



WARNING: TOO MUCH

INFORMATION CAN HARM

(AND CAN FAIL TO HELP CONSUMERS

TO MAKE CHOICES AND CAN IMPOSE

COSTS ON BUSINESS, DESPITE THE FACT

THAT IT IS OFTEN A POWERFUL TOOL AND MORE

POPULAR WITH POLICY-MAKERS AND BUSINESSES THAN

MANY ALTERNATIVES, SUCH AS REGULATING THE

PRODUCT OR SERVICE ITSELF, OR ITS PRICE.

BLAH, BLAH, BLAH...)

An interim report by the
Better Regulation Executive
and National Consumer Council
on maximising the positive
impact of regulated information
for consumers and markets

July 2007



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Executive Summary

Effective information is crucial to protect consumers from harm, help them make choices, encourage socially responsible behaviour and ensure markets work efficiently. As such, it is favoured as a tool by policymakers, consumers and business alike, and is often preferred to other regulatory approaches.

Yet government requirements for business to provide information to consumers make up approximately two-thirds of all obligations identified in the recent administrative burdens measurement exercise and are estimated to cost business more than £1.5bn per year. Amidst this, there is a lack of firm evidence that information is achieving its goal of influencing consumer behaviour.

Against this backdrop, the Better Regulation Executive and National Consumer Council launched a joint project in January 2007 to evaluate the circumstances under which information is an effective and efficient regulatory tool. This interim report sets out key messages from our research and suggests approaches for collaboration between business and policy-makers to improve the effectiveness of regulated information.

The research was structured around seven case studies ranging from product safety warnings to consumer credit agreements, from recycling symbols to the Scores on the Doors scheme for publication of food hygiene inspection information on restaurants. The case studies are illustrative of different types of information provision and particular issues around information. To determine their effectiveness, we commissioned 12 focus groups with consumers to assess how they interact with existing information requirements and conducted more than 60 stakeholder interviews as well as relevant desk research.

This interim report presents our main findings as the basis for debate and discussion with stakeholders on how to achieve real change in the way information requirements are designed and implemented. It should be read alongside the Vanilla Research report into consumer information and regulation. A final report to Government and a suggested guide for policy-makers will be published in autumn 2007.

Main findings

Evidence from our focus groups found that the majority of current information requirements that we looked at were not having their desired outcomes. Consumers rejected much information because it was too voluminous and was often presented in an unappealing or complex format. Safety warnings on a toaster can run to 52 different messages, one for every week of the year. Consumer credit agreements can take up to 55 minutes to read and are presented in language that many do not understand.

Across society our research found a desire for simple, succinct information. In particular more vulnerable consumers found that overly complex information was a disincentive to engage and sometimes found it humiliating not to be able to grasp the relevant information. Many consumers misunderstood the purpose of information, feeling that it sought to serve businesses more than their own interests.

Two examples of good practice emerged from the case studies. Parents welcomed a decision-tree approach to financial choice within the context of guidance provided in choosing an account for a

Child Trust Fund. They found the presentation attractive, the structure useful and the whole an aid to their decision-making. There was also widespread support for the Scores on the Doors scheme which publishes food hygiene inspection data on restaurants, providing a real incentive for business to achieve compliance.

New approaches


Given the level of perceived failure of many information requirements, we have used the analysis and research to consider new approaches that business and government could think about in future policy-making.

Firstly we have developed a **draft set of 6 tests** as a guide for when to use information provision:

- Have you defined the behavioural outcomes that you wish to achieve?
- Have you understood and assessed the level of incentives and potential risk/harm for the target audience?
- Have you considered and understood the impact of making this information available on businesses' incentives to achieve desired outcomes?
- To what extent can the information being provided simplify a choice for a consumer (and hence achieve desired outcomes)?
- Have you considered the fit with existing regulated information requirements?
- Have you considered alternative ways of communicating this information?

There are three other key levers in making information requirements more effective in the future.

Once it has been decided that information is the right solution for the problem being considered, we suggest policy-makers should **define the correct regulatory models** (legislation and enforcement) for these requirements. We are particularly interested in focussing on consumer outcomes rather than process, enabling businesses to bring their communication expertise to bear in complying. Another potentially fertile model for the future is the use of reputational information about firms to align their business incentives with wider societal objectives.



Effective presentation of the information is crucial if consumers are to engage with information successfully. The majority of existing information requirements are provided in static, one size fits all paper, text format. In some sectors there are approaches incorporating images and using new digital media which are bearing fruit. Business and government should consider how to implement such innovative approaches. By designing for the most vulnerable society (cf. “design for all”), they should provide information in a format that benefits everyone.

Given the difficulty in predicting the effectiveness of information requirements, a **systematic approach to pre-testing and evaluating effectiveness** is a key part of changing attitudes to regulated information. Such exercises could be linked to proposals to refine or remove information requirements where testing does not show that they are adding value.

These ideas will be refined and enriched through continuing discussions with stakeholders across industry, consumer groups and government during the coming months. We would welcome any comments, debate or discussion on these issues before 21st September 2007.

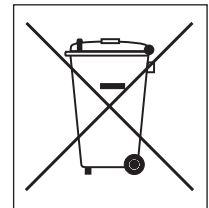


1. Introduction

We are surrounded by information. From the nutritional information on our breakfast milk carton to the terms and conditions box on the internet purchase we make in our lunch hour and the “no smoking” sign we encounter in the pub on the way home, it is an inescapable part of modern life.

Much of this information is provided to us by third parties – such as businesses – as a result of government requirements. Some familiar examples of “regulated information” are set out below:

“This call may be monitored for training and quality control purposes”



IMPORTANT – YOU SHOULD READ THIS CAREFULLY ABOUT YOUR RIGHTS

The Consumer Credit Act 1974 lays down certain requirements for your protection which should have been completed when the agreement was made. If they were not, we cannot enforce the agreement against you without a court order.

- Do not put paper, cardboard or plastic in, on or under the toaster.



This is an interim report to Government by the Better Regulation Executive and the National Consumer Council into the extent to which regulated information is an effective and efficient way of achieving better outcomes for society and consumers. The analysis is based on the results of focus group research commissioned by BRE and NCC. The report presents key messages from our research and sets out possible policy implications. We would welcome views on our findings and proposals, and have included questions for stakeholders in section 6 of this report. These views will feed into a final report and guidance for policy-makers on how to use information as a regulatory tool to be released later this year.

Information is a powerful and popular way to make markets work

Regulated information requirements are a key part of consumer legislation. The administrative burdens exercise found that 64% of consumer policy information requirements consisted of

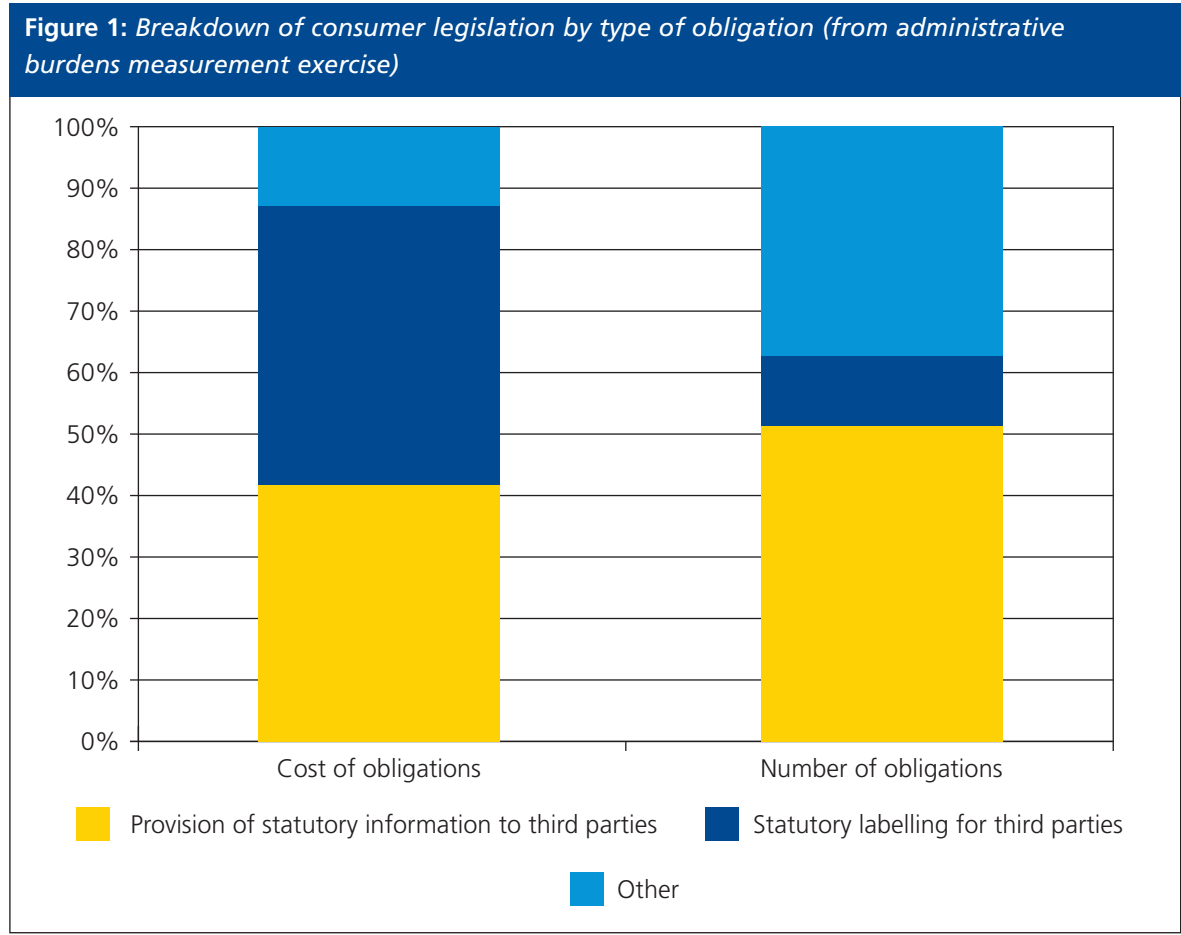
the provision of information to third parties or statutory labelling (see graph below).

Governments use information because it is seen as a powerful solution to situations in which markets fail to address consumers' needs. There are good reasons why it has been preferred by policy-makers in many circumstances over alternative ways of intervening in markets.

Regulated information helps empower consumers

Studies have shown consumers want to exercise choice and take responsibility for decisions in their lives. On public services, for example, research has shown that consumers value choice of provider and service¹. Information can help consumers make decisions which work for them, and enable them to take responsibility for making these choices.

Regulated information can be a powerful tool in facilitating choice, especially when given to consumers at the point at which they make a



¹ See, for example, The Audit Commission – “Choice in Public Services” September 2004

transaction or decision. By setting requirements around the information which must be provided, government can inform and improve key stages of the decision-making process – for example, the moment when a consumer credit agreement is about to be signed or the point at which a consumer chooses between two products, only one of which has recyclable packaging.

Examples of information provided to consumers can include:

- rights and responsibilities;
- price information;
- advertising and claims;
- contract terms;
- safety (e.g. food 'sell by' date);
- clear labelling of products (e.g. weight, ingredients, where it comes from); and
- complaints schemes in some industries.

Regulated information can be an effective and proportionate way to make markets work better

Policy-makers have a number of tools available to them to make markets work for consumers and society as a whole. They can use economic instruments such as taxes, subsidies and vouchers to alter the cost of producing or consuming a good. They can provide general information to consumers to influence behaviour – for example, through public information campaigns. They can also use regulation to set restrictions on which activities can and cannot be undertaken by producers. Within consumer markets, policy-makers can regulate the product or service, the price of the service and the terms of sale – including the information to be provided with it.

Regulating information provision has many advantages compared with alternative approaches. Key advantages are that:

- regulated information provides a direct solution to a common type of market failure – namely those situations in which individuals have incomplete

information or there are asymmetries in the level of information held by different actors;

- compared to alternatives, information allows the market to continue to function without introducing artificial constraints such as price regulation or taxes. It is therefore less likely to lead to market inefficiencies²;
- information is one way to enable a range of products to be offered to consumers allowing them to choose the level of risk or safety that they wish to have;
- regulated information can be targeted specifically at certain products, and therefore in some cases at certain groups – for example, those about to take out a particular financial investment; and
- the marginal cost of providing additional information requirements may be low compared to other forms of government intervention (subject to changes being implemented to the systems required to deliver the information and appropriate monitoring).

Traditionally, economic theory presupposes that information can never have a negative impact. If the information is ineffective or irrelevant it will simply be ignored by consumers and businesses.

