Department for Business Innovation & Skills

GfK

EVIDENCE REVIEW OF TRIGGER POINTS IN REGULATED MARKETS

Prepared for: Department for Business, Innovation and Skills (BIS)

Contact: Debra Crush | 020 7890 9195| debra.crush@gfk.com
Caroline Roper | 020 7890 9833 | caroline.roper@gfk.com

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1 Introduction

BIS aims to understand how to empower and engage consumers by making switching easier in the banking, energy and telecoms markets.

1.1 Definition of consumer empowerment

Empowered consumers are knowledgeable and confident consumers who understand their own preferences, consumer rights and the means of complaining and seeking redress, enabling them to make choices in the market.

At the core of consumer empowerment are consumers who have the tools to secure the best outcomes for themselves. However, consumers need support to be empowered because of increasingly complex markets, increasing information and the effects of an ageing population which all impose challenges in terms of keeping pace with others[1].

Consumers in general need to be aware of their choices, able to assess the information given to them and have the capability to choose and switch[2].

In 2014/15, GfK conducted a quantitative segmentation survey to understand more about the UK population in terms of general motivations, decision making styles, motivations and barriers when choosing suppliers, levels of confidence when negotiating, and motivations for deal checking and switching.

Primary qualitative research is now required to understand more about each segment, researching a sample of consumers who took part in the original survey to establish the best form and timing of triggers to nudge consumers into switching and the types of support that may be needed by more vulnerable or unengaged consumers.

The purpose of this evidence review is to:

- inform our knowledge on the topic of switching and triggers
- understand any gaps or limitations in current knowledge
- understand how current knowledge could inform our contextual understanding of insights gathered in the qualitative research interviews and analysis

We sourced information consisting of:

- media articles providing commentaries on market problems and commercial initiatives
- academic papers discussing behavioural influences
- primary research reports providing evidence from the different markets
- literature reviews on consumer empowerment and the major considerations
- market commentaries providing thought pieces on potential triggers to stimulate demand-side switching

[1] ICF GHK and BIS 'Empowered Consumers and Growth: Literature review final report' May 2012

[2] UK Regulators Network 'Consumer Engagement and Switching' December 2014

The evidence review was conducted between 15th February and 11th March 2016. Papers that were published after this period have not been included in this review.

The following chapters detail the findings of the evidence review.

2 Consumer Behavioural Insights

The evidence review carried out by GfK demonstrated that motivation and confidence in regards to switching in banking (personal current accounts, from now on referred to as PCAs), energy and telecoms markets are important themes to consider and explore in the primary research.

Overall, the evidence highlighted that the motivations, barriers and confidence in switching vary widely, and differ depending on the market type. Motivations and barriers also involve a mix of individual, social and environmental factors. These factors that are taken in to account during the decision making process may be considered in isolation, but may also be interlocking.

Individual factors are discussed in more depth below along with discussion of the influence of social factors (such as networks, relationships and influencers) and environmental factors such as regulations and technology.

As mentioned above, motivation and confidence are important factors in levels of engagement and switching behaviours and can be influenced by:

- behavioural biases
- perceived complexity of information / switching process
- perceptions of choice
- perceptions of loyalty or trust in existing supplier
- perceptions of the market (s)
- circumstances and practical factors
- past experience

It should be noted that we have included behavioural biases as it is important to identify which ones are evident in order to understand unconscious influences and whether there is a benefit in educating consumers about these, as some believe that biases ultimately cancel each other out.[3]

The following sections discuss the factors listed above in more detail.

2.1 Behavioural biases

One of the important motivators for switching cited by the evidence was price**,** and 72% of those surveyed in Ofgem research cited this as the primary trigger for switching, in the belief that the new supplier will be cheaper[4]. However, the evidence demonstrated that the decision to switch supplier in order to save money is

[3] Organisation for Economic Co-operation and Development 'Enhancing competition in telecommunications: protecting and empowering consumers' June 2008

[4] Ofgem and Ipsos MORI 'Consumer Engagement with the Energy Market' September 2015

a rational trigger and not always a straight forward decision. Therefore it is important to understand emotional drivers and decision making processes which could involve behavioural biases:

