend more time on an activity they don't enjoy.

Chart 11: The proportion of consumers who are 'very satisfied' after following a 'good' decision-making process is lowest in regulated markets

Source: Verve Market Research[35]

What might explain why satisfaction levels decrease following increased consumer engagement? One reason might be related to the consequences of having too much choice. Of course having some choice is better than having none. Evidence from behavioural economics suggests, however, that more options can lead to consumers being overwhelmed by choice, hindering rather

[35] Question: 'How satisfied are you that the process you took resulted in the very best decision for your needs budget?' Base: Vary by market (minimum 48)

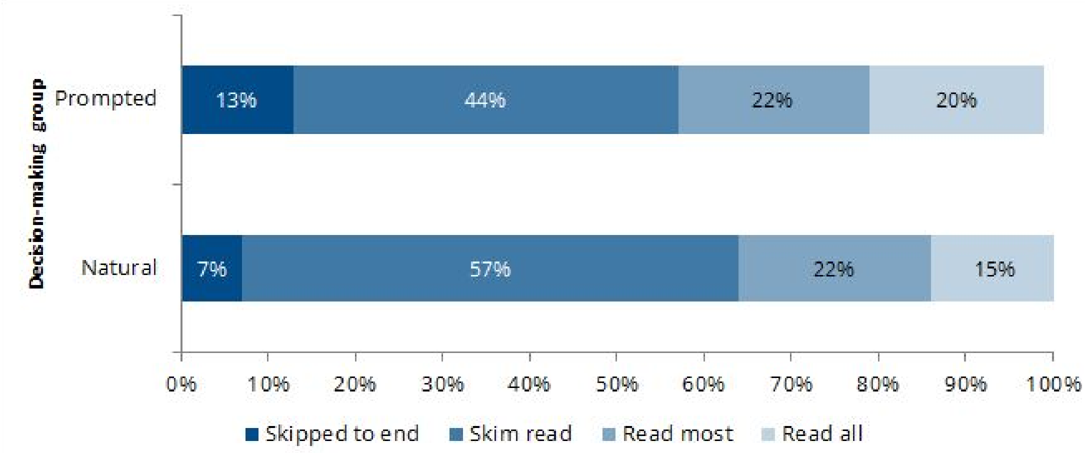
than helping good decision-making.[36] Some psychological studies have shown that too much choice can leave people less happy not more.[37]

Reading terms and conditions is especially counterproductive

As we saw in the previous section, consumers spend an average of 6 minutes reading terms and conditions naturally, and when prompted to read them they spend an additional 4 minutes on them. This represents an uplift of 67%. But how thoroughly are consumers actually reading terms and conditions?

Prompted consumers do read terms and conditions slightly more thoroughly, with an additional 5% of consumers claiming to 'read them all' (15% natural vs. 20% prompted). However the majority (57%) still claim to either skip to the end or skim read them. This was despite instructions (and a small monetary incentive) which primed the prompted consumers to follow a 'good' process and specific prompts to read terms and conditions thoroughly. In fact, prompting consumers to follow a 'good' decision-making process actually led more people to opt out of reading terms and conditions completely: almost twice as many of the prompted group skipped to the end compared to the natural group (13% vs 7%).

Chart 12: Following a 'good' decision-making process leads to slightly more people reading terms and conditions



Source: Verve Market Research[38]

[36] Perry, V. G & Blumenthal, P. M, Understanding the Fine Print: The Need for Effective Testing of Mandatory Mortgage Loan Disclosures, Journal of Public Policy & Marketing. Fall 2012, Vol. 31, No. 2, pp. 305-312
[37] Schwartz, B, The Tyranny of Choice. Scientific American, 1 December 2004
[38] Question: 'Part of your task was reading the terms and conditions of your purchase. How much if the terms and conditions did you read? Base: All consumers who participated in mystery shopping (656)

Terms and conditions are undoubtedly a turn off - consumers complain they are too long and difficult to understand. The main reasons for not reading them, according to a European Commission study, are the length of time they take to read, the small size of the print, and the difficulty in understanding the contract.[39] In one survey by investment specialist Skandia, 12% of consumers said they would rather read the phone book.[40]