A number of recent examples indicate the powerful effect information can have on outcomes. In the United States, the publication of food safety ratings for restaurants led not only to a rise in compliance but also a reduction in food-borne diseases.³ Recent research by the Financial Services Authority showed that a lack of appropriate disclosure in the financial services leads to companies being able to charge “monopoly prices” and hence over-charge consumers.⁴ Information has been particularly powerful as a solution in deregulated utility markets, because they enable simple price comparisons between products which are likely to be identical across all providers. The recent Power of Information review led by Tom Steinberg and Ed Mayo highlighted the impact price transparency over the Internet can have on prices.⁵

² Crucially information to combat information asymmetry or incomplete information does not change the optimal market equilibrium, unlike taxes or price regulation.

³ P. Leslie and Zhe Jin (2005) – “The effect of information on product quality: evidence from restaurant hygiene grade cards”

⁴ Financial Services Authority Seminar (2007) – “The effect of transparency of charges on consumer welfare”

⁵ Mayo and Steinberg (2007) – “The Power of Information Review”

Business traditionally prefers information to other regulatory options

Our conversations with business indicate it prefers information as a solution to other forms of regulation. It may be less costly and restrictive than product or price regulation.

In certain cases, information may assist a business in achieving its own objectives. For example, displaying signs in off licences or supermarkets to remind customers that alcohol may not be sold to people under a certain age may help retailers comply with the law and demonstrate responsibility. The message that “this call may be monitored for quality control and training purposes” may enable not only compliance with data protection legislation if the information is to be stored for any length of time but may also be a way of framing a safe environment for call centre agent and customer to interact.

There is growing evidence that information is not a panacea, and can cause harm

Information’s potential value as a regulatory solution is not in doubt. Yet evidence increasingly suggests it has its own failings and drawbacks – and these may be increasing.

Firstly, there is a growing sense that the volume of information available is limiting its effectiveness in reaching its target audience. For example although the Internet and new media can be an enabler for consumer choices they have dramatically increased competition for attention with government information. Research suggests there are more than 125 million sites on the World Wide Web⁶ and more than three billion web pages.⁷ Information on food packaging has also been on the increase with communication on particular allergies and the environmental impact of the product being introduced.

Ideas in behavioural economics have also questioned the idea that information is an infallible solution. Work in the 1950s introduced the notion of “bounded rationality” which recognised consumers have a limited capacity to find and process information. Analytical frameworks in the past have suggested that consumers are perfectly rational, and that they are able to find and fully utilise available information until the perceived marginal cost of searching for information is superior to the perceived marginal benefit of the additional information.⁸ Recent psychological research on choice suggests that beyond certain limits, consumer satisfaction from choices may be negatively correlated with the time spent on making a decision as well as the volume of information to consider.⁹

The administrative burdens measurement exercise conducted by the Better Regulation Executive indicated that third party information requirements in consumer policy impose costs on business of more than £1.5 billion a year. Business stakeholders have indicated that although actually communicating information may not be too burdensome there are important costs.

Firms have to invest in costly legal advice and monitoring systems to ensure compliance with the law. For example one consumer credit provider explained to us that new consumer credit agreements have to be verified by eight different people internally before being used. A major supermarket described the constant risks posed by consumers taking eco-efficiency labels off washing machines. The company could be found to be non-compliant by Trading Standards if they were not replaced immediately.

Even potentially small information requirements can have a cost to society. For example our approximate estimate for the cost of the call centre message “this call may be monitored for quality control and training purposes” suggests

⁶ Netcraft June 2007 web server survey, http://news.netcraft.com/archives/web_server_survey.html

⁷ Metamend website, <http://www.metamend.com/internet-growth.html>

⁸ OFT (1997) – “Consumer Detriment under Conditions of Imperfect Information”, research paper 11

⁹ Schwartz B (2003) – “The Paradox of Choice – Why more is less”

it may cost UK consumers more than £15m per year in phone costs.¹⁰

Messages can cut across businesses' own communication with their customers, damaging their efforts to promote their brand and causing them to incur additional costs. Businesses have also suggested the rigidity of regulated information may be an opportunity cost to government because it limits business' ability to tailor messages to its own consumers. In some circumstances businesses who are unsure about what they have to do to meet requirements complain that they may inadvertently 'gold-plate' information requirements to comply.

In October 2006 a report by the Better Regulation Commission, a body tasked by the government with providing independent advice on regulatory issues, suggested that government was managing too many risks, and that personal responsibility was being eroded as a result. As one of its conclusions it recommended that "the Government sets out the circumstances in which requiring the provision of information to consumers genuinely helps the effective working of markets."¹¹

A re-assessment of regulated information is needed

This report is the interim product of joint research carried out by the Better Regulation Executive with the National Consumer Council. The objective of the research was to assess how effective and efficient regulated information is in empowering consumers and ensuring that markets function efficiently.

The analysis is based primarily around seven case studies that are illustrative of types of regulated information provision and particular issues (see table below). We commissioned focus group research with 12 groups of consumers from different geographic, demographic and socio-economic backgrounds.¹² Each group discussed at least two case study examples of regulated information, with the aim of identifying their reaction to this and its likely impact on their behaviour. The focus group research was supplemented by desk research and interviews with more than 60 stakeholders across government, business and relevant interest groups.

¹⁰ Based on an estimate of 11bn calls to UK call centres p.a., an average of 4 seconds per message, 75% of call centres using this message and an average charge of 3p per minute.

¹¹ Risk, Responsibility and Regulation – Whose risk is it anyway? Better Regulation Commission October 2006. The work in this report stems from the BRC's recommendations and will be used to form part of the Government's response to the BRC's report.

¹² Vanilla research (2007) – "Consumer Information and Regulation"

Case study description	Objectives of information	Initial areas of interest
Consumer credit agreements	<ul style="list-style-type: none"> • Encourage comparison and informed choice • Communicate rights and risks • Provide guidance on redress 	<ul style="list-style-type: none"> • Impact of volume of information on choice • Approaches to providing effective information on complex decisions • Cost of providing and updating small print
Child Trust Fund decision tree ¹³	<ul style="list-style-type: none"> • Encourage comparison and informed choice 	<ul style="list-style-type: none"> • Approaches to providing effective information on complex decisions • Framing of information and default choices
Call centre message “This call may be monitored for quality control and training purposes”	<ul style="list-style-type: none"> • Communicate rights and obligations 	<ul style="list-style-type: none"> • Importance of information on statutory rights to consumers and how they use it
Recycling symbols	<ul style="list-style-type: none"> • Help change attitudes and behaviours to public goods (in this case the environment) • Guide people when making recycling decisions • Enable people to use the recyclability of materials as a purchase criteria 	<ul style="list-style-type: none"> • Regulated information as a tool to change behaviour to benefit wider society • Link between information provision and underlying systems
Product safety warnings (on toasters)	<ul style="list-style-type: none"> • Communicate residual technical risks when using products • Protect consumers from harm 	<ul style="list-style-type: none"> • Relationship between information, risk and responsibility • Impact of volume of information and its relevance for consumers • Dependence of consumer reactions to information on location and format of information
Extended warranties for domestic electrical appliances ¹⁴	<ul style="list-style-type: none"> • Provide a framework for a competitive market in extended warranties (competition remedy) 	<ul style="list-style-type: none"> • Interpretation of regulated information at the point-of-sale • Effectiveness of messages that may be in tension with the business incentives
Scores on the doors and food hygiene ¹⁵ (Scores on the doors is a scheme where food hygiene inspection information about restaurants is made available to consumers)	<ul style="list-style-type: none"> • Encourage non-compliant businesses to improve their food hygiene systems • Enable consumers to choose restaurants informed by food hygiene records of restaurants 	<ul style="list-style-type: none"> • Effectiveness of publishing regulatory information in driving business behaviour • Risks between publication of compliance data, consistency and interpretation by consumers

¹³ See Child Trust Fund guidance for more information

http://www.childtrustfund.gov.uk/Documents/toolkit_leaflet/toolkit%20leaflet%20-%20low%20res.pdf

¹⁴ Refers to information requirements from The Supply of Extended Warranties on Domestic Electrical Goods Order (2005) following an inquiry by the Competition Commission Inquiry

¹⁵ See the Food Standards Agency website and Box below for more information, <http://www.food.gov.uk/safereating/hyg/scoresonthedoors/>

Given the sample size and nature of the research, it was not intended to provide a comprehensive analysis of the functioning of consumer information, nor to find perfect detailed solutions to problems arising from the individual case studies.¹⁶ Rather, it aimed to provide a picture of how well consumer information was working, with a view to informing future research and policy development.

The focus of the research was on information provided by third parties – such as businesses or third sector organisations – to consumers. This so-called “regulated information” has several characteristics:

- government intervenes in a communication between a third party and a consumer, often by defining the form, content and method of transmission (e.g. a the call centre message that “this call may be monitored for quality control and training purposes”);
- the regulation may define what can not be communicated as well as what must (e.g. rules regarding phrases that may not be used on cigarette packets or regulations on information to be provided with medicines); and
- information is generally linked to a particular activity, product or service and may appear alongside the business’ own information (e.g. consumer credit agreements).

This report also considers some non-regulated information provision, such as citizen-generated information and information provided by government, insofar as they can tell us about alternatives to regulated information and how regulated information might be made more effective.

A key assumption underlying this report is that, to be effective, regulated information provision must mean something to the majority of the target audience. In some markets, such as those for highly desirable leisure, clothing or creative goods, there is evidence that a small number of consumers can disseminate information throughout society.¹⁷ However, this report starts from the premise that for reasons of equity on issues such as financial information

or food safety, information should be designed for all consumers. In addition it is our belief that the responsibility for information’s effectiveness lies with the person who has set and communicated the information (i.e. government and business), and not those the requirements are seeking to reach (consumers). If a consumer does not react in the way government or business intended, then the failure lies with the information’s design or method of communication, not the consumer.

The Better Regulation Executive and National Consumer Council would welcome the view of all stakeholders on our emerging findings

This interim report sets out an analysis of how consumer information can be made more effective. It aims to encourage discussion and debate of the emerging findings on consumer attitudes to regulated information and possible actions to improve effectiveness. The Better Regulation Executive and National Consumer Council will be publishing a final report and guide for policy-makers using information as a regulatory tool in the autumn 2007. Ongoing discussions and reactions to this report will refine the findings and feed into the final report.

The rest of this interim report is structured in four analytical sections (see diagram below) which reflects both an analysis of consumer behaviours and a set of proposed areas where business and government could provide more effective information provision. Section 6 provides a summary of the interim findings and a set of questions for continuing debate and discussion with stakeholders.

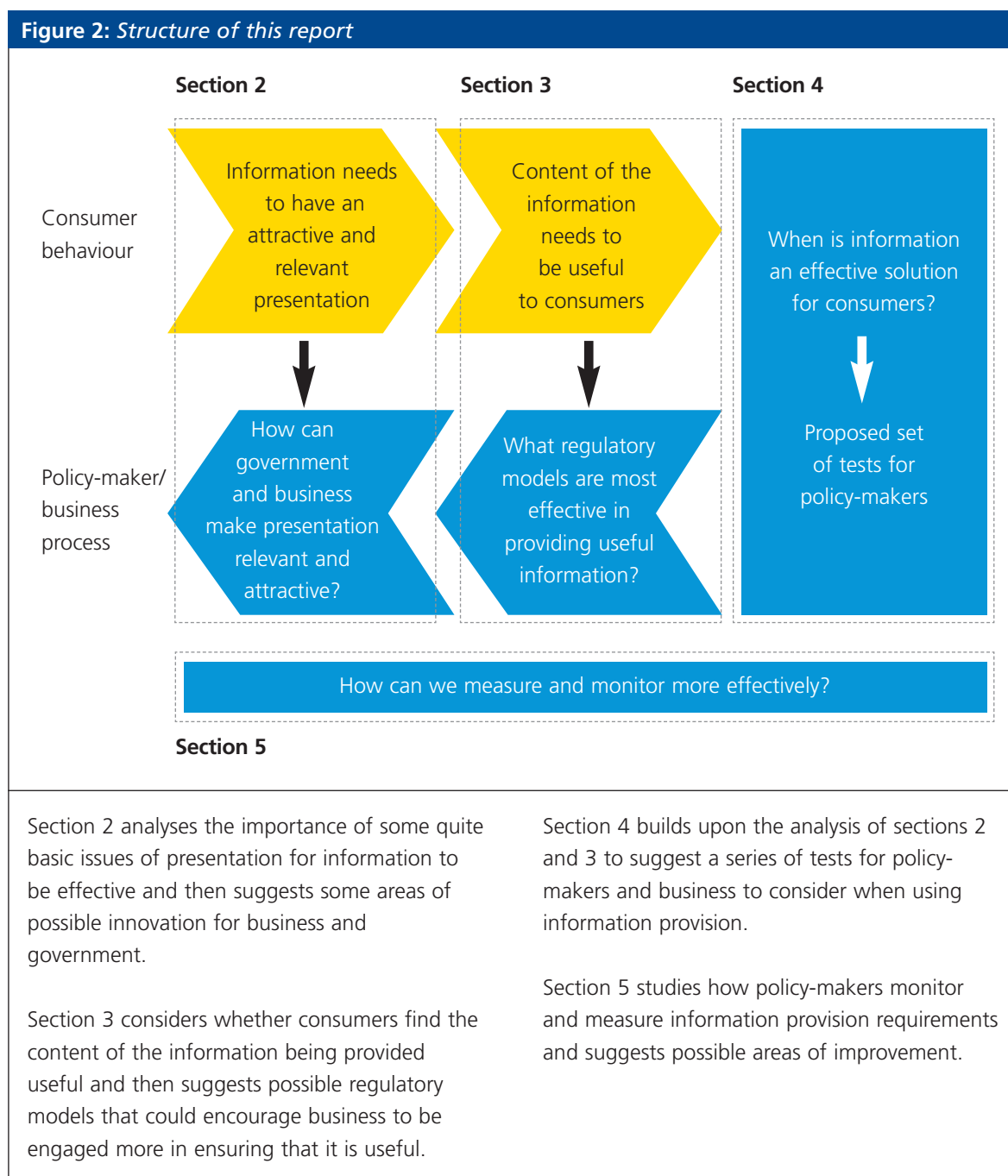
For a consumer, the process as set out in the diagram (left-right) starts with the presentation and whether information captures their attention, moves on to whether the content of the information is useful and then considers whether information is useful for this particular choice.