- **Overall perceptions of the market:** in order to make decision making more manageable, money may be treated differently according to the specific purpose consumers assign to it[5]. For example, energy and banking could be viewed as commodity markets with necessity products and therefore consumers look to purchase in these markets at the lowest price. However the telecoms market could be perceived by some consumers as a luxury product, even though telecoms services are increasingly important in everyday life, meaning consumers may be willing to spend more money for a package or product that suits them[6]
- **Considering financial decisions in isolation:** consumers may consider the decisions they take in isolation, without integrating them with other considerations that affect overall levels of wealth or risk taken on[7]
- **Calculative commitment:** a complex web of factors involving the benefits and costs associated with staying with the current supplier (a wide variety of factors such as deals, gifts, customer service, perceived loyalty and relationship) vs the potential benefits and costs of moving to a new supplier. The continuity of the relationship with an existing supplier also depends on the amount of choice in the market, plus the availability, quality and attractiveness of the alternative relationship with a competitor[8]
- **Weighing up losses and gains:** the behavioural bias of prospect theory, whereby consumers choose between alternatives that involve risk. For example, consumers are more likely to be risk averse if they feel likely to gain from their decision and more likely to risk a decision if they feel there is less / no gain from their decision. Therefore, consumers may be less likely to switch if they are told how much they can save compared to being told to avoid the risk, or switching in order to avoid loss[9]
- **Convenience vs. cost:** Consumers may be willing to pay more and less likely to switch due to factors such as peace of mind and preference for the status quo. Some perceive switching as a time-consuming hassle, and therefore would not consider switching for perceived small net gains[10]. However, as detailed below, cost may be outweighed by convenience if the cost is considered a substantial benefit
- **Benefits vs. cost:** Consumers may be more likely to engage in switching behaviours where they can derive benefits (such as lower prices, better service/quality, value for money) which outweigh the costs (in terms of money,

[5] Financial Conduct Authority 'Applying Behavioural Economics at the Financial Conduct Authority' April 2013

[6] S Bogomolova and O Grudinina 'Under the Marketers' Radar: Commonly Ignored Triggers for Brand Switching' Journal of Marketing Management Volume 27, Issue 13-14, 2011

[7] Financial Conduct Authority 'Applying Behavioural Economics at the Financial Conduct Authority' April 2013

[8] K Kovesi and P Robert-Demontrond 'The Effect of Switching Barriers on Customer Commitment: an Application to Mobile Phone Services' March 2013

[9] Financial Conduct Authority 'Applying Behavioural Economics at the Financial Conduct Authority' April 2013

[10] UK Regulators Network 'Consumer Engagement and Switching' December 2014

time, hassle). The perceived benefits are likely to differ depending on the market. For example, in PCA markets quality of service is more likely to be valued and therefore a driver to switching. However, if consumers receive benefits with their current provider, such as price reductions or free gifts, these benefits may outweigh the cost of switching supplier.[11]

- **Risk vs. cost:** the behavioural bias of the theory of loss aversion, whereby the consumer values something more just because they own/pay for it, means that switching behaviour may be less likely to occur[12]
- **Benefits vs. risk:** the behavioural bias of present bias, whereby consumers may overvalue the present compared to the future, and therefore less likely to switch due to uncertainty of the unknown in the future supplier[13]

2.2 Attitudes, perceptions, knowledge and awareness

The evidence demonstrates that attitudes, perceptions, knowledge and awareness regarding switching varies and act as motivators and barriers towards switching, including:

- **Low knowledge and understanding of the market:** Consumers may have lower levels of engagement due to difficulties in navigating the choice available to them and lower understanding of the information/market. For example, in energy markets there is considerable evidence of consumers being put off by the prospect of navigating large volumes of tariffs with complex and inconsistent pricing structures[14]. This could lead to biased choices and decisions being made, as consumers could avoid what they perceive as complicated alternatives or mis-estimate the value of their choice[15]. It could also lead to common heuristics or behavioural biases such as mental shortcuts whereby a range of options are presented to consumers, but they choose those that are most familiar, or draw the most attention[16]
- **Perceptions towards the switching process:** Consumers may perceive the switching process to be complex, to take too long or to vary depending on the market or provider, and therefore create a barrier to switching. Also, searching or finding out about this information could cause inertia[17] towards engagement in the market and switching[18].Consumers are more likely to switch when it is perceived to be easy or almost as easy to switch than to stay with the current provider[19]

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[11] K Kovesi and P Robert-Demontrond 'The Effect of Switching Barriers on Customer Commitment: an Application to Mobile Phone Services' March 2013