The qualitative insights gathered from the research participants chimed with these findings. One consumer making a decision about a mobile phone noted that, when it comes to terms and conditions, they read “only the basic stuff as it took too long”. Another deciding about a current account described them as “not easy to follow”. A consumer making a decision about energy captured the unappealing nature of terms and conditions succinctly:

> “Terms and conditions are lengthy and complicated. I just ask my friends and relatives and compared their views then decided”
>
> Consumer making a decision about energy

Increasingly, evidence suggests that more information is not always better for consumers, as it can impede as opposed to enable good decision-making.[41] These findings further demonstrate the limitations of information provision: despite more information on the purchase being made available to consumers, most do not read it thoroughly and many don’t understand it properly.

Even more concerning, consumers deciding naturally are more likely to feel 'very satisfied' with provider choice in regulated markets when they do *not* review terms and conditions than when they do. 53% of those who do not read the terms and conditions are ‘very satisfied’, compared to 42% of those who do read them.

Consumers who read terms and conditions are less likely to be satisfied that they have made the best choice than those who do not read terms and conditions

[39] European Commission Staff Working Paper, Consumer Empowerment in the EU, 7 April 2011
[40] Skandia, Press Release: Skandia Takes the Terminal out of Terms and Conditions, 23 May 2011
[41] Perry, V. G & Blumenthal, P. M, ‘Understanding the Fine Print: The Need for Effective Testing of Mandatory Mortgage Loan Disclosures,’ Journal of Public Policy & Marketing. Fall 2012, Vol. 31, No. 2, pp. 305-312

This finding suggests that far from making consumers happier with their decision, reading the terms and conditions often has the opposite effect, making consumers feel less reassured. As a consumer making a decision about a mobile phone put it:

> “I don't like looking for phone deals, there is always too many conditions, you never get what you want or need, and I don't take in all the details very well”
>
> Consumer making a decision about a mobile phone

Conclusion

More time is not the answer for consumers

Consumers continue to experience problems in an increasingly varied and diverse marketplace, and more engagement is often offered as the answer. If only consumers were more active in the market - taking the time to assess all the information, evaluate all the available options, and switch to get a better deal - then they would have a better experience. This report interrogates this suggestion and explores the implications of following a 'good' decision-making process for consumers.

Being prompted to follow a 'good' process results in consumers spending more time making decisions than they would if they were left to do so naturally. Prompting does not affect all stages of a 'good' decision making process equally: reading reviews and consulting others undergo the largest uplift.

The research also finds that consumers spend the least amount of time in regulated markets, which they tend to rate as less enjoyable than other low frequency purchases. Finally, this report finds that those consumers who followed a 'good' decision-making process are less satisfied with their decision than those who embarked on the decision naturally, and this 'satisfaction cost' is most prominent in regulated markets. Reading terms and conditions does not help: most do not read them thoroughly, many don't understand them, and, in regulated markets, reading terms and conditions decreases the chance that you will be satisfied with your decision.

How can these findings be explained? How boring or enjoyable consumers rate a market appears to be a determinant in whether they are willing to spend more time in them. And the reduced satisfaction levels of consumers who follow 'good' decision-making processes and read the terms and conditions may be explained by the effects of having too much choice or being presented with too much information. Cumbersome consumer processes could be contributing to the poor feeling consumers are left with.

Important as these findings are for consumer policy, we should be careful not to draw the wrong conclusions from this research. We don't know what happens to consumers' satisfaction levels over time - they could rise or fall following a lag of a few months, say. And, because we focussed on the pre-sale decision-making process only, we don't know what the impact of following a 'good' decision-making process is on consumers' ability to get the best deal for themselves and their family - the other part of what consumers say they want a decision-making process to deliver.

What are the implications of this research? It underlines the particular problem consumers have engaging in regulated markets and the fact that simply providing more information will not always assist decision-making. It also shows that when it comes to improving consumers' experiences of markets, more time spent engaging in decision-making is highly unlikely to be the whole answer, as it does not appear to deliver a key part of what people want, but instead leaves them less satisfied.

