BANK FEES BEHAVIOUR STUDY

Final report

December 2012

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The interpretations and opinions contained in it are solely those of the authors.

Bank fees behaviour study

Conducted by TNS at the request of Directorate-General for Health and Consumers

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1 EXECUTIVE SUMMARY

Introduction

The markets for bank accounts across the EU differ considerably among Member States, i.e. they are still fragmented along national lines and there is limited integration across different Member States. But even within national markets, there is evidence of major obstacles to consumer choice and mobility. The lack of transparency and comparability of bank fees, and high switching costs for consumers, are two outstanding indications of a market which is not functioning well.

The aim of this study was to investigate whether different (information-based) EU policy measures would help to improve transparency and comparability of bank fees, thereby increasing the willingness of consumers to 'shop around' and to take optimal or more rational decisions when it comes to opening and switching bank accounts, than in the absence of such policies.

Objectives

The key objectives of the study can be summarised as follows:

- To assess the information and decision-making process of consumers when they 'shop around' for a current bank account; to test consumer understanding and ability to compare different products and fee structures in the current bank account market.
- To evaluate the feasibility and adequacy of selected measures to improve 'information-based' behaviour, particularly the switching process, and to understand the influences on and barriers to customer mobility in this market.

Methodology

Following a preparatory desk research stage, a large scale multi-country quantitative study was conducted online. This covered broader issues of consumer understanding and behaviour in the retail financial services sector, with a particular focus on current bank accounts. It also contained the main behaviour experiments at the heart of the design.

The fieldwork was conducted in June 2012.

A target sample size of approximately 1000 respondents was set for each country. The table below shows the achieved sample size.

Country	Completed surveys
Germany	1014
France	1016
United Kingdom	1012
Italy	1011

Spain	1010
Netherlands	1022
Ireland	1006
Sweden	1008
Latvia	1022
Romania	1023
Total	**10144**

Key findings

Under the current policy status quo, most EU consumers show neither experience nor strong intentions to switch bank providers. This is mainly a consequence of high levels of customer satisfaction as well as of a lack of knowledge about the competitive benefits of switching providers.

- Most consumers have no experience with switching a current account to another bank in the more recent past and have no intention to switch in the near future.
- 'Shopping around' and comparing bank fees is not a common practice for most consumers, even amongst those who switched bank accounts. In addition, there is low awareness of the potential savings to be made by switching

Within an experimental setting, the tested policy interventions had limited impact on improving the likelihood of consumers making cost driven, rational choices. However, a simple representative cost summary displayed a small but significant positive impact on rational switching compared to the control group and the other policy measures.

In the experimental part of this study a majority of consumers showed a preference for more cost attractive offers. This indicates that the selected price elements and levels are of high relevance in this decision experiment.

In the experimental setting none of the tested policy interventions had a dominant impact on the choice preferences. Other factors, such as usage behaviour and satisfaction with current providers, turned out to be more important factors influencing the behaviour patterns of participants in the experiment. However, a comprehensive and eye-catching "representative cost summary" had a positive impact on pro-rational switching behaviour of participants.

Both policy measures which aim at improving the switching process were rated favourably within the questionnaire part of the survey, namely 'Making EBIC principles legally binding' and 'Establishing a redirection service'. The latter received a slightly more positive reception.

There is considerable variation in consumers' behaviour and preferences across the EU as well as within each country. Thus an effective "one policy fits all" solution is difficult to identify. The more active (less cost-conscious) user type would benefit most from an improved transparency and comparability of bank fees.

- There is considerable country-specific variation in usage patterns, other key consumer indicators and rational switching preferences.
- There is also strong variation both within each country and across the EU, indicating different customer segments based on differing usage behaviours, preferences, and consequently, actual behaviour. The active (less cost-conscious) user type is the consumer segment with the strongest need and the most positive reaction to the tested policy options.

Conclusions

The findings of the multivariate analyses suggest that the impact of the policy measures investigated in this study are difficult to differentiate on the basis of the experimental design of this study. There are many factors which drive behaviour in this area, some of them obviously deeply rooted in habitual behavioural patterns and attitudes which are not easy to change. Currently, without the policy measures tested, the majority of consumers do not consider switching their bank in the near future nor do they 'shop around' to compare different offers in the market for current bank accounts. Among the small minority of consumers who have switched their provider in the more recent past, a sizeable proportion did not spend a significant amount of time to assess cost information from different providers. Thus, the perception that significant savings can be made by switching is not common among a majority of European consumers as long as the comparability and transparency of account prices is not improved.

The key issue for EU wide policies aiming at empowering consumers to become effective is to provide measures that encourage more citizens to shop around more frequently, i.e. to access improved information on bank fees. Policy measures based on standardized information, improved price transparency and comparability can contribute to such a behaviour change. However, only if consumers are primed to look for such relevant information, they would be able to assess it properly and benefit from glossaries, from cost summaries and eventually fully understand the advantages (and disadvantages) of their current account. Easily accessible information as described in the appendix to this chapter may define a way forward to increase bank mobility in the current account market in the European Union.

2 INTRODUCTION

2.1 Background

One of the key goals of the EU Consumer Policy Strategy 2007-2013 is the empowering of consumers by providing not only direct consumer protection rights but also by indirect measures that should enable consumers to arrive at optimal decisions in purchase situations. Information that guarantees the transparency and comparability of services is usually regarded as the key prerequisite for well-functioning (integrated) markets by empowering consumers to make choices which serve their needs and concerns. Transparency and comparability are seen as necessary conditions for rational price and quality comparisons that allow consumers to assess market suppliers' offers with a reasonable effort to arrive at best choices, avoiding or at least minimising information deficits.