[12] UK Regulators Network 'Consumer Engagement and Switching' December 2014

[13] UK Regulators Network 'Consumer Engagement and Switching' December 2014

[14] UK Regulators Network 'Consumer Engagement and Switching' December 2014

[15] J Beshearsm , JJ Choi, D Laibson, BC Madrian, National Bureau of Economic Research 'How are preferences revealed?' May 2008

[16] Financial Conduct Authority 'Applying Behavioural Economics at the Financial Conduct Authority' April 2013

[17] K Kovesi and P Robert-Demontrond 'The Effect of Switching Barriers on Customer Commitment: an Application to Mobile Phone Services' March 2013

[18] Ofcom 'Strategic Review of Consumer Switching: A Consultation on Switching Processes in the UK Communications Sector' September 2010

[19] Ofgem 'Switching Behaviour Amongst Vulnerable Consumers' September 2008

- **Perception that options are limited:** Consumers may believe that their options to switch provider are limited or there is little differentiation between the options available. This was reflected where 14% of consumers across banking, 16% of consumers in communications and 22% of consumers in energy markets believe that there is little or no choice of provider. However, this could also demonstrate lack of awareness or differentiation between providers. 46% of energy customers felt that 'there is no real difference between suppliers in the prices they charge'[20]
- **Perceptions of too much choice:** Some consumers may feel that there are too many options and choices of providers / packages / tariffs which could lead to inertia / low engagement in switching due to not having the confidence, ability or time in assessing the best deal[21]. This could lead to some being unduly swayed by widespread choice or usage patterns without adequately considering whether these apply to their own circumstances[22]
- **Perception of gains in switching:** Whilst discussed in more detail in the previous section, perceived gains in switching is included here as scepticism towards expected savings after switching could create barriers and low levels of engagement in switching[23]

2.3 Trust, relationships, loyalty and satisfaction

The evidence highlighted that consumer trust in the market / suppliers may act as both potential motivators and barriers to engagement and ultimately switching.

- **Lack of trust in provider/market**: Research conducted by Ofgem suggested a lack of trust in the energy industry may act as a barrier to consumer engagement. However, this does not necessarily mean that the least engaged consumers are the least trusting, and recent consumer segmentation analysis demonstrated that the most engaged consumers were the least trusting of their own supplier, suggesting that distrust can be a facet of 'consumer savviness' and a potential motivator to engage as well as a potential barrier[24]

The review also highlighted that consumer relationships, loyalty and satisfaction towards a supplier can cause barriers to switching. If consumers have a sense of belonging or attachment to the supplier, for example feeling like a valued customer, they are less likely to switch in order to maintain this relationship for fear of losing benefits of the relationship. [25] In terms of satisfaction with the supplier[26] this may be a barrier to switching but relationships, trust and loyalty may also influence levels of satisfaction in the following ways:

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[20] UK Regulators Network 'Consumer Engagement and Switching' December 2014

[21] Office of Fair Trading 'Consumer Behavioural Biases in Competition' May 2011

[22] Financial Conduct Authority 'Applying Behavioural Economics at the Financial Conduct Authority' April 2013

[23] BMG Research and Ofgem 'Micro and Small Business Engagement in Energy Markets' March 2015

[24] UK Regulators Network 'Consumer Engagement and Switching' December 2014

[25] K Kovesi and P Robert-Demontrond 'The Effect of Switching Barriers on Customer Commitment: an Application to Mobile Phone Services' March 2013

[26] BMG Research and Ofgem 'Micro and Small Business Engagement in Energy Markets' March 2015

- **Expectations:** Consumers may have raised expectations of suppliers, particularly if they are satisfied with their current one. Therefore they may be less likely to switch if they perceive that other suppliers will not match their expectations
- **Inertia:** There is some evidence that indicates that reported satisfaction is related to satisfaction with the status quo as opposed to satisfaction with the supplier. Therefore this could be an expression of consumer inertia rather than genuine satisfaction[27]

The review highlighted that levels of relationships, loyalty and satisfaction did not always influence levels of engagement in the market, but were sometimes a trigger or considered during the decision making process when switching.

