

**19 November 2015**

New OU research: consumers may be unwilling to shop around for all the financial services they use

In connection with your reviews into retail banking and also the household energy sector, I thought the CMA might be interested in a new working paper that I've released on consumer behaviour and attitudes when shopping around for multiple household and financial services. It's available from <http://www.open.ac.uk/business-school-research/pufin/sites/www.open.ac.uk.business-school-research.pufin/files/files/WORKING-PAPER-Shopping-around-in-multiple-markets-Lowe-Nov15.pdf> and I've included a brief outline below. Do get in touch if you would like further details.

### **Consumer behaviour and attitudes when shopping around for multiple financial and household services - OUTLINE**

Regulators of diverse services, from energy to communications and insurance to banking services, see better consumer engagement, through shopping around and switching, as a vital part of driving competition. However, new survey-based research from Jonquil Lowe of The Open University suggests that focusing on engagement in individual markets may be overlooking an unwillingness of consumers to shop for every service they use when faced with multiple markets.

The research finds that consumers most commonly use 10 or 11 of 12 household and financial services tested but shop around for fewer than half. Across all the services, consumers who do not shop around tend to overestimate the time and difficulty of the task and are more likely to perceive the benefits as too low to be worth the effort. Taking into account bundled services, households may need to spend the equivalent of two full working days a year if they were to shop for every service. The decision to shop for only some may be rational if consumers are placing a high value on their leisure time.

Forced to choose, consumers prioritise shopping for their insurance services, followed by energy and are least likely to shop for bank accounts. This may reflect characteristics of different services, such as annual prompt to renew insurance and lower perceived economic risks given that insurance is less likely to disrupt day-to-day routines if there are problems switching. To persuade consumers to shop around for more of the services they use, regulators may need to collaborate and consider overarching solutions, such as a national shopping around week (similar to Wills Week) or encouraging employers to allow time for shopping around (building on an earlier Axa initiative).

However, a cognitive test included in the research finds that only a minority of consumers are likely to be using 'System 2' rational thinking in choice situations, suggesting that even when consumers do shop around they might still not be driving competition efficiently.

Jonquil Lowe  
Lecturer in Personal Finance  
Economics Department  
The Open University