

Alliance for consumer education event – 23 November 2006

Breakout session: Overcoming consumer inertia

This session included presentations from

- Sam Dooley, Policy Manager, Department for Work and Pensions
- Cathrine Jansson-Boyd, Senior Lecturer, Anglia Ruskin University

The session was facilitated by Nadine Dereza.

Presentations

Sam Dooley gave a presentation about a new Pensions Increase Pledge (PIP) scheme trying to encourage people to sign up for pensions. The scheme seeks to get people to pledge to increase their contribution into their workplace pension over time - synchronised with their pay rises and with the option to opt out - rather than give up the money immediately. This is to overcome the element of inertia: people want to do something about their pensions but lack the self control to do so. It works on the principle that it is easier to forego a gain than accept a loss: so they accept a smaller pension in the future rather than give up money in the present.

Catherine Jansson gave a presentation on the consumer psychology of the processes people go through in making decisions to avoid cognitive overload. She discussed factors including time pressures, the level of prior knowledge the individual has, how relevant the message was to them, how trustworthy the source was and superficial aesthetic aspects.

Themes from the discussion

- Consumers can have too much choice and that can be confusing. People are constantly bombarded with advertising and messages and do not have enough time to process the information. Confusion caused by too much choice can cause them to delay or not make a decision. A representative of a communications firm gave this example: one retailer stocked 27 brands of olive oil and had minimal sales. The retailer then reduced the number of olive oils available to six brands, resulting in a significant increase in sales.

- The public sector feels it can not compete financially with the private sector in getting its messages across against the background of cluttered and sometimes contradictory messages.
- People do not know who to trust. There is a lack of reliable, unbiased sources of information and a lot of scaremongering. For example, with pensions, people feel they have been misinformed by Government and the private sector and so do not trust anyone. People are also barraged with bad news in the media. So, rather than make the wrong decision they put off making a decision.
- There is a feeling that people want to have their cake and eat it. They complain about not being warned of dangers in advance, then at the same time, complain Government warnings mean they're victims of 'nanny state-ism'. This is an argument in itself, about liberal paternalism, and how much information and advice should be given by Government and how far people should have the freedom to make their own mistakes and suffer the consequences.
- Consumers have a misguided perception of how much they know about subjects. They think they have a good knowledge of their consumer rights but in reality they know less than they think they do.
- Age difference can play a large part in people's decision making. For example, people in their 20s are thinking about mortgages rather than pensions.
- Sam Dooley's closing remark was, 'Don't seek to overcome people's inertia, use it'. For example, through the PIP scheme people agree to pay in additional money in the future, as they can afford to, in an existing pension - with an optional opt out - rather than paying more straight away.