2.4 Practical and circumstantial factors

Circumstantial and practical factors including major life-stage events may also encourage motivation or create barriers in regards to switching including:

- coming to the end of a fixed contract may encourage consumers to review deals[28]
- Ofgem research found that 9% of those surveyed stated that moving home encouraged them to switch supplier[29]
- financial factors such as technical installation costs after switching to a new supplier; costs incurred for early termination of contract charges[30]
- transitional factors such as perceived loss of service. For example, consumers may believe when switching between providers they will be without a service in the period between closing their account/service with their current provider and opening a new account/service with the new provider[31]
- eligibility barriers such as qualifying for certain suppliers / services such as credit ratings for the financial services market[32]
- supply-side barriers can be created in order to exploit biases, particularly for consumers who are less knowledgeable / confident in making decisions. For example, suppliers could ask consumers to use registered post to cancel their services, meaning those who display inertia are less likely to do so. Offering defaults and automatic enrolments also inhibit switching, as this curbs worries regarding convenience[33]

[27] UK Regulators Network 'Consumer Engagement and Switching' December 2014
[28] BMG Research and Ofgem 'Micro and Small Business Engagement in Energy Markets' March 2015
[29] Ofgem and Ipsos MORI 'Consumer Engagement with the Energy Market' September 2015
[30] K Kovesi and P Robert-Demontrond 'The Effect of Switching Barriers on Customer Commitment: an Application to Mobile Phone Services' March 2013
[31] UK Regulators Network 'Consumer Engagement and Switching' December 2014
[32] UK Regulators Network 'Consumer Engagement and Switching' December 2014
[33] Office of Fair Trading 'What does Behavioural Economics mean for Competition Policy?' March 2010

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2.5 Confidence

Consumer confidence may also encourage or inhibit switching behaviours. Confidence is sometimes closely linked to knowledge, awareness, attitudes and perceptions (as discussed above), as generally higher levels of knowledge produces higher levels of confidence. The factors below may motivate or create barriers to switching.

- **Low awareness and understanding of the market:** as mentioned in previous sections, decisions may be biased as consumers may find products complex, have had little opportunity to learn about products and their decisions often involve assessment of risks and uncertainty, and trade-offs[34]
- **Overconfidence:** a personal bias, whereby consumers excessively believe in their own ability and accuracy of judgements when making a decision[35]. Consumers who are overconfident in their ability to predict future events may be more or less likely to switch. Overconfidence can be caused by hindsight bias, whereby events that have already happened can be explained and form experiences[36]. For example, overconfident consumers may feel they possess the ability to act in the future and can create inertia and a tendency to fail to act today[37]
- **Low levels of confidence in decision making:** Consumers may anticipate regret, a personal bias whereby making a bad choice leads them to be risk averse and more likely to not switch for fear of making a wrong decision. This could also lead consumers to avoid choice or be willing to pay more for products to avoid making a decision that they may later come to regret. This factor is linked to the trade-offs decisions in the price section whereby consumers may shy away from ambiguity, uncertainty or stress by paying more for current services as they are unconfident in making a decision to choose a different supplier/product[38]
- **Low levels of self-belief in capability to switch:** Consumers who are considered confident may be resistant towards change, but this is not due to factors such as inertia. Consumers may not consider switching as a form of self-protection, whereby they feel they may not be able to switch in the future with the same confidence they demonstrated when switching previously [39]
- **Self-preservation:** a personal bias, whereby consumers may demonstrate lack of confidence / knowledge in switching processes but do not wish to highlight this fact to others, for fear of undermining how they are seen by others[40]

2.6 Past experience

[34] Financial Conduct Authority 'Applying Behavioural Economics at the Financial Conduct Authority' April 2013
[35] Financial Conduct Authority 'Applying Behavioural Economics at the Financial Conduct Authority' April 2013
[36] Financial Conduct Authority 'Applying Behavioural Economics at the Financial Conduct Authority' April 2013
[37] Centre for Competition Policy, University of East Anglia 'Searching and Switching: Empirical estimates of consumer behaviour in regulated markets' December 2013
[38] Financial Conduct Authority 'Applying Behavioural Economics at the Financial Conduct Authority' April 2013
[39] R Kegan and L Laskow Lahey 'The Real Reason People won't Change' November 2001

[40] R Kegan and L Laskow Lahey 'The Real Reason People won't Change' November 2001

Past experience, whether through personal experience, word of mouth or the media can influence motivation and confidence in switching.