The markets for bank accounts across the EU differ considerably among Member States, i.e. they are still fragmented along national lines and there is limited integration across different Member States. But even within national markets, there is evidence of major obstacles to consumer choice and mobility. The lack of transparency and comparability of bank fees, and high switching costs for consumers, are two outstanding indications of a market which is not functioning well.

This issue is not new, and the European Commission has already put forward proposals for the inclusion of transparent and comparable bank fees during the preparation of the Single Market Act. However, country-specific regulatory policies still pose significant obstacles to a well-functioning integrated market. A lack of price transparency and comparability characterises malfunctioning markets in EU countries. Various comparative studies of bank accounts within the EU have shown that this market still lacks the key factors such as price transparency which result in relatively low overall consumer market scores. As the "Consumer Market Monitoring Dashboard Report" of 2011 showed, the Market Performance Index (MPI) for bank accounts is among the lowest when 30 different service market segments are compared for seven key indicators across the EU. A total of 21 other service markets ranked higher than bank accounts, which were ranked at 22 out of 30 in the most recently available Consumer Market Dashboard.

The current account market is characterised by the following features:

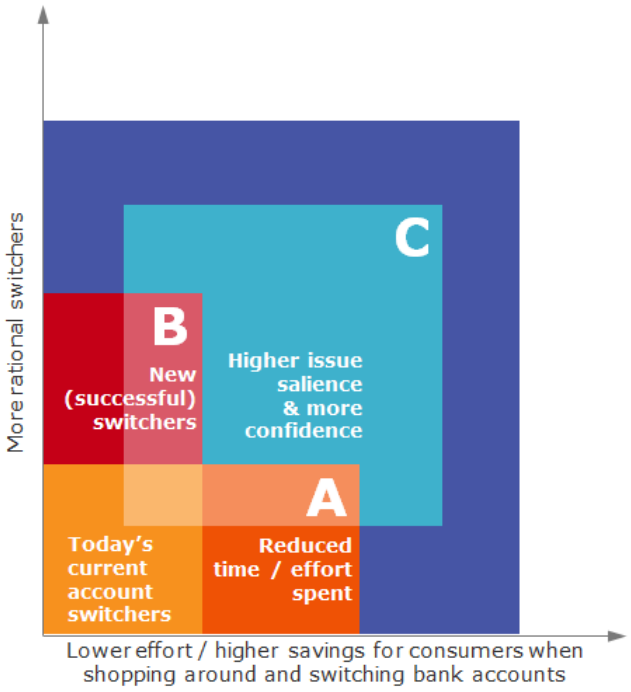
- low levels of switching behaviour,
- high price dispersion (at least in some EU countries),
- low transparency and comparability of costs and services,
- low demand for cross-border services and high domestic market concentration.

Established financial services providers see little need for action to overcome consumer inertia, as this is usually interpreted as successful retention based on good customer services. In contrast, consumer protection experts instead stress the

existence of essential obstacles to market transparency in combination with low levels of switching, and accordingly diagnose suboptimal market mechanisms.

According to this view, increased customer mobility would benefit many consumers if switching were based not on successful marketing strategies by the banks but on "better" - more well-informed and conscious – choices, enabling citizens to switch to more suitable providers with less effort. In the long term, current account customers would thus feel more empowered and confident.

The improvement of competitiveness and consumer situation of the current bank account market in Europe



Policy issue

The EC aims at improving transparency and comparability of bank fees for consumers by reducing barriers while shopping around (accessing and assessing cost information) and while taking a switching decision and implementing it successfully.

Several policy options are currently discussed, the following ones be assessed in this study:
- Standard glossary
- Standard price list
- Cost summary with representative examples
- Cost summary based on individual behaviour
- Mandatory EBIC principles
- Redirection service

Whether and how far these policies may have an effect on reducing consumer detriment (A), leading to more rational switchers (B) and/or creating higher issue salience and more confidence in better choices (C) will be analysed in this report.

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However, banking experts acknowledge that current accounts have a very long cycle of service – in many cases even a lifelong cycle. This typically starts when parents open a "squirrel" or "pocket money" account for their child at their financial institution, which often continues to be the main banking relationship throughout the rest of the child's life. From a supplier perspective, there are several reasons why bank customers are so 'passive' compared to consumers of other products and services. Previous research among account holders who switch banks shows that switching is often initiated by changes in personal circumstances, e.g. moving to a new home and/or job and thereby choosing an institution with a more conveniently-located branch and ATM network. Without such an external catalyst, shopping around for a better current account service requires not only more transparent and comparable offers than are currently available in this market, but also greater salience and increased public financial literacy and awareness that comparison of

bank account fees may be worthwhile, as it either may help consumers to find a more cost-attractive alternative to their existing arrangements or empower them to renegotiate the terms and conditions with their existing provider.

2.2 Research objectives

The aim of the Bank Fees Behaviour Study was to investigate how different EU policy options intended to enhance the comparability of offers and/or the switching process might influence consumer behaviour. These options would provide more easily comparable cost information on alternative offers and support more "rational" choices which could result in significant medium and long-term savings.

The key objectives of the study can be summarised as follows:

- To assess the information and decision-making process of consumers when they 'shop around' for a current bank account; to test consumer understanding and ability to compare different products and fee structures in the current bank account market.
- To evaluate the feasibility and adequacy of selected measures to improve 'information-based' behaviour, particularly the switching process, and to understand the influences on and barriers to customer mobility in this market.

The following policy options for bank fee transparency and comparability were tested in an online survey including an experimental choice module in 10 EU Member States:

1. Adopting a glossary of the terms used for bank account fees, to be provided to the customer by the bank, though not subject to standardised terminology;
2. Adopting a glossary of fee terms subject to standardised terminology;
3. Adopting standardised bank fee terminology and presentation requirements;
4. Requiring banks to provide self-tailored representative examples of pre-contractual conditions for different customer profiles based on usage behaviour, in line with minimum criteria (penalty charges if overdrawn, credit/debit interest rate, set-up fee and one-off charges);
5. Requiring banks to provide representative examples of pre-contractual conditions for different customer profiles based on usage behaviour, in line with a uniform set of representative examples established at Member State level;
6. Requiring banks to provide detailed price information based on expected usage through a cost simulation. The criteria used to determine expected usage should be based on customer profiles as under options 4 and 5.