Reflections

We hope that this report contributes to a continuing discussion about how to reform consumer markets to ensure they are designed around how people really behave, deliver what people actually want, and truly work for everyone. This report offers 3 reflections for policymakers, regulators, companies, and others to inform this discussion.

The journeys that consumers have to follow are too difficult - this has a big impact on their experience and improvements should be a priority. Regulators should explore ways to incorporate the quality and speed of consumer journey into their assessment of whether a market is working well or not

A key finding of this research is that spending more time making decisions in consumer markets - especially regulated essential services markets - leaves people feeling less satisfied. This may be because people are bewildered by too much information or overwhelmed by too much choice.

To improve the experience of making consumer decisions in regulated essential service markets, regulators should identify targets for the time a consumer should need to spend to make a decision in different markets and the level of satisfaction they should have about their decision. Focussing on time specifically, most companies in the energy market have introduced 17-day switching and the energy regulator, Ofgem, has outlined plans for a move to next-day switching by 2019.[42] But the length of time it takes to *decide* whether and where to switch is likely to be at least as important as how long the switch itself takes.[43] With this in mind, one way to further help consumers would be for regulators to identify targets for the length of time it should take for consumers to make a good

[42] Ofgem, Moving to reliable next day switching, 2015
[43] The Behavioural Insights Team, Behavioural Insights Team response to Energy market investigation: Notice of possible remedies, 2015

decision about which service and supplier to choose in specific markets. Companies, including price comparison websites and other intermediaries, should display these times prominently on their websites for consumers to see as they embark on their decision. This will serve to reassure consumers and provide an incentive for companies to improve the customer journey so that they can be completed within the ideal times.

Consumer policy and interventions should be judged according to the outcomes they deliver for consumers. Take terms and conditions: a measure of good T&Cs should be determined by how helpful they are to consumers. Part of this is about making them shorter and more digestible
Our research found that prompting consumers to follow a 'good' process had mixed effects on whether they read terms and conditions: more read them in their entirety, but more also skipped them altogether. Strikingly though, among consumers making natural, unprompted decisions in regulated markets, those who read the terms and conditions were likely to be less satisfied with their decision. Again, it may be that consumers are feeling the effects of information overload in regulated markets.

Companies in regulated essential service markets should make their terms and conditions simpler and more digestible. Given the different information relevant to purchases in different markets, we should expect good practice to vary. But possible examples could include a one-page summary sheet of the key terms and conditions, or an easy-to-read information label containing basic details about the product, as exists in the energy market. This simplification would have the effect of making consumers more likely to read the key information, while also make them more satisfied and reassured that they have made the right decision.

A recent European Commission study has found that simplifying and shortening, (but not altering the substance of) terms and conditions led more consumers to read, trust, and be satisfied by them, and led fewer consumers to be frustrated by reading them.[44] This study also found that displaying the estimated length of time it would take to read terms and conditions resulted in more consumers accessing them, which strengthens the case for the previous recommendation.

[44] European Commission, Study on consumers' attitudes towards Terms and Conditions (T&Cs), 2016

There is a consensus emerging that consumer markets should be designed around how people behave in the real world, instead of how idealised models assume. But there is still much to learn about how to operationalise this in practice. The Department for Business, Energy and Industrial Strategy, the UK regulators network, and consumer organisations should continue to explore how to make markets deliver for consumers and make their experience as seamless as possible

This report is a contribution to a continuing conversation about how to reform consumer markets to ensure they are designed around how people really behave, deliver what people actually want, and truly work for everyone. A crucial part of this is to better understand exactly how people behave in regulated markets and what interventions will help to deliver the best outcomes, building on the work already done to make switching easier.

The scope of research was restricted to the pre-sale decision-making process only. This means that we were not able to explore the relationship between following a good decision-making process and securing a good deal, which is of course a key part of what consumers want. We were also not able to determine how consumers' satisfaction with their decision changed over time. Increased consumer engagement is the most commonly proposed method of decreasing detriment and improving people's experiences of consumer markets. A better understanding of the consumer process best able to deliver a good deal and leave people satisfied over the long term is crucial.

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