
**Ad Hoc Expert Group Meeting on Emerging consumer protection trends and challenges: Implementing the United Nations
Guidelines for Consumer Protection**

1st SESSION
29 November 201
Room XI, Palais des Nations, Geneva

Making consumers count: Promoting consumer protection in general policy making

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BEHAVIOURAL INSIGHTS APPLIED TO POLICY-MAKING

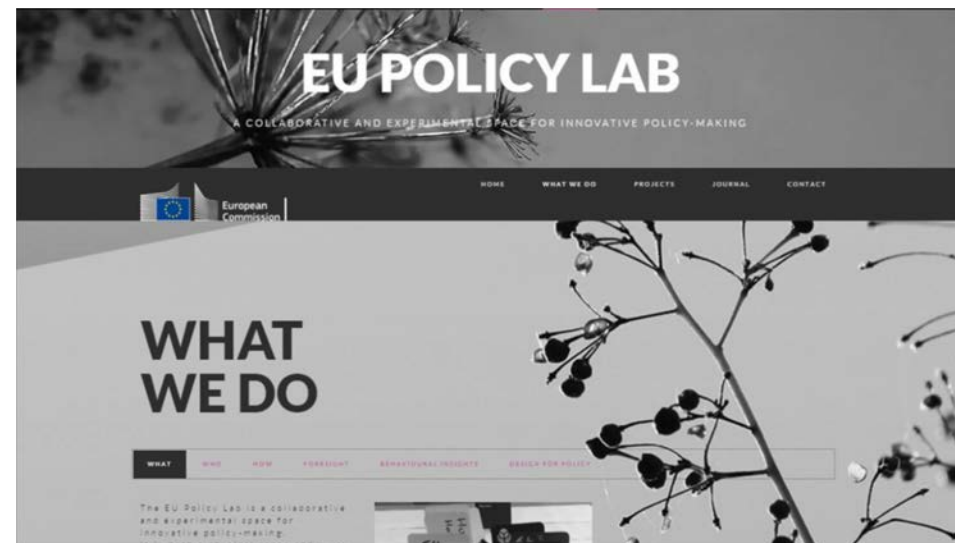
Ad Hoc Expert Group Meeting on Consumer Protection
UNCTAD, 29 November 2018

DG Joint Research Centre

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.