On switching:

7. Making the EU banking industry's common principles on switching legally binding. These principles establish the roles and responsibilities of the "old" and "new" banks, and fix clear limits for switching costs and timing;
8. Establishing a redirection service for credits and debits (preventing missed payments/receipts as a result of switching bank accounts).

Whereas the first six potential policy measures were tested within a choice experiment setting, the impact of measures 7 and 8 was estimated using a traditional questionnaire measuring stated preferences. Overall, the design of this study consisted of three major stages:

- A preparatory stage ensuring that the research was grounded in the policy context and took account of existing insights into the bank account market, avoiding the duplication of existing data.
- Primary research – this stage consisted of a 10-country online survey including a two-stage choice experiment. Approximately 1,000 respondents were interviewed per country, giving a total sample size of 10,000. This large-scale international survey covered all the broader issues of consumer understanding and behaviour in the bank account market, with particular focus on the use of current bank accounts. It also contained the main behaviour experiments at the heart of the design.
- Analyses and conclusions – based on in-depth descriptive analysis as the starting point, more than 100 different multivariate models have been assessed to establish the key determinants of rational (switching) behaviour. The combination of the results from the descriptive and analytical statistics build the foundations for the evidence-based summary of this study, including conclusions which suggest a way to overcome some of the key factors for the inertia in the bank account market.

Chapter 2 first summarises the research methodology before turning to the findings of the questionnaire in chapter 3. Chapters 4 and 5 focus on the experimental part of this study. We first present a detailed summary of the experimental core of this study, a precise description of the policy stimuli tested, the random trial approach, and the design of the choice tasks implemented in this survey. Chapter 6 then addresses the key conclusions and findings of the study. A final appendix suggests potential policy recommendations.

3 RESEARCH DESIGN AND METHODOLOGY

3.1 Overview

Of all banking services, the current account generally constitutes the main banking relationship for consumers, as it provides almost all of their day-to-day financial requirements. In developed economies, the ownership of a current account is often mandatory for anyone receiving a regular income or participating in social life. However, while there is very high current account penetration in EU15 countries, data from recent research conducted by TNS shows that this is by no means the case across all Member States. In many Eastern and some Mediterranean countries there is a considerably lower level of account ownership, particularly in countries such as Romania and Bulgaria[1].

Given the need for an online approach to this survey, the focus of the study was on citizens who have current bank accounts. The aim was also to identify people who have recently opened or switched such bank accounts. However given the high levels of consumer inertia, the only way to do this in a practical and cost-effective manner was to over-sample younger consumers (aged 18-24) as the most likely to have recently opened an account.

The broad design for the project was as follows:

1. Task 1 - Preparatory stage – Making sure the research was fully grounded in the policy context, did not duplicate existing data, and had a thorough understanding of all the issues involved.
2. Task 2 – Primary research – A large scale multi-country quantitative study conducted online, which covered broader issues of consumer understanding and behaviour in the retail financial services sector, with a particular focus on current bank accounts. It also contained the main behaviour experiments at the heart of the design.
3. Task 3 – Policy recommendations – The final report integrating the findings from all of the previous tasks and ensure the conclusions are clear and fit for purpose, with actionable insights for policy development

3.2 Online survey – technical summary

The online survey was carried out in the following ten EU Member States. The study was conducted by means of CAWI (Computer Assisted Web Interviews).

All participants were invited by email to participate in the online survey. Invitations were sent out at the beginning of fieldwork, with further emails sent out during the course of the fieldwork period. Respondents who did not respond to these emails were re-invited by email.

The fieldwork was conducted in June 2012.

[1] http://ec.europa.eu/public_opinion/archives/ebs/ebs_373_en.pdf

A target sample size of approximately 1000 respondents was set for each country. The table below shows the achieved sample size.

Country	Completed surveys
Germany	1014
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Romania	1023
Total	**10144**

Once fieldwork was completed, a data file for each country was generated following a specific data map.

To produce tables and other outputs based on the data set, the data have been weighted according to target figures for gender and age distribution in each country. We applied rim weighting, using an iterative procedure to achieve an even distribution of results across the entire dataset while balancing the gender and age figures to pre-determined totals. It simultaneously weights the specified characteristics and disturbs each variable as little as possible.

3.3 Sampling design – country selection

Deciding on a viable selection of countries is a complex process, involving some well-known issues which pertain to multi-country projects in particular and comparative social research in general. The principles which guided the country selection for this study are described below.

Generally speaking, one common challenge is to maximize the "representativeness" of a country sample, i.e. maximize the "inference potential" of a given country selection.

Two issues are central here: the "maximum population (or market) coverage principle" and the "maximum heterogeneity coverage principle". The first solely takes account of the population or market size of selected countries, whereas the second brings in other substantial criteria for country selection: the countries chosen should represent the full range of variables of interest, thereby representing a maximum of heterogeneity for all the key variables.

The country selection for the banking fees study reflects both the maximum population coverage criterion and the maximum heterogeneity coverage principle, based on our pre-analysis of available market indicators.

Country selection

Country	Family of Nations	EU 15 - NMS 12 distinction	Cluster (see below)
Germany	Continental	EU 15	2 "Active "
France	Continental	EU 15	1 "Very active "
United Kingdom	Anglo-Saxon	EU 15	1 "Very active "
Italy	Southern	EU 15	3 "Inactive "
Spain	Southern	EU 15	2 "Active "
Netherlands	Continental	EU 15	1 "Very active "
Ireland	Anglo-Saxon	EU 15	2 "Active "
Sweden	Northern	EU 15	1 "Very active "
Latvia	Eastern	NMS 12	3 "Inactive "
Romania	Eastern	NMS 12	4 "Very inactive "

The country sample represented the five EU countries with the highest population share, and approximately 260 million current account holders.