¹⁶ Given the focus group methodology the findings should be considered a reliable indication of consumer opinion rather than a finite measurement (cf. Vanilla research report p10).

¹⁷ One proponent of this theory is “The Tipping Point” by Malcolm Gladwell (2002)

For a policy-maker or business investigating information as a policy tool, the sequence is reversed (moving from right-left). Firstly, it is necessary to decide whether information is the right type of regulatory tool to address the particular problem. If it is worth considering then the policy-maker can move on to consider the regulatory model that is most likely to engage

business positively in achieving outcomes. As the final step the policy-maker or business needs to consider how the information can be presented in a relevant and attractive format. Throughout the process the policy-maker needs to consider how they can monitor or measure information to make sure it is effective.



2. The presentation of regulated information should be more attractive and relevant

From consumer credit agreements to recycling symbols on packaging and recorded messages from call centres, our focus group research revealed people often did not engage with the regulated information, a point corroborated in discussion with consumer groups, businesses and government. Many of the people developing the information admitted that as individuals they themselves would not read the small print being provided.

Box 1: Warning for your own protection: you *should* read the instruction booklet

The focus group research found that product safety warnings in instruction manuals were broadly ignored by consumers. Consumers applied common sense or a 'legacy' of knowledge from families and friends to ensure that they protected themselves with regard to most household products. For example, the vast majority of consumers were aware that there were risks from immersing a toaster in water or mowing their garden in the rain.

"If you buy a drill I just plug it in and go ahead right away, I don't see the sense of reading the stuff with it." (Pensioner, low income)

We found the fact that information was not capturing people's attention was probably the largest and most fundamental barrier to regulated information being helpful to consumers. We identified three main contributing factors for this:

- the way that information is presented;
- the volume of information; and
- consumers' perception of its relevance to the context in which it is provided.

Small print and big words are confusing

Our focus group research shows many consumers perceive much regulated information provision to be written in "official-" or "legal-speak", whether it be advice on rights on consumer credit agreements, small print on advertisements or terms and conditions on the Internet. Generally it is presented in a dense text format, literally as small print, i.e. with a small font size.

Our research found that regardless of their background and skills, consumers want – and are much more likely to read– a document that is succinct, simple and written in plain English. This is perhaps unsurprising based on literacy statistics. More than half of adults aged 16-65 have a reading age at level 1 or below, equivalent to age 11¹⁸. The needs across different socio-economic groups were surprisingly similar. Whatever the level of education or literacy, there were no requests to stop "dumbing down" information requirements. In terms of impact, complex information was often considered to be irrelevant or boring by more educated consumers whilst lower literacy consumers found the fact that they could not grasp the information humiliating.

The precise format of the information being provided can be defined within particular regulations or be left up to interpretation by the individual business. For example, consumer credit law requires some information to be provided in a particular way and specifies the use of bold text and text boxes in some circumstances. In contrast, there are no precise presentational constraints for product safety warnings. Regulations with high levels of prescription (font size, colour of print,

etc.) often aim to ensure visibility and consistent messages and tend to facilitate compliance for businesses, particularly small and medium-sized enterprises.

We found that in most cases information requirements were dealt with by a legal or compliance department, rather than a marketing function, within business. These departments would take a compliance approach to information requirements and therefore it is unsurprising that the presentation of information was rarely a priority. Nonetheless some businesses do produce all information leaflets using PlainEnglish, Crystalmark or other similar standard for clear and simple communication.

In theory, the use of an official format may potentially signpost that the information is important and being provided by the government. Our research suggests however that it may act as a disincentive to engage with the information and some people confuse legal text with government information.

Information is harmful in large doses

One key finding from our research is that there is too much information for consumers to process, whether it be regulated or otherwise. Although information can be very effective in empowering citizens and consumers, as with a medicine, care should be taken to administer the amount of information that you expect your target audience to be capable of absorbing. Too much becomes ineffective. The sense of information overload in today's society through the media, new channels such as the Internet or mobile devices as well as the proliferation of regulations themselves means regulated information makes little impact on many consumers. Our research suggests that consumers were prepared to accept short-cuts in order to avoid spending excessive time engaging with regulated information.

Two factors may drive an excessive amount of information for consumers – firstly, the volume of different individual information requirements and

¹⁸ Literacy Trust website, <http://www.literacytrust.org.uk/>

Box 2: "The way it looks, it just makes me not care" (21-34 high income)

Consumer credit agreements are designed to protect consumers from falling unwittingly into debt by informing them of their rights and obligations. It is estimated that these information requirements cost business £111m per year¹⁹ and transitional costs of changes to consumer credit information systems have been estimated at £160m²⁰.

Yet our research indicated that credit agreements seem to be failing to impart information clearly and effectively, and may be alienating consumers from all backgrounds. Less literate consumers felt worried, inadequate and vulnerable when faced with the text of the agreements.

"Obviously it's informative but I really can't be bothered to read it" (21-34 high income)

"It makes you want to just go 'I can't be doing with it.' It is threatening I think." (Low literacy)

The sheer volume of information contained in the agreements discouraged some consumers from reading any of the information.

"I find that the more choices and the more things I read it just blows my brain and then I don't know what the hell I'm doing. It's scary because I think I can't deal with all this and then I push it all away". (Low literacy)

They were particularly perplexed by the following statement which must be provided on most agreements:

The Consumer Credit Act 1974 lays down certain requirements for your protection which should have been completed when the agreement was made. If they were not, we cannot enforce the agreement against you without a court order.

The information seemed important, but the majority did not know what the Consumer Credit Act was and therefore could not judge whether these requirements had been fulfilled.

The small size of the print and the language used were also off-putting. They gave consumers the feeling that the agreement was for the benefit of the lender, not for them, and that they would be disadvantaged as a result. Some of the information on consumer credit agreements is contractual rather than regulatory but in many circumstances consumers found it difficult to differentiate between the two. Recent changes to consumer credit regulations have ensured that information considered key for consumers such as the APR is set out prominently in a separate text box at the front of the paperwork.

The Citizens Advice Bureau told us consumers were very confused by some technical terms. When asked what they thought a 'secured loan' was, 10-15% of consumers interviewed by CAB thought it meant their house would be secure, even if they missed payments on the loan. In reality, a secured loan means exactly the opposite. It is "secured" against the borrower's house, which may be at risk if they do not keep up repayments.

Consumers and businesses felt that some agreements could be reduced to the essential information on the financial terms of the agreement – how much they would pay, over what period of time and what would happen if they missed payments. Additional information could be replaced by the contact details of an organisation that could help if there was a problem, such as the Financial Ombudsman Service or the Citizens Advice Bureau.

¹⁹ Administrative burdens measurement exercise (2005)

²⁰ Full Regulatory Impact Assessment for the Consumer Credit Act 2006

their distribution or clustering on certain products and, secondly, the volume of information provided to consumers by any single information requirement.

The administrative burdens measurement exercise found that excluding regulation from the Financial Services Authority there were 437 different individual third-party information requirements in the consumer policy area in May 2005.²¹

Many of the individual requirements, either by design or accident, lead to the provision of voluminous information. For business, this may be perceived to be a rational response to risk and fear of liability but the information requirements are a cost to the economy.

Box 3: 52 things not to do with your toaster (one per week)

For our focus group research on product safety warnings we chose a household product, a toaster, as a concrete example to test with consumers. Product safety warnings are regulated by the Electrical Equipment regulations and most toasters conform to European standards²² which prescribe two particular warnings to be provided to consumers on the use of a toaster.²³ The General Product Safety regulations require business to provide information on the use of products and to manage risks “where they are not immediately obvious”. The cost of information requirements to business with safety requirements across all sectors and products is estimated to be more than £440m per year.²⁴

A comparison of five toasters provided by five major European manufacturers and chosen at random found that there were often more than 30 warning messages or safeguards in the instruction manual (the total number varied from 18 to 52). These were presented in the form of bullet points, occasionally with the use of bold text or underlining to highlight particularly important messages.

One typical example of an instruction manual from a branded manufacturer was tested with consumers in the focus group. When confronted with the 38 safety warnings for a branded toaster many consumers thought that the list was verging on the ridiculous including warnings such as not to use the toaster as a source of heating. For them such an exhaustive list could only be there to protect the business and they felt confident that they knew the five or six really key warnings. The people who did read the safety warnings tended to focus on the text that was emboldened or underlined.

There was widespread support for more attractive approaches and improved locations to product safety warnings such as the use of stickers on the product and short lists of do’s and don’ts.²⁵ The format of a long list of safety warnings hidden away in the instruction manual means that many consumers were deciding to opt out of reading the information rather than being encouraged to opt in through accessible, simple information.

Discussion with manufacturers on their attitudes to information and risk found significant

²¹ Administrative burdens measurement exercise (2005)

²² BS EN-60335-2 and in particular BS EN-60335-2-9

²³ The two warnings prescribed by the European standard concern the risk of using toasters below flammable items, such as curtains, and the risks related to children using toasters. There are other warnings that have to be included on the product related to the electrical supply.

²⁴ Administrative burdens measurement exercise (2005). This figure is currently under review – see DTI Simplification Plan (December 2006)

²⁵ The use of stickers for product safety warnings can pose some risk for companies if they are removed by consumers.

Box 3: Continued

differences. One retailer of electrical appliances suggested that it was now essential to incorporate as many warnings as possible to protect themselves from legal liability. They also felt that enforcement and the courts often interpreted legislation in the favour of the consumer. It seemed to them that little consideration was given to the extent that consumers may have brought risks upon themselves through irresponsible behaviour. Two other manufacturers, of generally higher-priced goods, were less concerned about liability and made a conscious effort to keep the number of warnings down to a reasonable minimum. They recognised the need to educate

consumers on some issues but felt that most freak accidents or incidents arising from irresponsible behaviour could be resolved in a reasonable way with the support of Trading Standards Officers.

Many products are now produced in a single place with a single format for global sales. This has the potential to multiply the number of warnings needed in order to comply with different jurisdictions, as well as requiring warnings to be provided in a number of different languages. This issue was however not raised as a major concern by the manufacturers.

There is often competition for consumers' attention at the point of sale

One of the strengths of regulated information is that it enables information to be embedded at the key decision-making moments. However this

strength can also be a weakness as the regulated information provision has to compete with information being provided in other formats. There is some evidence from our focus groups, for example, that people are unlikely to read paperwork provided to them at the point of sale in any detail, particularly if they are talking to a salesperson.

Box 4: You should read this (extended warranties)

The Competition Commission inquiry into extended warranties for domestic electrical appliances was concerned about the level of competition in this market and introduced an information remedy (as new information requirements in a new 2005 Order) to address the concerns. The administrative burdens measurement exercise estimated that this information has an annual cost of approximately £1 million to business.²⁶

One of the actions required by retailers under the 2005 Order is that they must inform customers of their rights to buy a warranty elsewhere. In most cases this information is provided in a leaflet that is given to consumers at the point of sale when buying an extended warranty. Although our focus group research

does not constitute a statistically significant sample it is unclear from these consumers' reactions that the leaflet being provided at the point of sale is being read or taken in effectively by consumers.