- **Availability bias:** Consumers may base judgements about uncertain future events, such as switching, through the prism of recent similar events. This could be through recent financial decision making experiences or hearing through a third party. Consumers could also utilise average expectations of a product based on prior cumulative experience of it to make future decisions regarding that product[41]
- **Projection bias:** Consumers may expect their current feelings, attitudes and preferences to continue in the future and underestimate the effect of possible changes, and therefore be less likely to switch. If their current choices are based on such expectations they can find themselves worse off if and when circumstances or their preferences do change
- **Self-attribution bias:** People tend to ascribe their successes to their own ability and blame failure on bad luck. Previous experiences of switching therefore may encourage or hinder switching behaviour[42]
- **Over-extrapolation:** People often make predictions on the basis of only a few observations, implicitly believing that these observations are representative and suggest real patterns or trends. As a result, people also underestimate uncertainty[43]
- **Emotional bias:** Consumers may be persuaded by a product or switching providers due to the 'likeable' sales person, or may assess an advisor on the basis of whether they think they are good at their job or a good person[44]

2.7 Vulnerable consumers

The evidence review found that that most vulnerable consumers are:

- people who do not have access to a computer / internet[45]. This is usually older / retired people
- people who struggle to pay their bills / are in financial difficulty. This is usually those of a lower social grade and who may require specific focused policies to increase their activity in the markets[46]
- people who have limited awareness of consumer rights. Although this could apply to wider groups, this is usually concentrated towards younger people[47]

Overall, the review found that vulnerable consumers demonstrate the following behavioural traits which create barriers/ lower uptake of switching:

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[41] http://heuristics.behaviouralfinance.net/availability/ AND Office of Fair Trading 'What does Behavioural Economics mean for Competition Policy?' March 2010

[42] Financial Conduct Authority 'Applying Behavioural Economics at the Financial Conduct Authority' April 2013
[43] Financial Conduct Authority 'Applying Behavioural Economics at the Financial Conduct Authority' April 2013
[44] Financial Conduct Authority 'Applying Behavioural Economics at the Financial Conduct Authority' April 2013
[45] Ofgem 'Switching Behaviour Amongst Vulnerable Consumers' September 2008
[46] Centre for Competition Policy, University of East Anglia 'Searching and Switching: Empirical estimates of consumer behaviour in regulated markets' December 2013

[47] BIS and the Cabinet Office 'Better Choices: Better Deals, Consumers Powering Growth' April 2011

- **Low awareness of products:** Vulnerable consumers are more likely to have lower awareness of alternative products and services such as basic bank accounts or credit unions[48]
- **Reactive switchers:** Ofgem research identified that vulnerable consumers are more likely to lack the knowledge, confidence or initiative to seek out and evaluate alternative providers and therefore more likely to be reactive switchers. This includes examples whereby these consumers are more likely to switch electricity supplier as a result of a sales call: 56% for DE social grades and 52% private renters did so[49]
- **Requiring greater support mechanisms:** Vulnerable consumers are more likely to have lower levels of knowledge and confidence in the markets, and more likely to suffer from information overload. Therefore they would require greater support in interpreting the information and guidance in making switching decisions[50]
- **Choosing products/services which allows them greater control:** Vulnerable consumers are more likely to choose a product or service where they have greater control over it as it enables them to budget their finances. Therefore they are more likely to avoid products / services with defaults and penalty charges from mainstream providers
- **Less likely to seek redress:** When vulnerable consumers encounter problems with a purchase, they may be deterred from seeking redress / advice by the prospect of navigating the complexity of the market / product and may feel is it not worth the effort to pursue[51]

3 Evidence on triggers

This topic is a complex area involving understanding barriers to switching, decision-making complexities and unconscious consumer biases on the part of the consumer.

In addition to this, whilst on the supply side it is recognised that triggers may vary significantly as the markets involve complex products and decisions, obfuscation on the part of suppliers may be more of a problem than demand-side complexities[52].

We have grouped established triggers written about in the literature in the following ways as these are the most useful to inform our research.

3.1 Information/ advice/ education triggers

These types of trigger are believed to provide consumers with smarter information – either more, less or better information depending on needs. Caution needs to be exercised when considering information triggers as more vulnerable consumers can

[48] BIS and the Cabinet Office 'Better Choices: Better Deals, Consumers Powering Growth' April 2011
[49] Ofgem 'Switching Behaviour Amongst Vulnerable Consumers' September 2008
[50] Centre for Competition Policy, University of East Anglia 'Searching and Switching: Empirical estimates of consumer behaviour in regulated markets' December 2013
[51] BIS and the Cabinet Office 'Better Choices: Better Deals, Consumers Powering Growth' April 2011
[52] Financial Services Consumer Panel 'CMA retail banking market investigation: interim report' November 2015

suffer from information overload[53]. The need is therefore to understand which types of information consumers are aware of, and whether they are perceived to be timely, simple and easy to understand:

