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Making consumers count: Promoting consumer protection in general policy making

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BEHAVIOURAL INSIGHTS APPLIED TO POLICY-MAKING

Ad Hoc Expert Group Meeting on Consumer Protection
UNCTAD, 29 November 2018
3000 staff
almost 75% are scientists and researchers.
Headquarters in Brussels and research facilities located in 5 Member States.
Our activities in BIs

1. Knowledge exchange with Member States
Knowledge exchange and/or cooperation with national authorities applying BIs to policy-making.

2. Scientific support to policy DGs
Scientific advice, including methodological support to the behavioural studies that the EC runs through contractors.

3. In-house behavioural research

4. Capacity building
Training for Commission staff and MS representatives.
What do we mean by 'behavioural insights in policy-making'?

BIs inform policy-making by shedding light on how people really behave.

<table>
<thead>
<tr>
<th>Regulation</th>
<th>Incentives</th>
<th>Information</th>
</tr>
</thead>
</table>

BIs have a complementary role

Assumptions
Public policy
Citizens' behaviour
Observed evidence

European Commission
Challenging the concept of *homo economicus*

- Design of pension plans: automatic enrolment
- Fighting antibiotic resistance: social norms to reduce unnecessary antibiotic prescriptions
- Improving financial decisions: standardizing financial information (KIID)
- Driving environmentally-friendly choices: energy labelling
- Increasing tax compliance: social norms and simplification of tax letters
- (…)

[European Commission logo]
'Better regulation' throughout the policy cycle

Policy (ex-ante) impact assessment
- Problem definition
- Identifying policy options
- Estimating impact of policy options

Policy implementation
- Considering the role of context, identifying the most effective way of implementation
Expanding the set of methodologies supporting policy-making

**Qualitative methods:** focus groups, interviews, ethnography, literature reviews.

**Quantitative methods:** field / lab / online experiments, randomised controlled trials.

*Figure 2: The basic design of a randomised controlled trial (adapted from Haynes, Service, Goldacre and Torgerson, 2012)*
Academic and institutional context

- **2002**
  - Proposal to ban pre-checked boxes in online contracts

- **2008**
  - Book: \textit{Thinking, Fast and Slow}

- **2009**
  - Review of the PRIPS legislation (Packaged Retail Investments Services)

- **2010**
  - Book: \textit{Nudge}
  - Review of the PRIPS legislation (Packaged Retail Investments Services)

- **2011**
  - DG ENER first behavioural study testing consumers' understanding and use of energy labels.

- **2013**
  - Book: \textit{Habit}

- **2014**
  - Recommendation on online gambling
  - Revision of the Tobacco Products Directive

- **2015**
  - Book: \textit{Social and Economic Research}

- **2016**
  - The EC publishes BIAP 2016

- **2017**
  - Proposal for a Regulation on E-Privacy

- **2018**
  - Book: \textit{Threats}

- **2019**
  - Book: \textit{The Future of E-Privacy}

- **2020**
  - Book: \textit{The Energy Transition}

- **2021**
  - Book: \textit{The Future of E-Privacy}

- **2022**
  - Book: \textit{The Energy Transition}

- **2023**
  - Book: \textit{The Future of E-Privacy}

- **2024**
  - Book: \textit{The Energy Transition}

- **2025**
  - Book: \textit{The Future of E-Privacy}

- **2026**
  - Book: \textit{The Energy Transition}

- **2027**
  - Book: \textit{The Future of E-Privacy}

- **2028**
  - Book: \textit{The Energy Transition}

- **2029**
  - Book: \textit{The Future of E-Privacy}

- **2030**
  - Book: \textit{The Energy Transition}
Internet Explorer Ballot Box: boost competition (2009)

Randomisation of the order of browsers

Scroll bar: 18 browsers
### Application of BIs in public policy

<table>
<thead>
<tr>
<th>Behavioural elements(s)</th>
<th>(Behavioural) lever</th>
</tr>
</thead>
<tbody>
<tr>
<td>Default bias</td>
<td>Regulation</td>
</tr>
<tr>
<td>Default bias, choice overload, inertia</td>
<td>Simplified choice context</td>
</tr>
<tr>
<td>Information overload, salience ...</td>
<td>Simplified and standardised product information, KIID</td>
</tr>
</tbody>
</table>
Informing the evaluation of regulation

EC energy labelling study:
- Alphabetic scales better than numeric scales
- Labels with an 'A to G' scale better than 'A+++ to D' scales.
- Label design more important when energy efficiency is not of key importance to consumers.