"(On suggestion that you could buy a warranty from a third party) Didn't know you could do that"... "No, didn't know you could do that." ... "Why would you do that?" Pensioners, high income

Some people remembered being given a leaflet at the point of sale which they saw as setting out in outline form the benefits of the warranty itself. This was compounded by a common view that details about the extended warranty were presented in 'small print'. In running through

²⁶ Administrative burdens measurement exercise (2005)

Box 4: Continued

their experience in purchasing an extended warranty some consumers in our focus groups mentioned their discussion with the salesperson which seemed to “crowd out” any memory or engagement with a leaflet.

With an increase in the purchase of electrical appliances, and hence extended warranties, online it is also interesting to consider how consumers engage with the purchase decision on a website.

Policy-makers and communication experts should consider using creative new approaches to maximise impact for consumers

There is clear evidence from our focus group research that much small print is ineffective precisely because of its format and framing. To be effective, information provision must be presented in a format that is attractive to the target audience.

There are many guides on how to communicate effectively.²⁷ This report does not seek to provide a full guide to the art of communication but will focus on a range of ideas which we think policy-makers and businesses should consider when developing regulated information:

- simplicity and “design for all” approach to actionable information provision;
- information should be framed effectively; and
- the potential offered by new digital media.

A “design for all” approach could improve regulated information provision

Our focus group work suggests that different socio-economic groups do not have fundamentally different needs in terms of level of information provided to them – all consumers want simple information and a clear single message even on complex issues. If businesses and policy-makers design the regulated information with vulnerable consumers in mind, all consumers are likely to benefit.

To achieve this, considerable thought is needed to strip the decision-making process to its essential elements. This is similar to the “design for all” school in the world of engineering. “Design for all” is an approach to the design of products, services and environments such that they be usable by all of society. Although the driver for some elements of the design may be people with particular disabilities, the concept is that the design features ultimately help everyone. Examples of “design for all” include light switches with large flat panels rather than small toggle switches or smooth ramps to entranceways rather than stairs

²⁷ See www.engage.comms.gov.uk

Box 5: "Design for all" over the internet (financial services)²⁸

Legal & General is one of the UK's top 50 FTSE companies and a supplier of financial services to 5.4 million customers in the UK. The company knew unnecessary barriers were preventing up to 8.6 million disabled people in the UK from using the company's website, and was also aware that competitors offering accessible services online had an advantage amounting to millions of pounds.

Legal & General asked Fortune Cookie, a digital design company, to re-design the website so disabled customers could use it. The intention was to make its website accessible, easy to navigate and pleasing to use. To increase accessibility, new templates were created and the contents migrated from the old site to the new site.

The site was made accessible to search engines and web browsers other than internet explorer. New functionality was created for the frequently asked questions, complaints, general enquires and the change of address sections. The site was made accessible to disabled children and aimed to achieve the Shaw Trust, RNIB and Abilitynet accreditations for accessibility. The company also took steps to improve the customer online application experience.

Following the changes, the number of visitors receiving life insurance quotes increased by 100% within three months.

Images are a fast and powerful way to convey information, but may not be sufficient by themselves

There is increasing interest amongst policy-makers and business in the use of images and symbols to communicate messages and a considerable base of evidence on their potential effectiveness:

- research carried out in South Africa compared consumer reactions to different presentations of letters offering consumer credit. The research found an effective use of presentation, photographs and other psychological cues was equivalent to a 0.5% change in APR in terms of consumer reaction to the offer²⁹;
- images are now used on "no smoking" labels for cigarette packets in Canada and research has found that images are substantially more effective than the use of words to communicate

with young people. In one study one fifth of smokers surveyed said that they would smoke less as a result of the images³⁰;

- a pilot scheme carried out by the Health and Safety Executive displayed images depicting the risks to health of various construction activities as an integral part of the site were effective in raising the profile of health and safety issues³¹; and
- a survey carried out at the European level found that the majority of consumers preferred to receive product safety information via a combination of logos, symbols and text.³²

Despite this, the vast majority of information requirements consist of basic text, often written by lawyers or compliance experts. There would therefore appear to be considerable scope to use pictorial representations more broadly.

²⁸ From presentation at the First European e-Accessibility Forum, January 2007 http://inova.snv.jussieu.fr/evenements/colloques/servonline/Actes/description_ang.php?id=49&num=45

²⁹ Bertrand et al. (2005) – "What's Psychology Worth: a field study in the consumer credit market"

³⁰ Hammond et al. (2004) – "Graphic Canadian Cigarette Warning Labels and Adverse Outcomes: Evidence from Canadian Smokers" American Journal of Public Health Vol. 94 No. 8

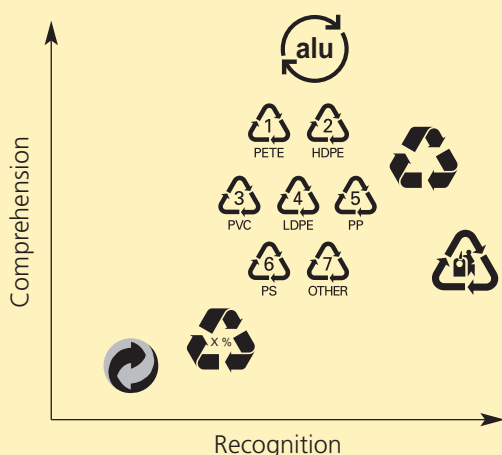
³¹ HSE (2006) – "Trojan horse health and safety messaging", research report 505

³² Eurobarometer (2006) – "Consumer protection in the internal market"

Although generally shown to have a positive influence on outcomes, consumers may require help to learn symbols or understand them effectively. For example, research into the level of awareness of road signs found that newly qualified drivers were significantly less aware of road signs than more experienced drivers. Drivers with less than two years experience recognised, or partially recognised, 54% of signs whereas the figure rose to 69% for drivers with more than 35 years' driving experience.³³ Research carried out by the Health and Safety executive also found that there was a wide range in the level of recognition and comprehension of different chemical hazard symbols.³⁴

Box 6: Do you know your recycling symbols?

The issues around the understanding of symbols were underlined within the context of our focus group research into recycling symbols. We have identified 17 environmental symbols related to recycling or other characteristics of the product and tested six symbols related to recycling or waste management with consumers. The results are shown below.



There was therefore considerable confusion about many recycling symbols that could be found on everyday packaging. This may be unsurprising given the lack of direct relationship between these symbols and local authority recycling schemes and the fact that few consumers used them to sort their waste.

Although low literacy consumers may welcome the use of symbols, other visually-impaired groups may find symbols difficult. The use of symbols may be much less effective than text which can easily be transformed into Braille or an audio format by new IT solutions. Therefore those using pictorial information or symbols should also consider these issues.

The framing of choices is crucial

There is increasing interest in government guiding consumers through complex choices. The most well-known example of this is perhaps the use of defaults in pensions. In the US the switch from a situation where employees had to opt-in to the pension scheme to one with automatic enrolment permitting employees to decide to opt-out has led to a dramatic increase in the uptake of pensions.³⁵

Box 7: Colourful and good at framing information – the Child Trust Fund decision tree

Recent research by the Financial Services Authority has shown a low level of financial capability across society, and in particular “that people do not take adequate steps to choose [financial] products that meet their needs”.³⁶ The research found 40% of people who own an equity ISA are not aware that its value fluctuates with stock market performance and 15% of people who own a cash ISA think it does.

The Child Trust Fund is a scheme announced in the Budget report 2003 which gives all children living in the UK for whom Child Benefit is being received and who were born on or after 1 September 2002, entitlement to a Child Trust Fund account with an initial government voucher of £250.³⁷ The objectives of the Child Trust Fund scheme include strengthening financial education and promoting positive attitudes to saving.³⁸

³³ Department for Transport (2004) – “Increasing Understanding of Traffic Signs”

³⁴ HSE (2000) – “Characteristics of people working with chemical products in small firms”, research report 278/2000

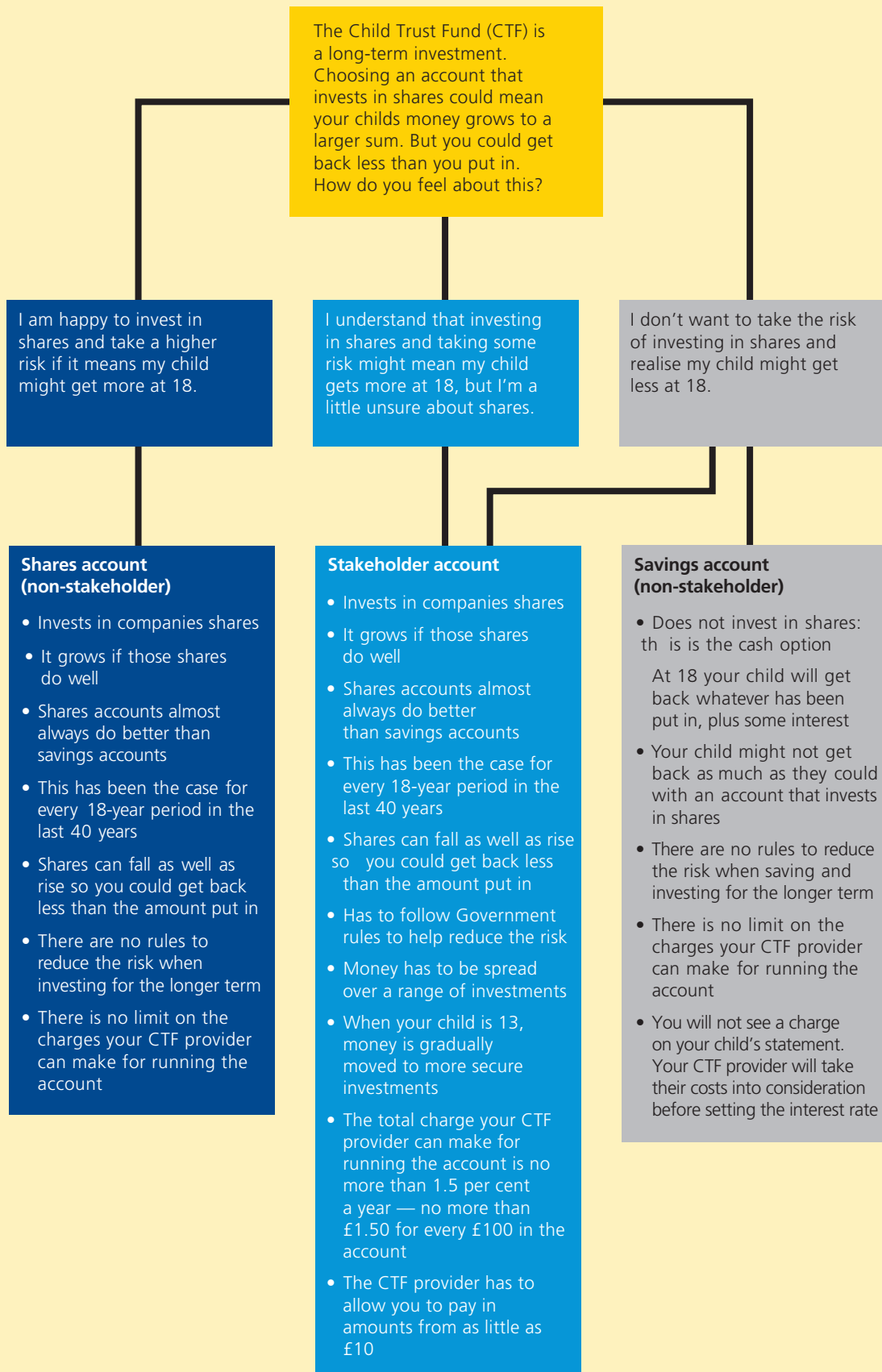
³⁵ For more detail see Pensions Commission (2004), Pensions: Challenges and Choices

³⁶ Financial Services Authority (2006) – “Financial capability in the UK: establishing a baseline”

³⁷ An additional payment of £750 is made to those families receiving a Child Tax Credit. At age 7, the Government makes a second payment of £250 (or £500 for lower income families)

³⁸ Ruth Kelly, Financial Secretary to the Treasury, Budget 2003 press release

Which type of Child Trust Fund account for my child?



Box 7: Continued

Decision-tree guidance

Parents or guardians are free to invest in one of three types of accounts:

- (cash) savings account
- accounts that invest in shares
- stakeholder accounts with investment in shares in companies but according to certain rules defined by the Government.

There are approximately 45 providers of Child Trust Fund accounts, all of which offer a stakeholder account, and 75 distributors.

HMRC worked with parents to design a decision-tree to help parents to make the initial choice between the different types of account. It comprises three branches and two phases. The first phase breaks the investment decision into a question of the level of financial risk that the parent wishes to take for the Child Trust Fund. The second phase translates this risk preference into a type of account and sets out the main points about each type of account.

The information was presented to make clear that government would invest in a stakeholder

account if no account were opened by the parents after one year.