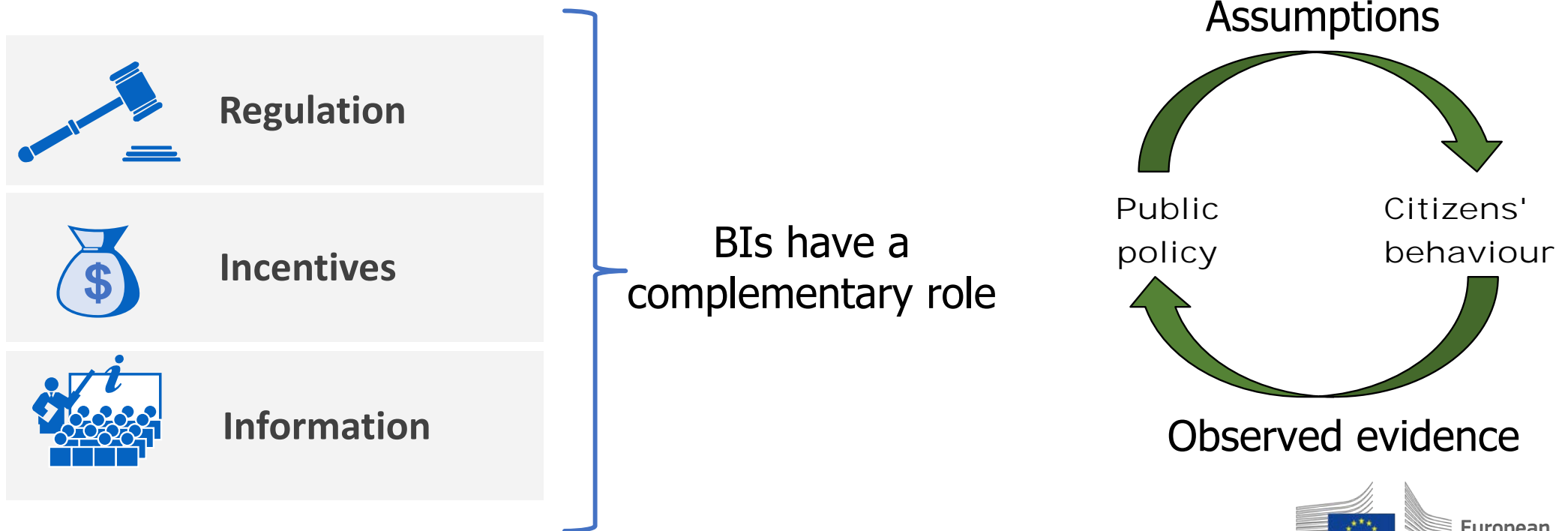
3. In-house behavioural research

4. Capacity building

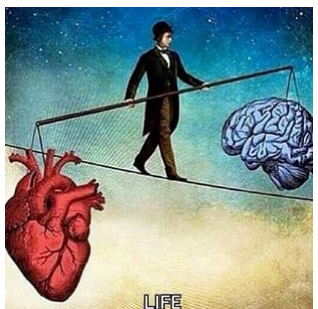
Training for Commission staff and MS representatives.

What do we mean by 'behavioural insights in policy-making'?