→ Framing and Simplification
Improving funding procedures

Work on better spending, in view of co-funding more impactful activities to combat gender inequality, gender prejudices and gender violence

- Co-drafting the Terms of Reference (in view of receiving better proposals)
- Training the evaluators & potential applicants
- Guidance for evaluators of proposals
- Guidance for applicants: targeted literature review on relevant interventions, behavioural drivers and levers
Reducing hassle and complexity

- Changing privacy settings
- Understanding entitlement to unemployment benefits
- Understanding Terms & Conditions
- (…)

Recent behavioural study: **switching energy providers**
- Participants shown a mocked-up energy bill, and asked if they would like to compare alternative deals, or ‘stay’ with current one.
- Testing the effect of **high vs. low effort** (click a button to view alternative deals)

Results: 54% vs 68% compared deals
42 vs 58% choose the cheapest deal
Encouraging consumer switching of financial products

1st Identification of:
- behavioural barriers discouraging consumers from engaging with the market;
- behavioural levers encouraging consumers to take decision to change;

2nd Testing the effectiveness of different behavioural levers encouraging consumers to shop around and/or to change retail financial products:
  - Lab experiment – current accounts
  - Online experiment – mortgages
  Evidence from: ES, DE, PL

3rd Deriving relevant policy recommendations from the research results.

The study findings will support the DG for Financial Stability, Financial Services and Capital Markets Union (DG FISMA) in the implementation of Action 3 of the 2017 Consumer Financial Services Action Plan.
In a nutshell...

- Informing public polices with a more realistic understanding of human behaviour.
- Expanding the set of tools and methodologies for evidence gathering.
- Rise of behavioural insights teams in governments and national authorities.
- Improving how public services are delivered, simplification of procedures, evaluating policy impact.
- Creating contexts of choice with a level playing field between consumers and suppliers.
Thank you.
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Consumer protection in digital contexts
The notion of *average consumer*

Directive 2005/29/EC unfair business-to-consumer commercial practices in the internal market:

- A commercial practice is unfair if it materially impairs an average consumer's ability to make an informed decision.

- Takes a benchmark average consumer who is *reasonably well-informed, reasonably observant and circumspect*.

- Contains provisions aimed at preventing the exploitation of vulnerable consumers, within specific target group such as children.

*Fit for the future?*  
*Fit for online environments?*
Some of our publications
Default settings

- **Privacy by default?**
  Default settings should not allow more data collection of use of personal data beyond what is required to provide the service; the use of personal data for other purposes requires explicit opt-out consent (Art 3.2 GDPR)

  - Most users do not change their privacy settings
  - Facebook: if users simply click "accept and continue" (when the pop-up appears), the setting is automatically turned on. Facebook requires users to go to "manage data settings" to turn off ads based data from 3rd parties.

- **Automatic renewals** of fixed duration contracts

- **Hidden options** (default presented, though hard-to-find alternatives exist)
Framing privacy settings

Focusing on the positive aspects of one choice, while glossing over the negative

Facebook's of use of face recognition "let us know when you're in other photos or videos so that we can create a better experience" without mentioning targeted advertisement based on emotional states.

Receiving personalised ads on Google "make ads more relevant to you" if switched off: "you'll see ads, but they'll be less relevant to you"
Energy Labelling Study

Methods
Online and bricks-and-mortar experiment

Findings
- Alphabetic scales better than numeric scales
- Labels with an 'A to G' scale better than 'A+++ to D' scales.
- Label design more important when energy efficiency is not of key importance to consumers.

Impact
Evidence was used in the Impact Assessment for the Regulation on Energy Efficiency Labelling, COM (2015) 341 final
Online gambling study:
- For 'in-gamble treatments', fixed monetary limits and alerts work
- Interrupting, altering or disturbing 'human-machine' interaction has a positive effect

Evidence informed EC Recommendation on Online Gambling (2014)

→ Pre-commitment strategies
Price framing

- Drip pricing
- Time limited offers
- Baiting
- Complex pricing
- Reference pricing