- media articles to promote consumer 'success stories'[54]
- presenting information in absolute or relative terms has been known to have significant influence on decisions
- reassuring consumers of their rights to redress to promote confidence
- advice from friends and family
- experts may help some consumers
- calls from sales reps
- accreditation frameworks for Price Comparison Websites (PCWs) are suggested as a potential trigger for increasing trust
- the FCA[55] report that there is mixed evidence on the benefits of educating consumers about their personal biases. Some believe that learning generally can help in the case of inertia due to cognitive limitations[56] and that the media can be the catalyst in this regard and in so doing, help to minimise the biases that companies use to exploit consumers
- linked to this, the FCA report that free provision of information is seen as generally helpful but that there is a need to understand how to motivate consumers to access, understand and use it. A related point is made about the need to make information more salient and frame it in the right way, which aligns with the Behavioural Insights Team's EAST framework[57] in terms of maximising behaviour change by making information more easy to understand and attractive.
- process remedies which include simplifying information given [58]

3.2 Market / government initiatives

The evidence review evaluated some market / government initiatives designed to put the consumer more in control. Please note that this is not an extensive list of all market / government initiatives.

- 'Collective Switching' schemes- an example of this is the 'Which?.Big Switch' idea in the energy market
- the 'Current Account Switching Service' (CASS) was designed to ease the switching process but has only achieved moderate success in regards to increasing switching rates.[59]

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[53] Centre for Competition Policy, University of East Anglia 'Searching and Switching: Empirical estimates of consumer behaviour in regulated markets' December 2013

[54] ICF GHK and BIS 'Empowered Consumers and Growth: Literature review final report' May 2012

[55] Financial Conduct Authority 'Applying Behavioural Economics at the Financial Conduct Authority' April 2013

[56] Office of Fair Trading 'Consumer Behavioural Biases in Competition' May 2011

[57] Behavioural Insights Team, Cabinet Office and Nesta 'EAST: Four simple ways to apply behavioural insights'

[58] UK Regulators Network 'Consumer Engagement and Switching' December 2014

[59] Admap 'Behavioural economics: Nudge them in to switching' March 2015

- the mi-data government initiative aims to personalise and simplify searching, make information more transparent and open up new markets, ultimately allowing consumers to be more in control of their own data. However this initiative has not gained widespread awareness or use by consumers[60]
- products such as smart meters/thermostats have been introduced to appeal to those consumers with a desire to keep up with innovations[61]
- ICF[62] discuss 'an emerging consumer empowerment industry' where intermediaries use choice tools such as:
    - the next generation price comparison websites (PCWs) which not only do the research on behalf of the consumer but also perform the switching process
    - elsewhere in the literature[63], automated services called 'robo-advisory services' are being used in the area of wealth management
    - online peer reviews[64]
        - anecdotal evidence suggests that reading others feedback eg consumer reviews can improve confidence[65].
    - web chat facilities[66]
- the literature[67] refers to the need for easy access to data so that consumers can find the best deals. Price comparison websites (PCWs) are given as an example but it is acknowledged that these are not always trusted
- personalised home energy reports have been introduced by a USA energy provider designed to generate consumers cost savings by comparing their own energy use with that of neighbours. This initiative made use of behavioural design principles and has acted as a powerful incentive for consumers to switch provider

3.3 Financial triggers

These include cost savings; promotional offers and discounts.

3.4 Triggers to overcome behavioural biases

- using the media to inform consumers of their behavioural biases has been suggested so that decision making flaws become conscious and therefore avoided in future
- avoiding loss aversion by making future benefits of switching more tangible
- price matching –brands promising to price match another brand offering lower prices [68]

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[60] BIS and the Cabinet Office 'Better Choices: Better Deals, Consumers Powering Growth' April 2011

[61] UK Regulators Network 'Consumer Engagement and Switching' December 2014

[62] ICF GHK and BIS 'Empowered Consumers and Growth: Literature review final report' May 2012
[63] Finance Digest 'Do consumers want robo-advisory services?' February 2016
[64] Banking Technology 'Study Reveals Consumer Motives for Switching Banks' February 2013
[65] BIS and the Cabinet Office 'Better Choices: Better Deals, Consumers Powering Growth' April 2011
[66] Banking Technology 'Study Reveals Consumer Motives for Switching Banks' February 2013
[67] HM Treasury 'A Better Deal: Boosting Competition to Bring Down Bills for Families and Firms' November 2015