It also takes into account not only the EU15/ NMS12 distinction and the "family of nations" typology which has guided the bulk of sophisticated comparative public policy studies in recent decades, but also reflects our pre-analysis of market-specific country profiles. The empirical analysis was based on two major sources: "Data collection for prices of current accounts provided to consumers" (European Commission - Directorate-General for Health and Consumers 2009) and a Eurobarometer study published on Retail Financial Services conducted by TNS for the European Commission[2].

[2] http://ec.europa.eu/public_opinion/archives/ebs/ebs_373_en.pdf

3.4 Within-country sampling

The decision to adopt an online methodology has a significant effect on the universe and the interpretation of results. The online universe is more homogenous, with higher education, higher income levels and a greater propensity to shop around than the general population. This means that there will be a much higher incidence of bank account ownership even in Eastern European markets. In addition, the survey is less likely to include the most financially vulnerable who might benefit most from the policy measures under consideration.

The study applied the following exclusions:

- without a current bank account - they are extremely rare among online panellists and would require a different set of questions
- below 18 years - since they are not yet contractually capable and are heavily reliant on parental advice in most countries

In addition to the base sample we included a boost of approximately 200 younger bank customers aged between 18 and 24 in each country. These respondents are more likely to have recent experience of opening a new current account, or of shopping around and switching.

4 ONLINE SURVEY FINDINGS

4.1 Introduction

Both before and after the behaviour experiment, respondents were asked a series of questions about personal finances, general perceptions and understanding.

This chapter examines some of the key survey questions. The experiment and findings are explored in more detail in sections 4 and 5.

In analysing the survey findings, it must be borne in mind that the survey was conducted online. While socio-demographic targets and corrective weighting mean that the data are representative at a national level, the fact that the survey is online will automatically over-represent the proportion of financially-literate people. It should also be remembered that while the data have been weighted within each country to reflect the gender and age distribution of the universe, the survey over-represents people aged 18-24. Further, the overall EU10 results represent the average across the 10 countries with no additional weight to reflect the population size.

Full data for all questions, including socio-demographic questions, are appended to this report.

4.2 Account holding

All respondents had at least one bank account (this was a prerequisite for participation in the survey) and in fact two-thirds (68%) said they had more than one bank account[3].

People have had the same bank account on average for over 11 years.

Q8 Approximately how long have you had your current account with your current provider?

	Less than 12 months	1 - 2 years	3 - 5 years	6 - 10 years	11 - 20 years	Over 20 years	Length of holding an account
EU10	3%	5%	24%	23%	22%	23%	11.4
DE	3%	3%	19%	22%	24%	29%	12.6
IE	3%	5%	21%	23%	28%	21%	11.7
ES	3%	5%	24%	24%	27%	18%	11.1
FR	2%	4%	18%	15%	22%	40%	14.1
IT	3%	6%	28%	24%	21%	18%	10.3
LV	3%	4%	26%	42%	24%	1%	8.4
NL	1%	3%	10%	14%	23%	49%	16
RO	7%	13%	51%	24%	5%	0%	5
SE	2%	3%	17%	21%	26%	30%	13.1
UK	3%	6%	25%	19%	23%	24%	11.5

[3] It is important to note that all the questions on account usage and on satisfaction with the account provider were based on the primary bank account.

Respondents in Romania, where the average length of time was less than half the average (5 years), were most likely to have opened a bank account recently. Respondents in Latvia were also more likely to have opened a bank account recently.

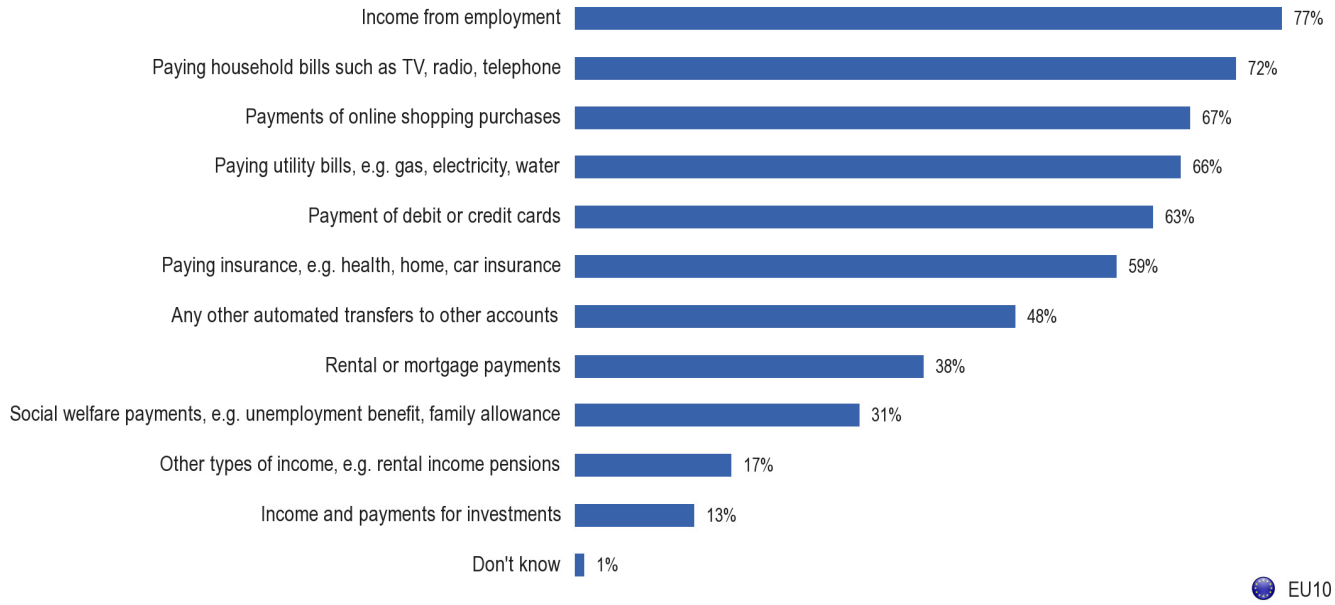
There was an unsurprising correlation between age and length of time accounts had been held. However, more interestingly, respondents with a higher level of education were much more likely to have held their account for a shorter time – suggesting that switching accounts is more common amongst this group.