Our focus group research carried out for this project corroborates market research undertaken before implementation of the decision tree. Consumers like the presentation, content and guidance provided by the decision-tree model. They were attracted to the use of colour and simple language and the fact that it was sufficiently concise to give a complete overview of the decision-making process.

Consumers felt that the decision tree guided their thinking and helped them make a decision by giving advice but not telling them what to do. The direct impact of this decision-tree guidance on consumer outcomes is difficult to ascertain because it was one part of a marketing strategy, and the approach does not take one all the way through to selecting a provider. The level of uptake and investment of the CTF voucher has remained constant at around 75%. Approximately 74% of all accounts opened are the stakeholder type of account, the default account if parents do not choose to open one within a year.⁴⁰

In many markets, government's aim in providing regulated information is to inform consumers about their choices without steering them to any particular choice. By contrast, the work carried out by economists and psychologists suggests it is impossible to provide information or frame a choice in an entirely neutral way. In the same way that a building will always bear the mark of its architect, so the way that information is provided to consumers will always frame the choice in one way more than another.³⁹

Attempts to render the information neutral can be counter-productive if they sterilise the information to the point in which it is no longer of relevance to the consumer.

The very positive reaction to the decision tree in focus groups as well as wider research in financial services suggests consumers increasingly want information that is provided in the form of a decision-making tool and not as a paragraph of often wordy advice.

Digital media offer new opportunities to governments to communicate effectively, but also comes with risks

The development of the Internet, related technologies and new digital media is transforming our access to, and attitudes to information, including the following trends:⁴¹

³⁹ HMRC Child Trust Fund Statistics (2006)

⁴⁰ Prof. Cass Sunstein, DTI/Better Regulation Executive seminar, 31 May 2007

⁴¹ See for example, Government Communications Network engage programme (2007) or Mayo and Steinberg (2007) Power of information review

- the Internet offers an extraordinary range and depth of information at the click of a switch. One of the great strengths of the Internet is that it typically offers a greater level of detail on most subjects than other physical information resources;
- the production of information in electronic format means that often it can be manipulated or redesigned for the needs of consumers and to the appropriate level of detail. For example, tools enable electronic text to be transformed instantaneously into Braille or audio format for the visually impaired;
- recently the growth of social networking sites and sites around areas of interest has transformed information available on the Internet from a static text format to more dynamic and interactive styles. The development of sites around particular areas of interest has also changed attitudes to trust in information. "Word of mouth" has traditionally been a very popular and effective medium for communication and this potential has been amplified through the Internet;
- new technologies not only enable businesses to change their products and services more quickly but also the information being provided to them. This contributes to the use of mass customisation techniques and accelerates the speed with which information is designed and communicated to consumers; and
- the development of the Internet and mobile technologies offers a range of different channels from which consumers can obtain information, in different situations and at different times of the day.

Citizens' expectations of information are rising at the same time as their attention to individual channels or sources of information is dropping. Against this backdrop, the presentation and delivery of much existing regulated information seems diametrically opposed to the evolution in the use of information across society. Regulated information provision tends to be static, "one size fits all" and essentially provided in a

traditional paper format. One high street retailer explained, for example, that they wished to use "plasma screens" to communicate some regulated information to consumers but this was considered to be unacceptable by enforcement officers who required traditional physical signs.

The power of these new technologies is, however, not necessarily a panacea for consumers. New technology may present many of the same challenges as physical information. Information overload is in part driven by the expansion in Internet information. When using peer-to-peer websites it can be difficult to know which information to trust, and which information is erroneous. When purchasing online, we are often asked to agree to a set of terms and conditions provided in a legal, long and complicated format that is unlikely to be read by your average consumer. This is the same "small-print" that we find in physical format but is even less likely to be read when one has to scroll inexorably down the screen. Some financial services websites include terms and conditions for the whole website which are complex and difficult to understand.

Box 8: "Scores on the Internet"?

A number of the case studies tested with consumers included an element of online provision of regulated information, especially in the case of the Scores on the Doors inspection data. As might have been expected, a majority of consumers appreciated the convenience and up-to-date nature of an online source. Importantly, although many raised trust issues with some peer-to-peer websites (one disgruntled customer does not mean that a company is necessarily bad), there was no lessening of impact once regulatory information was moved online.

Although the Internet has become the predominant source of information in society, there are still some groups in society which have difficulty accessing the opportunities offered by these new technologies.⁴² Therefore information provided in this format alone is not currently sufficient.

⁴² 61% of the population currently connect to the Internet with particularly weak access in the over-65s and socio-economic groups DE (Ofcom consumer research (2006)).

Nonetheless the use of the Internet and these new technologies are likely increase in the future both as a source of information and for many purchases. The new technologies offer an opportunity for government to communicate with consumers in more dynamic, varied and customised ways. For regulated information provision, these technologies enable information to be updated more easily and more rapidly in an electronic format.

In certain sectors the Internet and peer-to-peer information has become a very important resource for consumers looking to obtain advice, for example on financial services or to choose a

holiday destination. Although government should not seek to replicate, "crowd-out" or regulate such information sources it may have a role in guiding consumers to more robust or effective sites. This analysis was set out in the recent independent "Power of Information Review" led by Ed Mayo and Tom Steinberg. In its response to this review in June 2007 the Government accepted the majority of its recommendations.⁴³ Some of the Office of Fair Trading's (OFT) Consumer Code's Approval Schemes are already linked into peer-to-peer or feedback websites and therefore government has already started to act as an enabler in some of these areas.

⁴³ Mayo and Steinberg (2007) – "Power of Information review

3. Government and business should work together to make the information more useful to consumers

Even if consumers did read the regulated information provided to them in our research many did not find it immediately useful. They switched off quickly or had difficulty understanding how practically to use it.

We have identified two issues that mean that consumers did not always find the information helpful:

- much information is not directly actionable; and
- it is often not clear if messages are directed at consumers or at others.

Much information is not directly actionable

Our research suggested consumer decision-making is often carried out at speed. In many situations consumers made decisions before entering into contact with the relevant company (e.g. extended warranties or consumer credit), for others the time spent looking at information on products was minimal (e.g. recycling symbols or product safety). As a result, information requirements that needed analysis or reflection at the point of sale were often simply ignored.

There are other contextual factors that contribute to consumers making decisions quickly. The increased use of fast digital media channels and development of mobile technologies enabling continuous access to the Internet has contributed to the speed with which consumers expect to obtain and process information.

When testing comprehension of road signs in Britain, the Department for Transport (DfT) flash a sign in front of drivers for just a few seconds.⁴⁴ Similarly consumers often only glance at regulated information and then make split-second decisions.

One refrain that we heard several times from consumers in our focus group research was that the information provided should be directly applicable to an action or decision. Information requirements that did not meet this test were often considered redundant and neglected by consumers as a result.

Box 9: Recycling symbols

Much packaging produced across Europe incorporates one or more recycling symbols which explains the material from which it is produced and its relative recyclability.⁴⁵ Within the UK recycling schemes are the responsibility of local authorities and each council runs its own scheme according to its need, priorities and facilities. Therefore it is impossible for regulated information to provide sufficiently tailored information to each individual scheme.

As a result, it is perhaps unsurprising that we found that few consumers used these symbols to decide what to recycle. Most consumers relied on guidance provided by local authorities, complemented possibly by word-of-mouth – as their main sources of information. None of the consumers involved in focus groups suggested that they would look for recycling symbols on packaging when making purchasing decisions.

“Some plastic the Council seems to leave, so I’m not always getting it right”

18-29 medium income

“I think the manufacturers need to make it more simple, just one symbol that means “that is recyclable” and that’s it” Pensioner, high income

One area of mandatory labelling is the Waste Electrical and Electronic Equipment (WEEE) Directive (2002/96/EC) which requires producers to mark electrical and electronic equipment with the ‘crossed-out wheelie bin’ symbol (see below). Similarly the Batteries Directive (2006/66/EC) on batteries requires them to be marked with the same symbol. Many were aware of this symbol and even those who were initially unaware quickly understood the concept that the waste should not be incorporated in household waste. The most common reaction, however, was that this information was redundant because it tells you what you *can not do* but not what you *can do* with this waste.



⁴⁴ See www.engage.comms.gov.uk

⁴⁵ It is not strictly mandatory that firms place material recyclability symbols on most packaging. However, EU directive 94/62/EC on Packaging and Packaging Waste set out a recommendation that businesses should do so and emphasises that such symbols may subsequently be made obligatory.

It is often not clear if messages are directed at consumers or others

Many of our case-studies revealed confusion amongst consumers about whether the information was addressed to them and as a result they neglected it.

Box 10: *Is the CE (symbol) for me?*

Electrical appliances sold within Europe carry the CE symbol, which stands for “Conformité Européenne”. This symbol corresponds to a declaration by the manufacturer that it has complied with the requirements of the relevant European directive on technical standards and safety. As such it is required for the sale of many goods with the European Union and is inspected by Trading Standards Officers. There is no evidence that consumers understand whether it is aimed at them nor what it meant.

Within our focus groups there was some sense that the CE mark was linked to safety and hence in some way reassuring. Its true meaning was understood by few people.⁴⁶ Research carried out by the European Commission found that approximately two-thirds of consumers across Europe did not know what it meant. In terms of the actual safety warnings themselves there was a sense amongst many consumers that the volume of warnings and language in which they were written suggested that they were not truly directed at consumers but were rather there to protect the manufacturer from liability.

Many people felt that the call centre message “this call may be monitored for quality control and training purposes” was in fact a way to ensure that companies could record calls putting themselves in a position of strength if something went wrong subsequently. Although it did provide information about privacy and data protection the

message was ultimately a way to set a tone for the calls. It was also felt that product safety warnings were there simply to protect the firm from liability, that consumer credit agreements were a legal safety net for business and that recycling symbols were broadly for marketing. For consumers this had implications both on the extent to which they engaged with this information and the level of trust in other information provided to them.

Levels of trust in the government and business can also be a key driver of whether people find the information provided useful. Research carried out in 2006 with consumers across Britain found that more than 70% of consumers would trust their bank to be honest and fair mostly or a great deal. 34% of people trusted most of the information in their daily newspaper whilst only about 15% of people would trust the government or council to be honest or fair.⁴⁷ This would suggest that regulated information could be effective even if the consumer believes that the information is being provided by a reputable company. More broadly, however, trust in traditional institutions is being challenged by independent figures and an ever greater demand for openness and authenticity.⁴⁸ Therefore, it will be increasingly difficult to communicate messages to consumers in a way that makes them trust the information being provided.

Government should work with industry to develop new models which align business incentives with information provision

In order to ensure information is more useful to consumers, we are considering new regulatory models in which government could work with business to draw on their potential as communicators. Ultimately the success of many businesses depends upon their ability to communicate with their consumers and to influence their behaviour, whether it be on brands, fashions or simply new products or services.

⁴⁶ The CE marking is a declaration by the manufacturer of compliance with European technical standard. Depending on the product sector this compliance may be based on third-party or self-certification

⁴⁷ Henley Centre (2005), – “Planning for Consumer Change”

⁴⁸ Government Communications Network (2007), Engage programme

In particular, we are considering the following approaches to regulated information provision:

- alternative models focusing on outcomes over process; and
- greater use of reputational information as a driver to change behaviour

Considering regulatory models that focus on the effectiveness of the information, not the process of its communication

Many current regulated information provision requirements are highly prescriptive because they attempt to protect the messages being communicated from potential manipulation by businesses. One high street retailer gave an example of a poster in their store for loans which was considered as complying with financial services legislation by their lawyers in square format. When the poster was developed in a thinner, vertical banner format for use in other parts of the store legal advice given to the firm was that the poster would not comply due to a change in the relative size between the brand logo and the other text.

Such high levels of prescription may often be counterproductive because they encourage businesses to treat the communication as a compliance issue and because such prescription does not allow businesses to incorporate information into their existing communication styles. In circumstances where this is possible, defining an outcome to be achieved by the business, rather than a process output, should raise the incentives for the business to communicate effectively, whilst minimising conflict with their own messaging.

One approach would be to set out clearly desired outcomes in legislation and ask business to inform consumers in order to achieve this. Taking this one step further it may be possible to set individual businesses targets in terms of consumer awareness of particular pieces of information whilst enabling complete freedom in how they comply. Regulators could monitor consumer awareness and assess whether a business or group of business had achieved such undertakings. Such

an approach may work most effectively for a small number of large firms who would have the capacity to achieve the outcomes and make consumer surveys realistic. This type of approach would seem to be one way to incentivise businesses to communicate in a way that was truly effective rather than solely seeking to comply with the letter of the law.

Businesses may also have ideas about how existing information requirements could be more effective. In such circumstances regulators and departments could consider proposals from businesses as an alternative means of achieving the outcomes and hence complying with legislation. The test for accepting such alternative proposals from business should be survey evidence of consumers' reaction to the new proposals. Where there is evidence that the approach being put forward is more effective than legislation in achieving outcomes then there could be a presumption that it should be acceptable.