- providing information on the extent to which an individual may experience a ‘regret premium’
- planning steps in the process that would be needed can make some more likely to follow through on their decisions[69]
- reframing incentives – although it is acknowledged that this may be a ‘zero sum game’ as all providers learn how to do this and introduce this into their offers
- introducing cooling off periods to overcome fear of regret
- SMART information has been designed as a remedy for over-extrapolation
- helping people think about their future needs by connecting with their future selves[70] to encourage behaviour change in inert or inattentive consumers (eg GfKs Consciously Unengaged segment)
- the FCA refers to changing ‘default settings’ so that unconscious habits become more conscious

3.5 Triggers to help vulnerable consumers

Vulnerable consumers may be experiencing multiple barriers such as financial difficulties, physical or mental health issues, language comprehension difficulties.[71] [72]

Triggers suggested in the literature for helping vulnerable consumers tend to focus on consumer redress, and include the promotion of the Financial Ombudsman as the best form of alternative dispute resolution, the introduction of an e-commerce Ombudsman, a Seal of Quality, and Codes of Conduct.

3.6 Triggers in a non-policy context

Brands aim to attract and retain customers in a number of ways, including demonstrating the brand’s relevance to the customer, increasing customer satisfaction, and strengthening relationship and engagement. The following table summarises the types of strategy that brands employ with perceived product and service benefits to the customer. The table shows examples across a range of sectors and channels.

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[68] Admap ‘Behavioural economics: Nudge them in to switching’ March 2015

[69] Financial Conduct Authority ‘Applying Behavioural Economics at the Financial Conduct Authority’ April 2013

[70] Financial Conduct Authority ‘Applying Behavioural Economics at the Financial Conduct Authority’ April 2013

[71] BIS and GfK ‘Consumer Empowerment Survey Report’ March 2015

[72] Centre for Competition Policy, University of East Anglia ‘Searching and Switching: Empirical estimates of consumer behaviour in regulated markets’ December 2013

MARKETING AIM	ACQUISITION/ RETENTION STRATEGY	PERCEIVED CUSTOMER PRODUCT BENEFITS	PERCEIVED CUSTOMER SERVICE BENEFITS
Engage with potential customers /strengthen relationship with existing customers	• set customer expectations early[73] • tailored communications[74] • persuasive communications[75] • loyalty programs • personalise by demographics eg age/ ethnicity[76] • branding and positioning eg aspirational/ luxury image • communicate brand reputation and shared values[77] • build relationships online to share valuable and relevant content and thoughts[78]	• offer meaningful incentives to overcome reluctance to switch such as introductory offers eg 1st month free, access to trial version of product/service[79] • rewards linked to status eg VIP membership, gold cards[80] • win prizes; funding student scholarships[81] • limited edition products • relevant discounts using transactional patterns eg discounts at local restaurants/ retailers[82] • rewards for different types of shoppers eg VIP rewards for high spending customers; thank you's to frequent shoppers[83] • discounts for lapsed	• under-promise and over-deliver[86] • reciprocity - deliver 'surprises/delights, offer something for nothing/go above and beyond'[87] • reduce pain points/frictions[88] • courtesy calls[89] • ethical messaging • 'Positive social proof' messaging eg 'join 20,000 of your peers who benefit from being with us'[90] • use social media to determine how customers feel about the brand[91]

[73] Client Heartbeat '9 Customer Retention Strategies For Companies' May 2014

[74] Evry 'Whitepaper Big Data in Banking for Marketers: How to derive value from big data'

[75] Evry 'Whitepaper Big Data in Banking for Marketers: How to derive value from big data'

[76] Evry 'Whitepaper Big Data in Banking for Marketers: How to derive value from big data'

[77] Client Heartbeat '9 Customer Retention Strategies For Companies' May 2014

[78] Client Heartbeat '9 Customer Retention Strategies For Companies' May 2014

[79] USA Today 'This bank has the most loyal customers' July 2014

[80] Help Scout '15 Customer Retention Strategies That Work' August 2013

[81] Scottish Power Facebook Page accessed February 2016

[82] Evry 'Whitepaper Big Data in Banking for Marketers: How to derive value from big data'