Q8. Approximately how long have you had your current account with your current provider?

	Less than 12 months	1 - 2 years	3 - 5 years	6 - 10 years	11 - 20 years	Over 20 years
EU	4%	6%	22%	23%	22%	23%
Gender						
Male	4%	6%	21%	22%	21%	26%
Female	4%	6%	23%	24%	23%	20%
Age						
18-24	8%	11%	44%	25%	10%	2%
25-34	6%	8%	28%	26%	25%	7%
35-44	3%	5%	19%	27%	27%	19%
45-54	2%	4%	15%	19%	24%	36%
55+	2%	3%	10%	15%	20%	50%
Education (End Of)						
15 or less	3%	5%	11%	15%	26%	41%
16-19	3%	5%	19%	22%	23%	28%
20 or more	4%	5%	22%	24%	23%	22%
Still studying	9%	11%	40%	24%	12%	3%

While the length of time accounts are held already suggests that bank accounts are not switched very often, another question on account usage reveals a potential barrier to switching: respondents were asked to indicate which incoming and outgoing payments are running on their current account.

Q7. In which ways do you use your current account? Please, indicate which of the following in-coming and outgoing payments are running on your current account?



Base: EU10 – all respondents (n=10 144)

On average 5.5 different regular payments were reported which would need to be redirected in the event of switching. The assumption is that the higher the intensity of account usage, the more risky and time-consuming it is to switch an account. The intensity of account usage seems to be linked to the age of respondents and personal income (the older respondents and those with a higher income, the more payments were reported).

4.3 Account features and usage

A large majority of respondents said that their account came with a debit card (88%) while around a third said that it provided a credit card (36%) or chequebook (30%).

The majority of people use ATMs within their country to withdraw money without fees either often (49%) or sometimes (36%). As one would expect, they are considerably less likely to use their card abroad or at other ATMs where a fee would be required. Indeed, four out of ten (38%) say that they never do this, with a further 41% saying that they only do so rarely.

There is a clear preference for online statements – although this is no doubt linked to the online mode of the survey. Three-quarters (77%) check their statements online relatively frequently compared with only 38% who use ATMs for this and 33% who receive postal statements.

Around three in ten (29%) have an overdraft facility which they use. One in ten (11%) use their overdraft facility often. In addition, one in ten (10%) say that they also use an unauthorized overdraft.

Usage types

We have generated a threefold typology of users, based on the questions which measured the frequency of those account services which were varied across the choice tasks in the experiment. We combined the answers for the usage frequency of cost-relevant services as asked in questions 14 to 17, and calculated an aggregate score for those services, which was then used to classify consumers into an "active", "average" and "passive" user typology based on a usage frequency index for charged account services.

The index was calculated by taking into consideration the answers to questions 14-17 of the survey which were also used for the individual cost calculation algorithm and displayed as variable product features within the choice experiment.

The following questions and answer scores explain the first step of the construction of a user typology. The numbers given show the raw score for each dimension of the usage indicator.

Q14: Thinking about ATMs, how often do you use these for withdrawing money?

	Often (weekly or more)	Sometimes (monthly)	Occasionally (every few months)	Rarely	Never	Don't know
ATMs (within country or abroad), where I have to pay a fee	5	4	3	2	0	0

Q15: How do you access your account statements?

	Monthly or more often	Occasionally (every few months)	Less often	Never	Don't know
Postal delivery	5	4	2	0	0

Q16: Many people have an overdraft facility on their current bank account. Which of the following statements best summarises your own bank account?

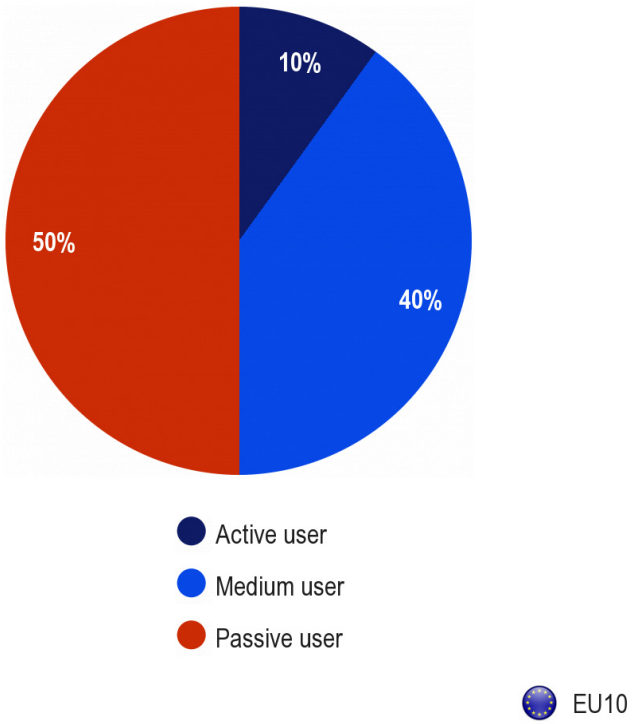
I do not have an overdraft facility	0
I have an overdraft facility but do not use it	0
I have an overdraft facility and use it rarely	2
I have an overdraft facility and use it sometimes	4
I have an overdraft facility and use it often	5
Don't know	0

Q17: Some current account providers let you exceed their overdraft limit without previous agreements. Which of the following statements best summarises your own bank account?