Enabling reputation as an incentive to drive behaviour and information provision

With the growth in the speed with which information is communicated internationally and the ability for one individual to diffuse message widely on the Internet, reputation has become particularly important for businesses. For government the introduction of Freedom of Information legislation, coupled with new data processing technologies have encouraged regulators and departments to consider using the information they hold in new and creative ways, such as the Scores on the Doors scheme.⁴⁹

Regulatory information of this type can consist of data on consumer complaints or compliance data which assesses whether business process, systems and behaviour correspond to legislative requirements. The central idea is that, by putting appropriate information about regulatory compliance in the public domain, regulators can tap into the impact of business reputation on consumer behaviour to spur firms to comply with the rules.⁵⁰ There are some implementation issues to ensure that these systems are well understood

⁴⁹ Steinberg and Mayo (2007), – "Power of Information" review

⁵⁰ NCC, Steve Brooker (2006) – "Reputation and regulation"

by consumers and do not drive the wrong type of behaviours in businesses, but they should not be insurmountable. As Box 11 illustrates below, some

regulators are now starting to grasp the potential of reputational regulation to achieve real change in market practices which harm consumers.

Box 11: The power of "Scores on the Doors" schemes and the need for consistency

On average, every day one person in the UK dies, and a further 33 are hospitalised, from food poisoning after eating out. Inspection data indicates that 13% of premises show major non-compliance with food hygiene rules and a further 46% show some non-compliance. In addition to the human cost, annual economic detriment is estimated at £1.4 billion. 'Scores on the doors' is defined by the FSA as a scheme where food hygiene information is made available at point of sale, supported by web-based information systems. In supporting a number of schemes, the FSA has tried to establish what model would work best for consumers and business alike, and what consistency might be introduced across the range of schemes which had emerged.

There is a powerful argument that people have a right to know about inspections which uncover a potential risk to their health. In addition information which simplifies performance against technical food safety standards addresses the asymmetry that will always exist between a restaurant owner and the clientele. However, of more interest from a better regulation perspective, 'scores on the doors' is an example of reputational regulation: food businesses are more likely to comply with hygiene rules if they consider consumers will use this information when deciding where to eat out. Therefore, publishing the results of food hygiene inspections enables regulators to harness consumer power to improve business practices. Evaluations of international schemes have shown compliance rates rise, compliant businesses enjoy increased revenues and public health outcomes improve.

Business representatives recognise the potential value of scores on the doors, but will only support a scheme in which they have confidence. They have expressed concerns about the fairness of the scoring criteria,

inconsistency, gold-plating and the disproportionate consequences in terms of loss of business that might result if consumers misinterpret the ratings. Clearly there are important design and implementation issues to get right which the pilot exercises, currently being co-ordinated and evaluated by the Food Standards Agency should help resolve.

Although local authorities use different methods to convey food hygiene practices to the public, essentially there are two types of scheme: the pass/improvement required system operated in Scotland and scaled rating systems operated elsewhere in the UK. The simplicity of the pass/improvement required method leaves little room for confusion and accords with consumer assumptions that a premise cannot be 'half-clean', but a possible weakness is that arguably it provides little incentive for businesses to improve upon the basic legal requirements needed to achieve a pass. By contrast, a scaled rating system does offer the incentive to improve and educates consumers that compliance in this arena isn't black and white, but at the same time there is a greater risk that consumers could misinterpret the scores and there are claims that it encourages unnecessary gold-plating.

The issue of gold-plating is not straightforward in this sector. Whilst it is important to avoid creating unnecessary burdens on business, it is difficult to argue against encouraging behaviour which further reduces the risk of food poisoning. Although it may be true that full marks equals full compliance, the scoring system and related enforcement policies need to reflect and give sufficient weight to those indicators which are safety critical. From a better regulation perspective, the key question is whether the additional cost of progressing one mark up the scale brings a commensurate benefit in terms of public health outcomes.

Box 11: Continued

It is important to address issues of consistency for business and consumers alike. The innovation shown by councils across the UK in developing variations of the scores on the doors model has illustrated a key strength of local government. However, once evidence of a preferred model emerges there is a powerful need to adopt a single scheme on a national basis. It is clearly an unsatisfactory burden for multi-site business to administer a range of schemes, but consumers also travel across local authority boundaries when eating out and need to be able to interpret the scores with confidence – there was a clear preference in our focus groups for having one national scheme. Even with one scheme there will remain the issue of consistency in implementation. The creation of the Local Better Regulation Office and the spotlight that publishing scores will bring, should all help to ensure that any problems are minimised.

To illustrate this point, a random sample of some schemes reveals inconsistency in the way that the meaning of ratings is explained to consumers. For example, whilst Coventry City Council and the London Borough of Camden apparently use the same scoring assessment criteria, two stars is described as 'satisfactory' in Coventry but 'good' in Camden. Further, the top 50 per cent of businesses in the area get two stars in Coventry but one star in Camden (see table below).

In publishing the data, it may not be government's role to design and implement the appropriate information scheme. With the growth of new technologies and the opportunities on the Internet, making the information available in an electronic and reusable format may be sufficient for private individuals and organisations to innovate in exploiting the data.

Coventry City Council		London Borough of Camden	
***	Achieving high standard of food safety and legal compliance. Good practice is being followed. Possible minor legal contraventions	***	Excellent: High standard of compliance with the law and industry codes
**	Satisfactory standard of food safety and compliance. Some minor legal contraventions. Premises in the top 50% of businesses in the City	**	Very Good: High standard of compliance with the law and industry codes. Minor infringements of the law and/or non-compliance with the industry codes
*	Some major non-compliance, improvement in standards required	*	Good: Some non-compliance with the law and industry codes. Premises are in the top 50% of food businesses and standards are being maintained/improved
no stars	Poor standards. Formal action may be taken	no stars	Some major improvements needed: Non-Compliance with the law. More effort is required to prevent falls in standards

4. Regulated information should be used when it is likely to be most effective

Our analysis shows consumer behavioural reactions to information can be difficult to predict. Even if noticed, processed and considered useful, the impact of information on consumer decision-making may remain uncertain.

Behavioural economics offers a theoretical framework built up from empirical studies showing people often do not follow the expected economically rational behaviours.⁵¹ This research goes further than traditional economic theory to suggest that the way that people process and use information does not always follow patterns based on rational self-interest.

For example, considerable research shows that people give greater weight to potential losses than potential gains, often known as “loss aversion”. Therefore experiments that compare two equivalent options, but for which one is presented as a gain from the status quo, the other a loss, will be evaluated very differently. Other work has focussed on the set of short-cuts or rules of thumb that we use to navigate complex decision-making. For example, consumers’ notions of probability of an event tend to be heavily dependant on whether they have heard of the event or not in the recent past.

⁵¹ See for example Kahneman and Tversky (2000) “Choices, Values and Frames”

Box 12: Challenging schools of thought on extended warranties for domestic electrical appliances

The decision on whether to take out an extended warranty or not on a domestic electrical appliance such as a washing machine is a simple example of a decision that depends on uncertainty, in terms of the level of reliability of a standard appliance.

Research with consumers on their decision-making found that consumers tended to show long-held attitudes to extended warranties and broadly fell into one of two groups. One group of consumers felt that they were a rip-off and therefore never bought them, another group bought extended warranties on the whole because of the peace of mind that they offered. A third but much smaller group did not have particular preferences but were likely to make up their mind at the point of sale.

Therefore many consumers had a relatively well-defined preference on the purchase of an extended warranty before they arrived at the point of sale. To be effective communication at the point of sale would need to integrate this set of preferences into the way it was presented and framed.

There is also evidence of consumer behaviour which can not be explained by behavioural nor traditional economic theory. For example, research carried out on switching by low income households in UK electricity markets found that on the whole people did not switch provider in a way that could be explained by any rational set of criteria.⁵² Only 7% of consumers chose the cheapest option and 32% changed to a supplier that was more expensive.

Within the context of our case study research, it was often difficult – even with the best possible format, content and regulatory models of regulated information – to show that regulated information was truly contributing to positive outcomes for consumers. Therefore we are examining potential solutions which might help

policy-makers, business and society to identify and implement information requirements that have the best possible opportunity to succeed.

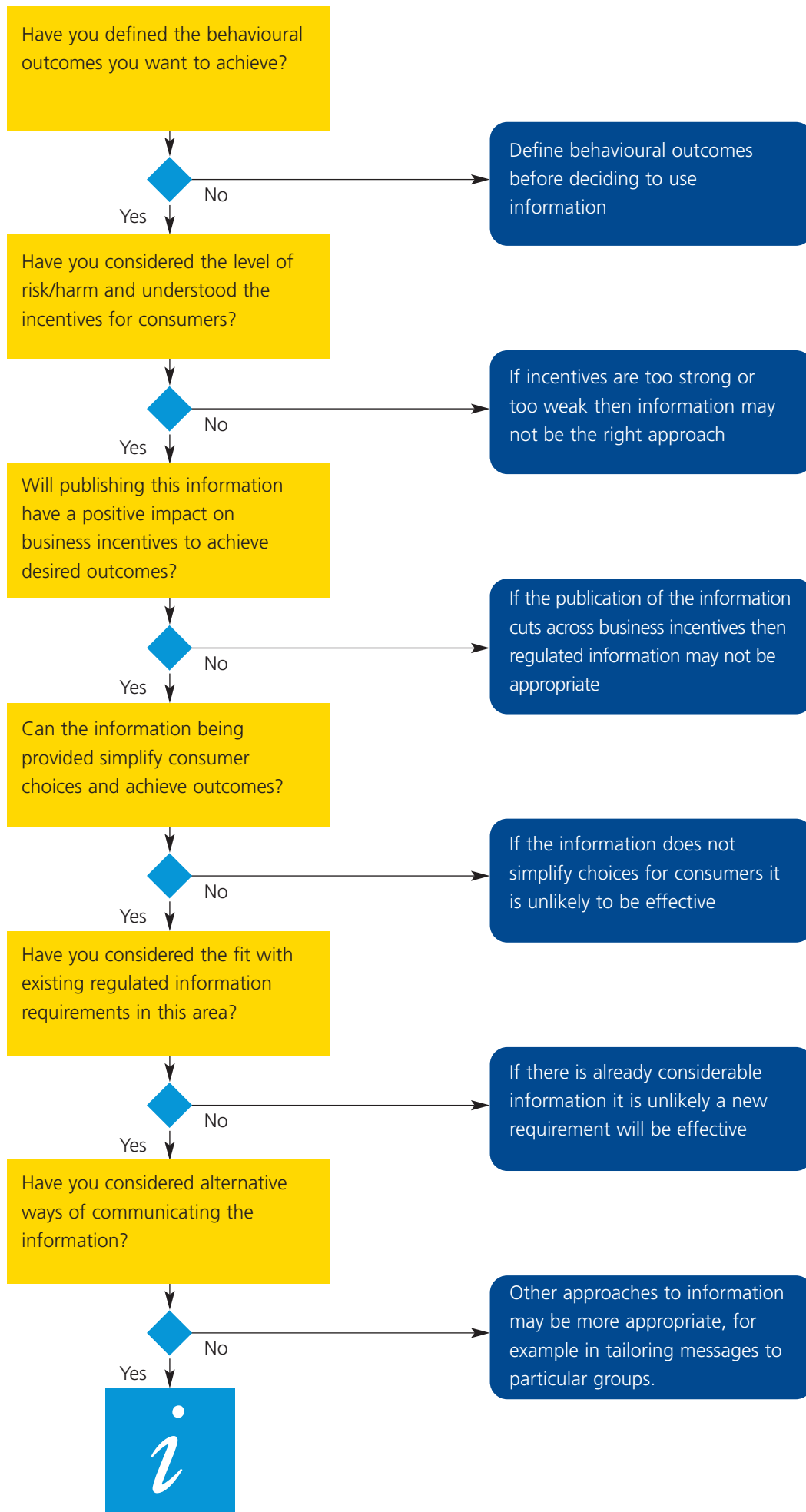
A draft set of six tests before using information

From the evidence garnered from focus group and case study analyses we have developed six tests which aim to guide policy-makers and business in identifying cases for where regulated information is likely to be most effective. We believe these tests will be a key part of guidance to policymakers and business. They are set out below briefly and will be refined, explored and enriched for the final report.

The six tests are:

- have you defined the behavioural outcomes that you wish to achieve?;
- have you considered the potential level of risk/harm and whether information is a suitable solution?;
- what impact will making this information available have on business incentives to contribute to achieving desired outcomes?;
- to what extent can the information being provided simplify a choice for a consumer?;
- have you considered the fit with existing regulated information requirements?; and
- have you considered alternative ways of communicating this information?