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

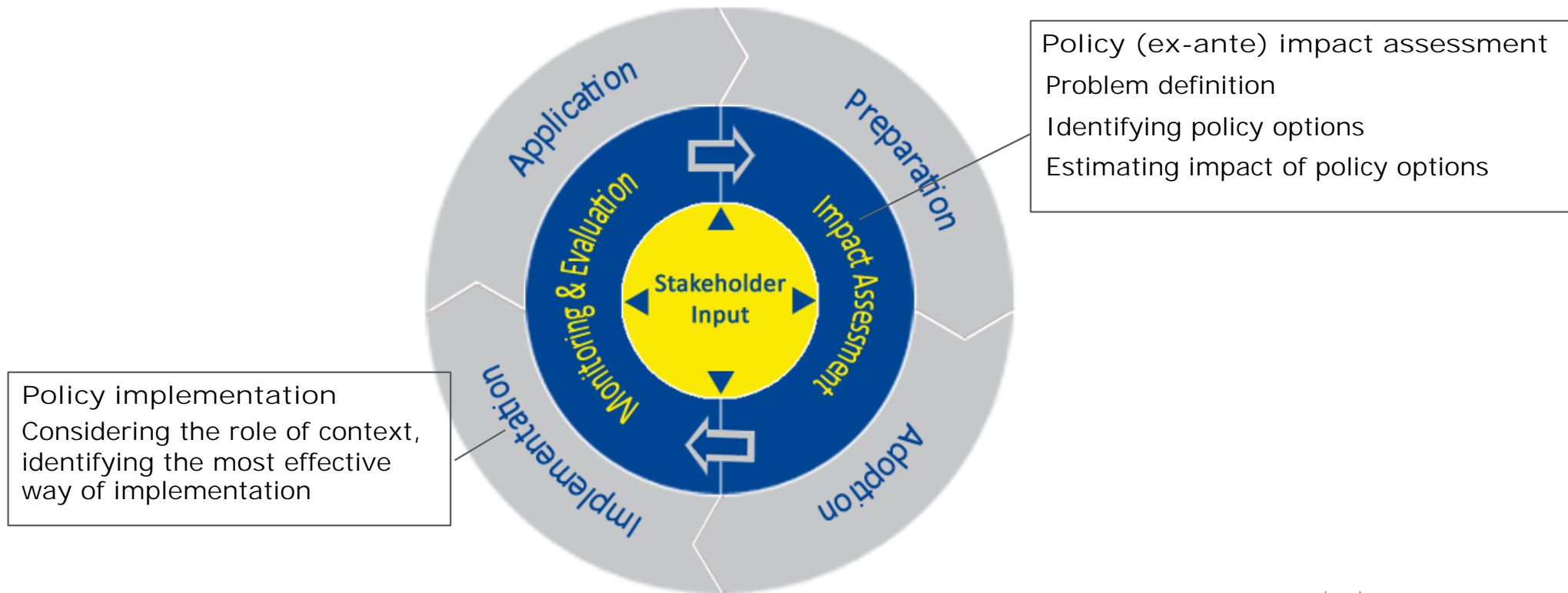


Challenging the concept of *homo economicus*



- 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
- (...)

'Better regulation' throughout the policy cycle



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.

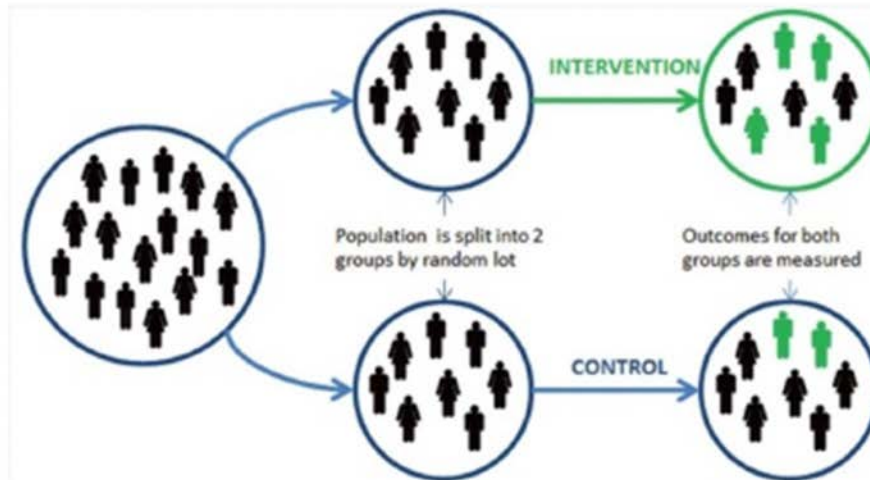


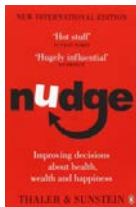




Figure 2: The basic design of a randomised controlled trial (adapted from Haynes, Service, Goldacre and Torgerson, 2012)


Academic and institutional context

2002





2008


2009
 Proposal to ban pre-checked boxes in online contracts



2010
 THE BEHAVIOURAL INSIGHTS TEAM.
 Review of the PRIPS legislation (Packaged Retail Investments Services)





2011
 THINKING, FAST... SLOW
 DANIEL KAHNEMAN
 2011 DG ENER first behavioural study testing consumers' understanding and use of energy labels.


2013
 THE POWER OF HABIT
 Charles Duhigg

2014
 sbst
 SOCIAL AND BEHAVIORAL SCIENCES TEAM
 Regulatory Policy and Behavioral Economics
 Recommendation on online gambling