It is not possible for me to exceed my overdraft limit	0
I have the possibility to exceed my overdraft limit but do not use it	0
I rarely exceed my overdraft limit, i.e. just once or twice last year	2
I sometimes exceed my overdraft limit, i.e. between 3 to 5 times last year	4
I often exceed my overdraft limit, i.e. more than 5 times last year	5
Don't know	0

By adding the individual scores for the items shown in questions 14-17, an aggregate "usage score" was built which could range from 0 (never using any of the relevant services) to 20 (indicating very frequent or regular usage of all of the service components). Based on the frequency distribution of the raw aggregate scores, a three-cluster solution appeared to be the most valid. This typology grouped consumers with scores from "0-3" into the first cluster of "passive users", those with scores from "4-9" into the segment of "medium users"', and finally around 10% of consumers with scores of 10 and higher into the "active" segment.

Percentage share of consumers for different user types



User types based on Q14-Q17

Base: EU10 – all respondents (n=10144)

The active user type very clearly stands out with far higher usage levels, not only for charged services. However, the passive user could also be called "cost-conscious user", since this type uses the free services at an almost similar level and even somewhat more when it comes to online banking.

Behaviour patterns – account usage Base: EU10 – all respondents	Active user (n=966)	Medium user (n=5054)	Passive user (n=4124)
By definition:			
Q14.2: Charged ATM withdrawals	**85%**	68%	8%
Q15.3: Postal delivery of statements	**86%**	72%	9%
Q16: Authorised overdraft used	**91%**	37%	4%
Q17: Unauthorised overdraft used	**57%**	9%	1%
Further behaviour observations:			
Q6: Ownership of multiple accounts	**74%**	69%	65%
Q7: Scope of regular account payments	**6.1**	5.6	5.2
Q13: Payment methods used	**1.84**	1.69	1.42
Q14.1: Free ATM withdrawals	**95%**	93%	93%
Q15.1: ATM printer statements	**66%**	61%	58%
Q15.2: Online statements	**86%**	79%	82%
Q18: Branch usage	**67%**	62%	55%
Q18: ATM banking	**36%**	34%	30%
Q18: Online banking	68%	66%	**70%**
Q18: Telephone banking	**28%**	21%	17%

In the choice experiment the active user type consistently shows a higher propensity to switch, as well as a greater appreciation of removing the barriers to switching with the introduction of a redirection service (67 vs. 60%) or EBIC principles (67 vs. 58%).

The main reason for the propensity to switch is the high impact of better fees and interest rates on the active user, which is also given as the main reason to consider switching (43 vs. 40%).

But at the same time this type faces a significantly greater range of switching barriers:

Q60: Switching barriers Base: EU10 – respondents, who did not switch or who stopped switching	**Active user** (n=385)	**Medium user** (n=2068)	**Passive user** (n=1751)
Happy with my current provider / no need to change	53%	59%	**63%**
My current provider is convenient	**48%**	46%	46%
There is no significant difference to other providers, they are all similar	**24%**	22%	19%
Switching is too difficult	**17%**	12%	10%
Switching is too time-consuming	**21%**	19%	13%
Will have to update all my direct debits / automated payments	**31%**	**30%**	22%

Therefore, it is not surprising that active users are slightly less committed to their current account providers, or that a majority in this group have no idea if and how much could be saved through switching (55 vs. 51%).

The active user (as compared to the passive user):

- Is slightly older (41.9 vs. 39.5),
- Is more likely to be in full-time work (55% vs. 48%),
- Has a significantly higher risk-tolerance in financial matters (3.7 vs. 3.2)
- Is more common in France (19%), Ireland (16%) and UK (15%).

In contrast, for passive users the main barrier to switching to other providers is the low salience of this issue; the vast majority are happy with their current bank and since they are less prone to incurring unit charges, many think they would save nothing by switching (29% vs. 25%). Passive users are more common in Latvia (19%) and Sweden (13%).

In terms of preferred contact methods, a high proportion continue to visit the branch, with six in ten (59%) doing so within the last 12 months. However even more bank online, two thirds (68%) having done so within the last year.

Q18 Which of the following methods of contact have you used within the past 12 months?

	In the branch, speaking with staff	ATM banking	Online banking	Telephone banking
EU10	59%	32%	68%	20%
DE	57%	36%	72%	10%
IE	68%	35%	68%	30%
ES	70%	36%	57%	16%
FR	68%	18%	65%	27%
IT	62%	38%	57%	10%
LV	54%	20%	66%	23%
NL	30%	29%	90%	8%
RO	68%	37%	40%	17%
SE	54%	39%	85%	29%
UK	62%	35%	77%	31%

Online contact is highest in the Netherlands where nine in ten (90%) have done so within the last 12 months compared with only 30% who have visited a branch of their bank.

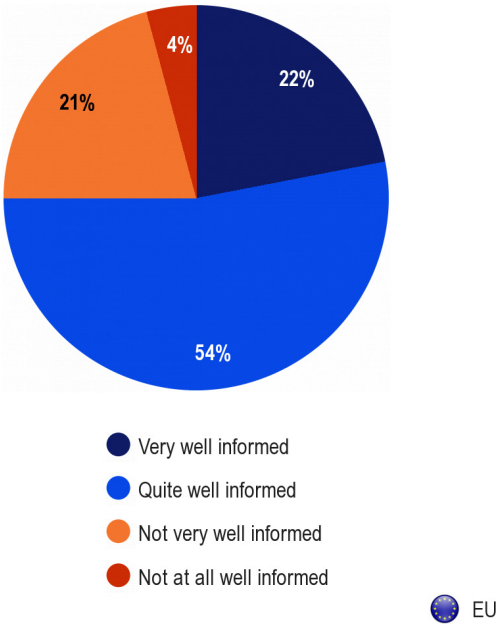
Surprisingly, there were few socio-demographic differences for channel usage. The age differences one might expect are not present, and this is almost certainly an effect of the online mode of the survey.