MARKETING AIM	ACQUISITION/ RETENTION STRATEGY	PERCEIVED CUSTOMER PRODUCT BENEFITS	PERCEIVED CUSTOMER SERVICE BENEFITS
		customers • frequent shoppers may receive a thank you; irregular shoppers may need to reminded to shop again[84] • use brand ambassadors (via freebies) to co-create products and spread positive word of mouth[85] • use social media to identify product improvements	
Increased satisfaction/ engagement with brand	• show appreciation of their information needs[92] • acquire deep understanding about customer via knowledge of demographic profiles/ product usage habits[93]	• 'The more we know about you the better we can help you save money' • half yearly account review[99] • products / offers /communications tailored to customer need /lifestyle eg	• give valuable information eg text from airline when flight delayed/ low cost ticketing[105] • quicker service for example faster complaint resolution via social media [106]

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[83] Help Scout '15 Customer Retention Strategies That Work' August 2013

[86] Client Heartbeat '9 Customer Retention Strategies For Companies' May 2014

[87] Help Scout '15 Customer Retention Strategies That Work' August 2013

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MARKETING AIM	ACQUISITION/ RETENTION STRATEGY	PERCEIVED CUSTOMER PRODUCT BENEFITS	PERCEIVED CUSTOMER SERVICE BENEFITS
	• offer more personalised loyalty[94] • predict products / service propensity eg what customers most likely to be interested in for their next purchase[95] • be the expert[96] • go the extra mile/high level customer service[97] • build relationships online[98]	bundles • bank offering flexible mortgage account using deposit and credit account[100] • personalised product recommendations: "you might also want" and "customers also bought this" campaigns[101] • personalised recommendations sent by email[102] • offer the products customers want, when they want them[103] • consistently reliable product and service, on-time product delivery, zero defects[104]	• trusted advisors such as product gurus [107] • open and honest, caring approach, 'personal touch'[108] • proactively address issues eg via courtesy calls[109] • feedback surveys[110]
Increase	• build trust	• Offering personalised	• relevant

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99 Client Heartbeat '9 Customer Retention Strategies For Companies' May 2014
105 Client Heartbeat '9 Customer Retention Strategies For Companies' May 2014
106 Client Heartbeat '9 Customer Retention Strategies For Companies' May 2014
94 Evry 'Whitepaper Big Data in Banking for Marketers: How to derive value from big data'
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108 Client Heartbeat '9 Customer Retention Strategies For Companies' May 2014
109 Client Heartbeat '9 Customer Retention Strategies For Companies' May 2014
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MARKETING AIM	ACQUISITION/ RETENTION STRATEGY	PERCEIVED CUSTOMER PRODUCT BENEFITS	PERCEIVED CUSTOMER SERVICE BENEFITS
brand's relevance to customer	through shared values[111] • enhance loyalty via targeted/ linked[112] offers • provide more relevant content in channel of choice[113]	product recommendations based on previous purchase history [114]	information to improve confidence eg to encourage online banking use[115] • utilize channel customer prefers eg online chat, email[116]

3.6.1 Timing of triggers

The literature does not provide a great deal of evidence around the optimum timing for triggers although it is recognised that major life events such as moving house or starting a new job are known to 'disrupt' habitual patterns and prompt consideration of switching[117]. Other related points include:

- reviewing PCAs at times when there are higher propensity to change- eg are these at major transition points such as moving house, starting a new job, or end of calendar year, birthday etc
- understanding which types of reminders are viewed more positively
- the medium of the reminder may be important (eg text for those without Internet access)

Other examples from the literature include prompts from providers such as end of contract or renewal letters and periodic reminders referencing usage.[118]

The literature also reports that a major issue is getting consumers to access information.[119]

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4 Conclusion

The benefits of this evidence review have been:

- an overall understanding of consumer behaviour in relation to motivation, confidence and other relevant factors
- an overall understanding of established triggers and ideas for interventions to enable easier switching
- an appreciation of the markets being researched

Gaps in our knowledge relating to triggers include an understanding of their success, for example the effectiveness of consumer education campaigns, intermediaries and forms of redress. There are also gaps in detailed knowledge for each of the markets being researched - banking, energy and telecoms.

Following this evidence review, the Department for Business, Innovation and Skills has commissioned a second stage of primary research to understand awareness, ease of access and assessment of existing triggers to understand the relative value of triggers in enabling consumers to switch.

The bibliography in the next section details the sources used to produce this evidence review.

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