⁵² Waddams et al. (2005) – “Irrationality in Consumer switching decisions. When more firms mean less consumer benefit”



Define the outcomes you are trying to achieve

The centrepiece of an efficient strategy for using regulated information provision is clarity about what outcome the information aims to achieve. The overall objectives of the information framework are also the cornerstone of an effective framework for monitoring and measuring the role that the information may have in changing behaviour.

Understand and assess the level of incentives and potential risk/harm for the target audience

As set out above, information is a market-based approach to regulation which allows consumers to express individual preferences. This dependence on the market and human behaviour can lead to uncertainty about outcomes. One issue to consider when assessing whether regulated information is an appropriate policy tool is, therefore, the level of risk that the government intervention is trying to address.

Our research suggests that where market failures have a high potential risk for individuals, information may not be sufficient to address the market failure. Critically, consumers may assume that “something has been done to protect them” – making them less likely to access the information. For example, although there may be a warning on an electricity sub-station not to try to enter the sub-station, most citizens would assume that the sub-station would also be locked and there may even be a fence to prevent access.

At the other end of the scale, on issues where there is perhaps no direct major incentive to the individual to change behaviour, information may be effective in changing some people’s behaviour but may on its own be insufficiently powerful (cf. recycling example in the box below). This is also a message to consider when developing the content of the regulated information.

Box 13: Incentives, risks and information (recycling symbols and product safety)

Our focus group research found that people did not read the warnings provided with many everyday appliances and would often start using it without any significant additional consideration of the warnings and risks.

Our focus group research found that people did not read the warnings provided with many everyday appliances and would often start using them without any significant additional consideration of the warnings and risks.

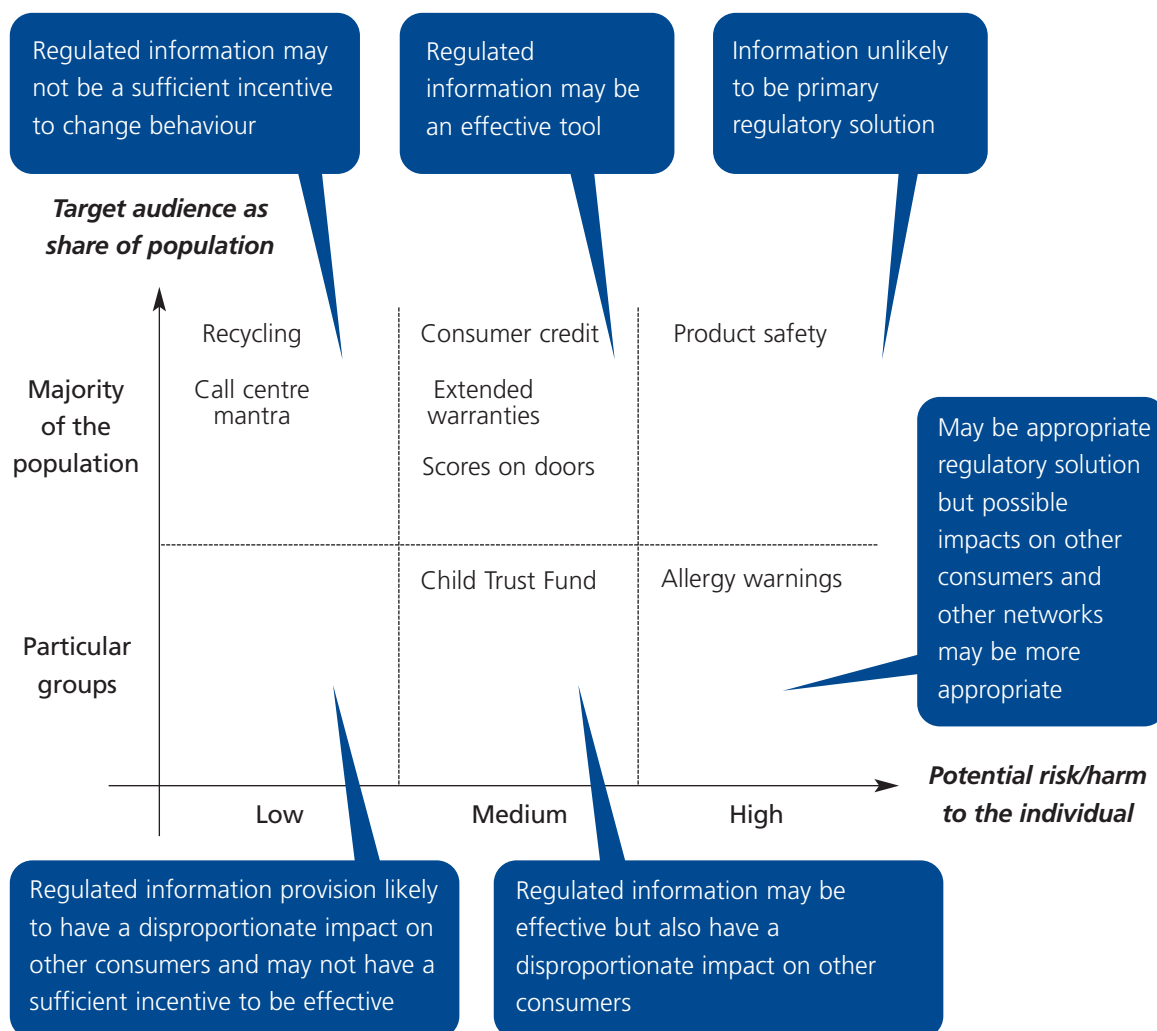
Consumer expectations have now risen to a point where people expect short-cuts or choice-editing⁵³ (e.g. only selling toasters with a certain level of safety engineered into the product) such that all products are now safe. Within the hierarchy of product safety legislation, information is indeed a last resort after making the product inherently safe and then introducing safeguards. Therefore information provision is not always effective where the potential risk or detriment is too high and people expect more hard-edged regulation to offer them protections.

For recycling symbols, people welcomed the idea that “choice-editing” by manufacturers to make recycling considerably simpler. Incentives to recycle based on information alone may not be sufficient.

“If there is a different grade of plastic and you can use [to recycle] two and you can’t use the other one why? Why isn’t the third one made of plastic you can re-use so every plastic bottle goes in the plastic bloody bin? Simple.”
Pensioner low-income

⁵³ For more information on choice-editing see Sustainable Development Commission (2006) “I will if you will”

We have also shown above that regulated information provision tends to impact upon all consumers, unless particular interest groups can be differentiated by product/service. Therefore it is necessary to consider the potential risk in correlation with the size and characteristics of the target audience (see matrix below).



Understand the impact of making this information available on businesses' incentives to achieve outcomes

Businesses or voluntary sector organisations are ultimately responsible for delivering much of this information and may also have a key role in delivering the outcomes. Where information requirements fundamentally cut across business incentives, businesses may not make a major effort to communicate this information effectively.

The growth in the importance of reputation in business success is one factor that helps to align information, societal outcomes and business objectives.⁵⁴ The provision of information about business behaviour is one enabler for this trend as it increases the transparency of business behaviours for consumers. In cases where regulated information obliges businesses to publish information about their activities, such as the "Scores on the Doors" scheme, this can be very effective in changing business behaviour.

⁵⁴ Steve Brooker – National Consumer Council (2006), "Regulation & Reputation"

If properly designed it could be argued that all information requirements should encourage businesses to achieve the desired outcomes because it enables companies to gain a competitive advantage by providing high quality information. Our research suggests that there are some companies focussed on producing high quality transparent information to their customers as part of their brand message. Most companies will compete however on other criteria and therefore not invest resource in providing regulated information.

Box 14: When is regulated information a marketing tool?

Since the Competition Commission Inquiry retailers are obliged to let consumers know that they could purchase an extended warranty from a third party (see Box 4).

It is clear that for some retailers this piece of information could appear a potential threat to their business success, in the sense that they may not sell as many extended warranties. Unsurprisingly it is often provided in relatively small, dense print in a leaflet.

Yet one retailer who is considering selling extended warranties due to a strong demand from consumers on certain electrical appliances had a very different attitude. For them, this message resonated perfectly with a brand positioning of value and honesty. Telling someone that “you can buy your extended warranty somewhere else but we’ve put together what we think is the best value” is similar to a “lowest price guarantee” – something used by many retailers at one time or another.

Evaluate whether the information will simplify the decision-making process for the target audience (and hence achieve desired outcomes)

This project is based on the premise that information should help change behaviour, not simply increase information awareness. Before introducing a new set of information requirements it is therefore important to consider whether the increased information will simplify decision-making for the target audience.

For example, when choosing between complex products such as mobile phone packages, a regulator that prescribes additional information about particular services to be provided on bills, quotes or adverts may add confusion rather than bring increased clarity. Nonetheless care must also be taken to ensure that information that simplifies choices is not misleading.

Similarly, it is important to ensure that the information provided is in a format that fits with consumers’ decision-making process. For example on recycling academic researchers have suggested that if ‘attitudes + convenience > threshold then the individual will recycle’⁵⁵. Information ideally has a role to play in raising the level of convenience and ease of recycling.

Check the fit of new proposals with existing information requirements

Given the volume of information available to citizens and consumers it is essential to check the level of existing regulated information already being provided. Information is most effective when provided in a format that stands out and is easy to read. Its purpose can be misinterpreted if it is provided alongside other information with different objectives. If this issue is not considered the new information requirement may be ineffective. It may also reduce the impact of existing information requirements.

⁵⁵ Tucker and Speirs (2002) – Model forecasts of recycling participation rates and material capture rates for possible future recycling scenarios

**Box 15: Seeing the woods from the trees
(consumer credit agreements)**

Focus group research found that there was considerable confusion about consumer credit agreements and that few consumers read them. A snapshot review of a handful of consumer credit agreements taken at random found that they often required between 30 and 55 minutes. One consumer credit provider who provided relatively short agreements suggested that approximately one third of the information would be provided anyway, whatever the regulations. Consumer credit agreements contain, in addition to marketing data, at least four main types of regulated information:

- contractual information about the product - required as a basic part of contract law and growing in volume as a result of increasing complexity of these products;
- information that aims to encourage choice – this consists of “key facts” data provided in a succinct and comparable format and includes the rate of APR;
- information that tells consumers about the possible risks of consumer credit – messages that include things like “your house may be repossessed if you do not keep up payments”; and
- a guide for consumers on their rights and how to access possible redress mechanisms.

For consumers it can be difficult to separate out the different parts of the text and to understand the purpose of each piece of information. It is to be expected that these four different types of information have four different styles of presentation. For example, information on choice could potentially be written in a simple, readable and actionable format which contrasts with a legal style for the main contractual clauses. However consumers often do not have the patience or the ability to filter out the information which they can not understand to focus in on the essential elements that they require.

**Consider alternative ways to
communicate the information**

Even if information seems the correct solution in terms of addressing market problems it is worth considering whether alternative approaches to communicating key messages may not be more appropriate. In particular the following communication methods could be considered:

- public information campaigns;
- communication through trusted intermediaries;
- public sector networks;
- public / private advice services; and
- internet groups and advice sites.

Such alternative channels may be more effective in communicating complex information, in tailoring messages to individuals' particular needs and in obtaining consumer trust.

In considering which type of information approach to choose, policy-makers should consider three key factors:

- Audience – how easily defined is it? Is it connected to a specific product or service? How is this audience most likely to access and use information?;
- Timing – where in the decision-making process does the consumer need information? Is the decision likely to be made in a split second or will it result from a process of consideration?; and
- Issue – do consumers need to be persuaded of the benefits of behaviour change, or is the object of the behaviour change self-evident e.g. better value for money or safe use of electrical equipment?



5. Government and business should consider a more systematic approach to monitoring effectiveness and modifying information where necessary

Given the difficulty in predicting the effectiveness of information provision set out in this report and the costs related to information provision, timely and systematic monitoring is crucial.

Consumer testing is already commonplace in many departments and regulators, but our research indicates there is scope for monitoring methods to be refined and speed of adaptation improved.⁵⁶

⁵⁶ The Government Communications Network (GCN) has developed a strong knowledge base through its “engage” programme for policy-makers on how to evaluate effectively.

The work of monitoring and measuring the effectiveness of information requirements can be separated into the evaluation work before implementation and the monitoring post-implementation.

Engage and evaluate the potential effectiveness for consumers in real-life situations

Many of the case studies explored in this project showed evidence of strong consumer testing before implementation. For example, the development of the decision-tree for the Child Trust Fund underwent significant qualitative testing before implementation to understand how consumers would react to the proposed guidance.

This type of engagement with consumers is, however, not universal and consumer testing can prove difficult, as many failed advertising approaches have found. There are different levels of consumer testing for regulated information provision (see diagram below).