4.4 Costs and information

This chapter addresses the initial phase in which consumers access the information that may help them to make better choices when choosing or switching current accounts.

People describe themselves as well-informed about the costs attached to their current account.

Q19. How well-informed do you generally feel about the costs attached to your current account?



One in five (22%) describe themselves as "very" well-informed. A quarter of respondents (25%) acknowledge that they are not well-informed about the cost of their current account.

Respondents in Ireland, Sweden, France and Spain were most likely to describe themselves as not well-informed.

In socio-demographic terms, men and older respondents tended to be more confident about how well-informed they are. Over three-quarters of men described themselves as very or quite well-informed (77%, compared with 74% of women). While eight in ten of people aged 55 and over (82%) say they are well-informed, this falls to 72% of those aged 18-24.

While people tend to believe they are well-informed, six out of ten (60%) never compare their current account charges with the charges of other institutions. More interestingly, 29% say they do not know the monthly fee on their current account fee. A third (32%) do not know how much it costs them to use other banks' ATMs. A third (33%) do not know how much they pay for statements sent by post. Seven out of ten (70%) do not know the interest rate on their authorized overdraft and 85% do not know the unauthorized overdraft rate.

This paradoxical behaviour actually indicates the low salience of current account fees among those who do not recall how much they currently pay or would pay with another provider but still feel sufficiently informed. Therefore, we looked more closely at the two distinct groups which claimed to be "well-informed" and "less well-informed", with interesting results.

The "well-informed" consumers are more likely to shop around to compare account fees than those who are "less well informed": however only 45.5% do so, while 54.5% do not. At the same time this group feels more confident about financial matters than the less informed (56.5% vs. 31%) and - most importantly - they are happy with their current provider (64% vs. 42%). When asked how much they currently pay for their account, they tend to say that their account services are free or at an extremely beneficial rate:

- Monthly fee "Nothing, i.e. €0" (46% vs. 24%)
- Charged withdrawals "Nothing, i.e. €0" (30% vs. 16%)
- Statement fees "Nothing, i.e. €0" (65% vs. 40%)
- Overdraft "less than 10%" (18% vs. 9%)
- Unauthorized overdraft "less than 10%" (7% vs. 3%)

"Less well-informed" consumers generally display greater dissatisfaction with their providers and less confidence in financial matters. However, this does not translate into more shopping around – on the contrary, 75% do not shop around. The low level of information is also emphasized by very high "Don't know" rate when these respondents are asked about the costs of their current account. They also perceive greater barriers to switching:

- Other providers are not significantly different (26% vs. 20%)
- Switching is too difficult (21% vs. 9%)
- Switching is too time-consuming (26% vs. 15%)
- Would have to update all my direct debits (33% vs. 25%)

These findings indicate that the effectiveness of any policy measures to ensure greater transparency and comparability depends on whether consumers are open to and actively looking for information, or whether they need to be encouraged to do so in order to increase the likelihood that the relevant information is seen at all.

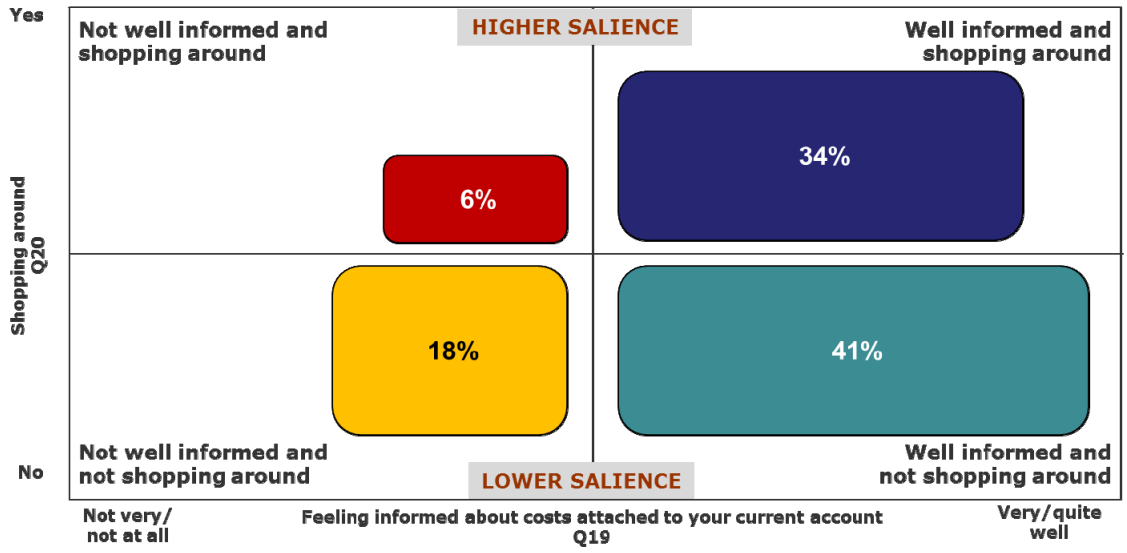
Two main questions serve as a proxy indicator, identifying whether someone is actively looking for information or at least open enough, because he or she is aware of a lack of information.

The chart below shows that 41% are neither open (they already feel well-informed) nor actively looking for information about current accounts.