 Revision of the Tobacco Products Directive


2015
 MIND, SOCIETY, AND BEHAVIOUR

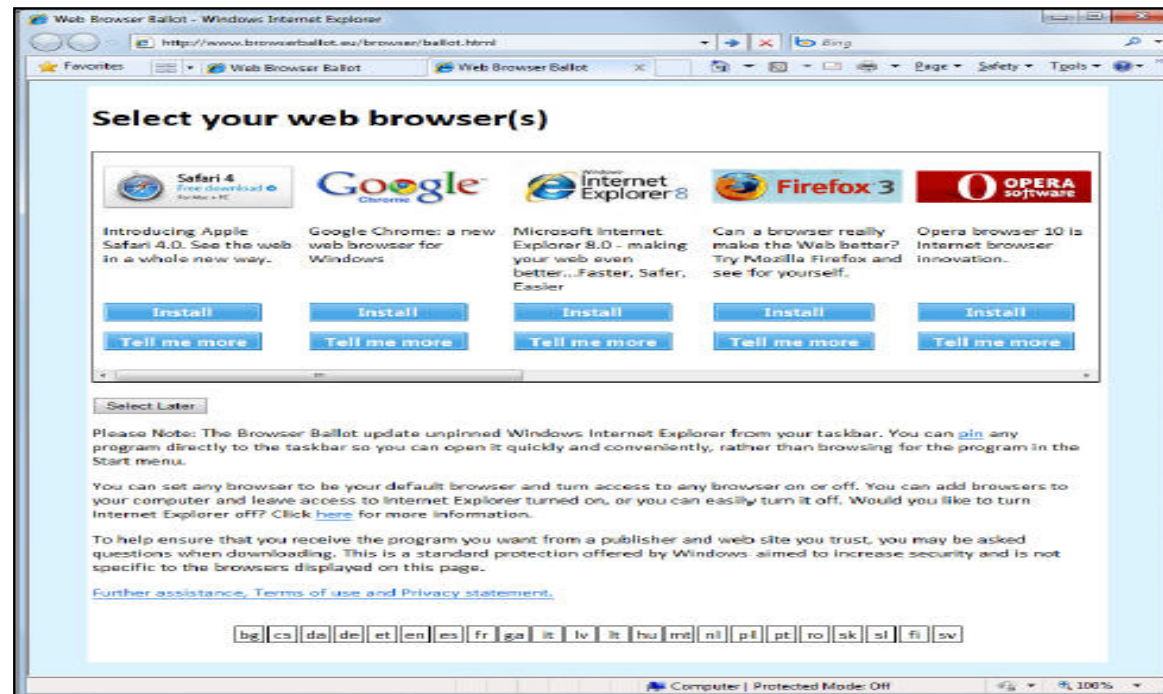
2016
 BEHAVIOURAL INSIGHTS AT THE UNITED NATIONS
 The EC publishes BIAP 2016


2017


 Proposal for a Regulation on E-Privacy


Internet Explorer Ballot Box: boost competition (2009)

Randomisation of the order of browsers

Scroll bar: 18 browsers



Application of BIs in public policy

Behavioural elements(s)

(Behavioural) lever



Default bias

Regulation



Default bias, choice overload, inertia

Simplified choice context



Information overload, salience ...

Simplified and standardised product information, KIID

Informing the evaluation of regulation

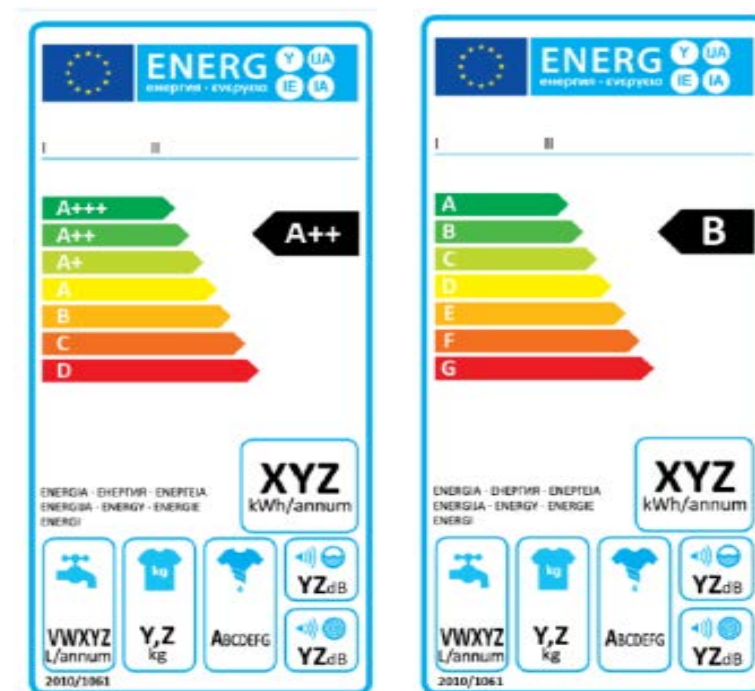
EC energy labelling study:

- 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.