- The first level of consumer testing consists of understanding attitudes and drivers of existing behaviour. This can be very useful in analysing whether information may be worth considering as a solution (see tests above).
- The second level of consumer testing involves suggesting the provision of regulated information as a solution to the problems that may exist, but does not show real examples of what the information may look like.
- The third level of testing shows consumers several options for how the information would be provided in a semi-final format of content and/or presentation and asks for their opinions of the extent to which they would find this useful and how it might influence their behaviour. Where possible this testing would include providing the information alongside existing information requirements.
- The fourth level of testing is identical to the third except that it is carried out, as far as possible, within a realistic context for the decision-making process. For example it may be that the testing includes role plays or talking to consumers shortly after purchase.

Increasing level of certainty in testing

Level 1 (Situation)
Research to understand customer attitudes and behaviours



Consumers do not have enough information to make empowered decisions

Level 2 (Proof of concept) Research to understand customer reaction to provision of more information



Consumers welcome idea of certain types of information being provided and believe it will influence their behaviour

Level 3 (Testing)
Research to test information with consumers in final format



Consumers approve the proposed format and content of the information and feel it will influence them

Level 4 (Full testing)
Research to test information with consumers in final format and appropriate context



Consumers find the information will influence their behaviour in the relevant context

Box 16: A monitoring example from the Financial Services Authority (FinSA) quick facts research⁵⁷

In March 2006 the Financial Services Authority (FinSA) published research that it had commissioned into possible changes in disclosure rules for a range of regulated life insurance investment products. In particular the FinSA was considering changing the Key Features document into a Key Facts guide and changing the way that charges were disclosed. Although some testing of independent elements had been carried out, the FinSA wanted to carry out testing of the impact of the collective package of changes.

The work was based on a mix of post-sales research, interviews with people interested in these types of products and some mock sales interviews.

The research found that the new disclosure document did not have any significant impact on consumers' level of understanding of the product or their likelihood of assessing the performance of the product on a regular basis. The new disclosure document was found to raise consumer awareness of charges and risks with these products but did not have any significant impact on their understanding of them. The research report concluded that "there is little evidence that introducing the proposed disclosure documentation would have any demonstrable benefit on investors' knowledge or behaviour, although it is unlikely to have any negative consequences."

This example of testing showed a high level of sophistication and rigour in assessing whether the proposed changes to the disclosure rules would truly achieve the desired outcomes.

Box 17: Taking account of optimism bias and a thirst for knowledge amongst consumers (extended warranties)

The focus group research carried out within this project suggested that few consumers were taking note of the information being provided to them when being sold an extended warranty. When presented in the focus groups with the information that the extended warranties order required businesses to provide, however, most consumers thought that this information would be very helpful and would change their attitudes.

This paradox is reflected in the qualitative and quantitative research carried out as part of the Competition Commission Inquiry into extended warranties on domestic electrical appliances. The quantitative survey found that 45% of consumers who had bought an extended warranty had never read the existing policy documentation, yet 62% of consumers thought that they would read a new leaflet if provided in store.⁵⁸ The qualitative survey seems to reflect level 2 of testing (cf. diagram above) as it asked consumers about their attitudes to various possible remedies.

Some of the case studies we looked at carried out pre-implementation testing and evaluation but stopped at level 2 (in the framework above) and did not test a proposed format or context with consumers. The new information requirements within the Consumer Credit Act 2006 were not tested in a finished format with consumers. Discussions with stakeholders suggest that there is very little consumer testing on product safety warnings by government or standards bodies in the development of product safety standards. Consumers may simply be represented on the relevant European committees for standards. Most, but not all, manufacturers we spoke to suggested that they did not test their instruction manuals with

⁵⁷ IFF research (2006) for the Financial Services authority – "Investment disclosure research", <http://www.fsa.gov.uk/pubs/consumer-research/crpr55.pdf>

⁵⁸ NOP (2003) – "Survey of Purchasers of DEGs and EWs", annex to Competition Commission Inquiry report

consumers before implementation but felt that they were “road-tested” as products were sold anyway. The fact that pieces of regulated information were welcomed in a focus group, does not necessarily mean that consumers will find them useful in a real-life situation. As set out in the example on Extended Warranties above there may be a risk of a gap between focus group research and actual behaviour. This is supported by research which demonstrates that the effectiveness of warning labels vary widely depending on the realism of the situations in which they are tested.⁵⁹

One possible explanation for the mismatch between outcomes in testing and real life is that consumer testing does not always show consumers semi-final versions of the text and format of the information. Another issue to consider is the extent to which consumers’ thirst for knowledge lead them to be overly optimistic about the provision of information. If there remains a sense in society that information is always positive it may be that consumers are reluctant to oppose new elements being included.

The final issue to consider is that there may need to be a step-up from testing in final format (level 3) to final format with appropriate context (level 4 consumer testing) before implementation. If a focus group setting does not always reflect the consumer experience at the point of sale then there may be a need to try other methods, such as role-playing or talking to people when shopping, to understand truly what information is likely to be effective.

Consumer testing is a crucial part of evaluating whether a new regulated information requirement is likely to be successful. This should, however, be just one part of a wider consultation process with all stakeholders, including the businesses to whose products and services the information requirements apply. It is our belief that business should, where possible, be asked to review a possible format and presentation of the information requirements. Ultimately the words, format and presentation do matter. The sooner that businesses can engage with a format or set of words, the easier it will be for them to offer their expertise on these sorts of issues.

Regularly evaluate information’s effectiveness and make changes where needed

Even the most advanced evaluation methods before implementation may not ensure the effectiveness of information requirements, since human behaviour is infamously complex and often fickle. There may therefore be a need to evaluate the impact of all new regulated information post-implementation to verify its effectiveness and consider whether changes are required. One option to consider would be to ask departments and regulators to review information requirement two years after implementation. If the review concludes that there is no or insufficient evidence that the information is helping to achieve outcomes, the presumption should be that the information requirement be removed.

Some information requirements do include commitments to review their effectiveness at a certain date. For example within the context of the Competition Commission Inquiry on extended warranties for domestic electrical appliances there was a commitment to review the effectiveness of the remedy three years after implementation. For the “Scores on the Doors” programme the Food Standards Agency (FSA) is carrying out qualitative and quantitative research over a two-year period with pilot schemes.

We also believe that businesses who identify that information requirements are ineffective should be able to work with government departments and regulators to review their effectiveness. Departments and regulators should be open to suggestions from the organisations being regulated and they should seek to carry out consumer surveys in collaboration with business to help refine information requirements.

⁵⁹ Argo & Main (2004) – “Meta-analyses of the Effectiveness of Warning Labels, Journal of Public Policy and Marketing”



6. Conclusions and areas for further discussion and analysis

In the right circumstances, providing information is a valuable and effective way to empower consumers. Yet this report has argued that it is neither failsafe nor costless.

Like other regulatory tools, information has costs as well as benefits. Crucially, consumer attention is a finite resource. Each piece of information added by government diminishes the attention consumers will pay to this and other pieces of advice they receive. As with other regulatory requirements, information requires careful cost-benefit analysis to check that it is the right tool for the job.

This interim report set out three key thoughts as to how government could improve the way it uses regulated information.

Firstly, we suggest that policy-makers need to take more care and attention to determine when regulated information should be used. Doing this will require achieving a deeper understanding of consumers and the circumstances in which information will change their behaviour. It will also mean understanding the goals of those – namely business – who will be communicating the information, and how information will conflict with or complement these. This report contends that assessing the effectiveness of information is not merely a one-off exercise to be completed before the implementation of the requirement. Rather, information should be regularly assessed to check it is still achieving its goals.


Secondly, we believe that government needs to ensure those information requirements it does implement are immediately useful to consumers. Information should provide consumers with the tools to change something as a result. Doing this may mean working closely with business to harness their expertise in communicating with their target audience. It may mean being pluralistic and open about the distribution of government information, using the internet to help consumers access knowledge.

Thirdly, and more basically, we think that government needs to think about the presentation and format of the messages it requires others to convey. The sheer volume of signs, symbols and slogans encountered by citizens every day necessitate a new level of quality and accessibility in the design of government information.

We have published this interim report with a view to encouraging debate and discussion about regulated information and how it could be made more effective. We are looking to gather views from stakeholders both inside and outside government on our analysis and proposals. We will incorporate these ideas and comments into our work going forwards, with a view to publishing a final set of recommendations to Government in the autumn.

We would appreciate views on all aspects of the report, with a particular focus on the following questions:

1. How helpful are the following 6 tests as a guide for policy-makers as to when to use regulated information?
 - a. Define the outcomes you are trying to achieve
 - b. Understand and assess the level of incentives and potential risk/harm for the target audience
 - c. Understand the impact of making this information available on businesses' incentives to achieve outcomes
 - d. Evaluate whether the information will simplify the decision-making process for the target audience and achieve desired outcomes
 - e. Check the fit of new proposals with existing information requirements
 - f. Consider alternative ways to communicate the information
2. How far, and in what ways, can government and business work together to make information more useful to consumers?
 - a. What is the potential for use of regulatory models that focus on the effectiveness of the information, not the process of its communication:
 - i. Inherent in the regulatory design which sets out the outcomes to be achieved not the particular information requirements?
 - ii. As a way of business asking regulators' permission to comply through another means which is shown to be equally effective with consumers?
 - b. How far, and in what areas, is there scope for Government to publish more regulatory information as an incentive to drive behaviour through reputation?
3. How can policy-makers and communication experts use creative new approaches to maximise impact on consumers?
 - a. Would designing information with the most vulnerable in mind help benefit all consumers? How might this be achieved?
 - b. How and where could images and pictorial information be better used in regulated information?

- 
- c. What is the potential and limitations for more regulated information to be provided online, including the possibility of facilitating more widespread use of citizen-generated information?
 4. How and where can government get better at monitoring, measuring and – if necessary – modifying regulated information?
 - a. Should government ensure that regulated information is tested in a semi-final format and realistic situations where possible before implementation?
 - b. Should government evaluate the effectiveness of information provision in a systematic way after implementation and make changes where needed?

Please send comments by September 21st 2007 to any of the following:

- Daniel Roulstone, Better Regulation Executive, daniel.roulstone@berr.gsi.gov.uk
- Steve Brooker, National Consumer Council, s.brooker@ncc.org.uk

7. Organisations contacted to date

Central Government

- Cabinet Office – Prime Minister’s Delivery Unit
- Central Office of Information
- Department for Culture, Media and Sport
- Department for Environment, Food and Rural Affairs
- Department of Health
- Department of Business, Enterprise and Regulatory Reform
- Department for Work and Pensions
- HM Revenue and Customs
- HM Treasury

Local Government

- Dundee Trading Standards
- Essex County Council Trading Standards
- LACORS
- Local Authority Recycling Advisory Committee

European Commission

- DG Enterprise
- DG Sanco

Business

- ASDA
- Association of British Travel Agents
- Association of British Insurers
- Barclaycard
- Boots
- Bosch Siemens
- British Hospitality Association
- British Retail Consortium
- British Toy and Hobby Association
- Confederation of British Industry
- Chartered Institute for Waste Management
- Chartered Institute for Environmental Health
- Customer Contact Association
- DSG International
- Dualit
- Egg

- Federation of Small Businesses
- HSBC
- Invesco
- Industry Council for Packaging and the Environment
- MCBD
- Referenceline
- Simmons and Simmons
- SITA
- Threadneedle
- Unilever
- Watt Gilchrist

Non-governmental Organisations (NGO’s)


- Age Concern
- British Standards Institute
- Citizens Advice Bureau
- Energywatch
- Friends of the Earth
- National Centre for Social Marketing
- Royal National Institute for the Blind
- Royal Society for the Prevention of Accidents
- Trading Standards Institute
- Waste and Resources Action Programme
- Which?
- Whitehall Industry Group

Regulators and ombudsmen

- Competition Commission
- Financial Services Authority
- Food Standards Agency
- Ofgem
- Office of Fair Trading
- Financial Ombudsmen Service

Academia

- London School of Economics
- Brunel University
- University of East Anglia

- 
- Pensions Commission (2004) – First Report of the Pensions Commission “Pensions: Challenges and Choices”, <http://www.pensionscommission.org.uk/publications/2004/annrep/fullreport.pdf>
 - Schwartz (2003), “The Paradox of Choice – Why more is less”
 - Sustainable Development Commission (2006) – “I will if you will”, www.sd-commission.org.uk/publications/downloads/I_Will_If_You_Will.pdf
 - Tucker and Speirs (2002) – “Model forecasts of recycling participation rates and material capture rates for possible future recycling scenarios”
 - Vanilla Research (2007) – “Consumer Information and Regulation – Report prepared for the Better Regulation Executive and the National Consumer Council (NCC)
 - Waddams et al. (2005) – “Irrationality in consumer switching decisions. When more firms mean less consumer benefit”

To discuss this report or its findings
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