Used in the Impact Assessment for the Regulation on Energy Efficiency Labelling (2015)

→ Framing and Simplification



Improving funding procedures

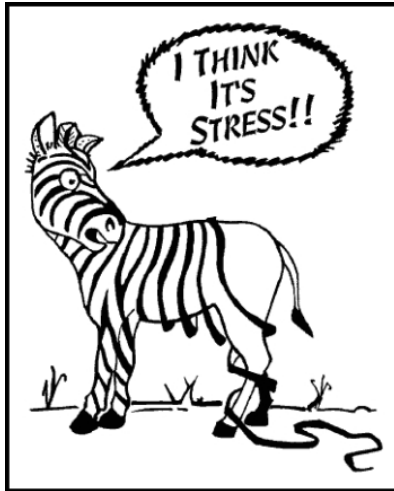
Work on better spending, in view of co-funding more impactful activities to combat **gender inequality, gender prejudices** and **gender violence**

- ✓ 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 policies 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 or 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 (Art3.2 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)

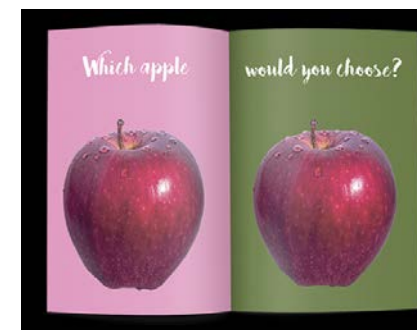
Framing privacy settings

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

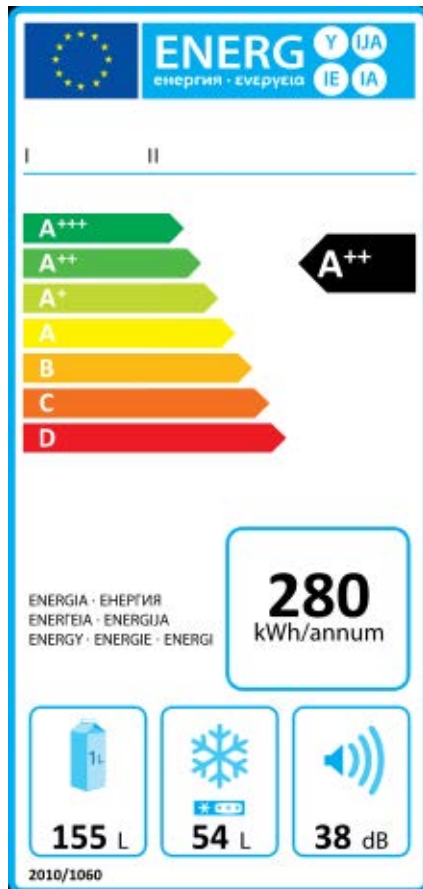
Facebook's use of face recognition
"let us know when you're in other photos or videos so that we can create a better experience" without mentioning targeted advertisement based on emotional states.



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

Tackling excessive online gambling

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



The collage consists of three distinct parts. At the top left is a sign with a red cloud-like shape containing the words 'BUY NOW' in white and blue, with 'LIMITED TIME ONLY' written below it. To its right is a red sign with 'SPECIAL PRICE' in yellow, and two white boxes labeled 'WAS' and 'NOW' for price comparison. At the bottom left is an illustration of a red fish looking up at several fishing hooks hanging from above. To its right is a yellow box titled 'ticketmaster : FEES' containing a list of charges and their amounts.

ticketmaster : FEES	
<i>Your hot concert seat</i>	\$50.00
Service charge	\$14.50
Order charge	\$12.50
Convenience charge	\$10.00
Inconvenience charge	\$6.50
Venue fee	\$8.00
Monopoly charge, because we can	\$3.00
Fee for printing your ticket yourself	\$2.50
Fee for realizing that our fees exceed the cost of the show itself	\$12.50
<i>Thank you for doing business with us ...but then, what choice do you have?</i>	
Total	\$119.50