Only 6% are likely to have eyes and ears wide open, because they both are aware of their lack of information and shopping around.

One-third of consumers represent the so-called 'rational', empowered consumer, feeling well informed and shopping around.

The remaining group (18%) also demonstrate low issue salience; however, these respondents might be easier to reach, as they recognise that they are less well-informed. However, it will be a challenge to reach this group using the usual communication strategies, since they are not actively shopping around.



Base: EU10 – all respondents (n=10144)

4.5 Switching

Respondents were asked a series of questions about switching behaviour and intentions. While a quarter (24%) had opened an account within the last 24 months, for the majority this was an additional account. Very few had actually switched accounts within the last two years.

Switching behaviours and intentions are summarized in the table below (full responses to all the individual questions are in the appended data tabulations).

Q32 Switching type

	Total 'Switchers' [switched within last 2 years or current switching process]	Total 'Switching intenders'	Total 'Non-switchers' [stopped switching or no previous switching & no switching intention]
EU10	4%	54%	41%
DE	3%	60%	37%
IE	4%	60%	36%
ES	6%	54%	40%
FR	2%	57%	41%
IT	5%	55%	41%
LV	2%	55%	42%
NL	2%	55%	43%
RO	8%	39%	53%
SE	4%	52%	44%
UK	4%	58%	38%

Very few people have actually switched within the last 2 years or are currently doing so – 4% in total. The incidence is somewhat higher in Romania (8%) and Spain (6%) but across all the Member States included in the survey, the proportions remain extremely low.

However over half of the respondents (54%) say that they intend to switch, rising to as many as six in ten in Germany and Ireland, though for most this intention is highly conditional, and the actual likelihood of switching is low (they "might consider switching under certain circumstances").

Intending switchers can be characterized as firm ("I am considering switching in the near future"), moderate ("I am not considering switching right now, but I am likely to consider it in the future", and weak ("I might consider switching under certain circumstances"). While over half of respondents (54%) fall into one of these three categories, the greatest proportion can be classified in the weak category.

Q32 Switching type

	Total 'Switchers' [switched within last 2 years or current switching process]	Switching intention = strong	Switching intention = medium	Switching intention = weak	Total 'Non-switchers' [stopped switching or no previous switching & no switching intention]
EU10	4%	7%	18%	29%	41%
DE	3%	8%	11%	41%	37%
IE	4%	9%	17%	34%	36%
ES	6%	15%	22%	16%	40%
FR	2%	7%	27%	23%	41%
IT	5%	15%	13%	27%	41%
LV	2%	2%	25%	28%	42%
NL	2%	3%	24%	28%	43%
RO	8%	4%	14%	21%	53%
SE	4%	5%	9%	38%	44%
UK	4%	7%	16%	35%	38%

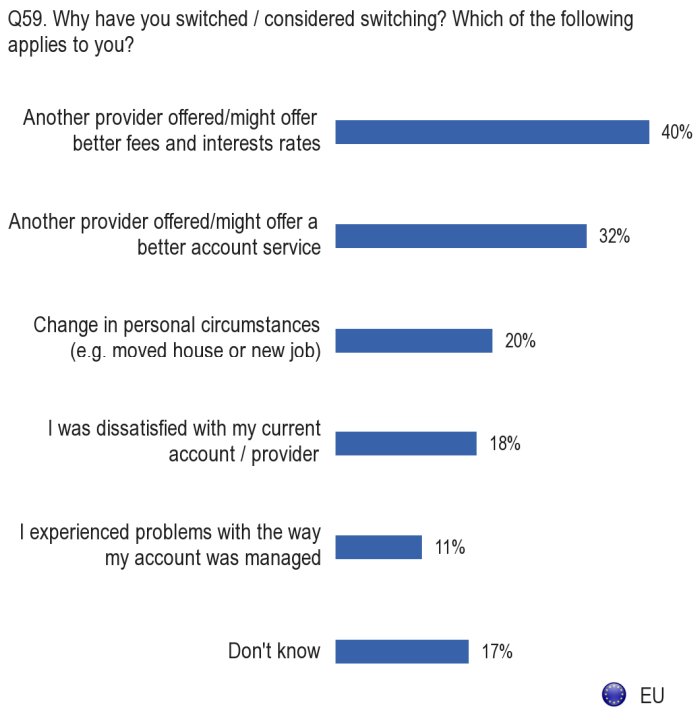
There were some socio-demographic differences, most notably by age and education level.

Respondents aged 55 and over were most likely to have no intention to switch. The incidence of recent switching was slightly higher among younger age groups. Those with the lowest education level were least likely to have switched or to intend to switch.

Q32. Switching type

	Total 'Switchers' [switched within last 2 years or current switching process]	Switching intention = strong	Switching intention = medium	Switching intention = weak	Total 'Non-switchers' [stopped switching or no previous switching & no switching intention]
EU	4%	7%	18%	29%	41%
Gender					
Male	4%	8%	17%	29%	42%
Female	4%	7%	18%	29%	41%
Age					
18-24	5%	6%	18%	26%	44%
25-34	6%	9%	16%	28%	41%
35-44	4%	9%	19%	30%	39%
45-54	3%	7%	20%	32%	38%
55+	3%	5%	16%	30%	47%
Education (End Of)					
15 or less	3%	7%	18%	27%	45%
16-19	4%	7%	17%	31%	41%
20 or more	4%	8%	18%	28%	41%
Still studying	5%	6%	19%	28%	43%

For those who had switched or who were considering switching, the main reason was to obtain a better product.



Four out of ten (40%) said that they switched because another provider offered better fees/interest rates while a third (32%) attributed the switch to the offer of a better account service. For around one in five, a change in personal circumstances (20%) or dissatisfaction with their current provider motivated the desire to switch. One in ten (11%) said they had experienced problems with the way in which their account was managed.

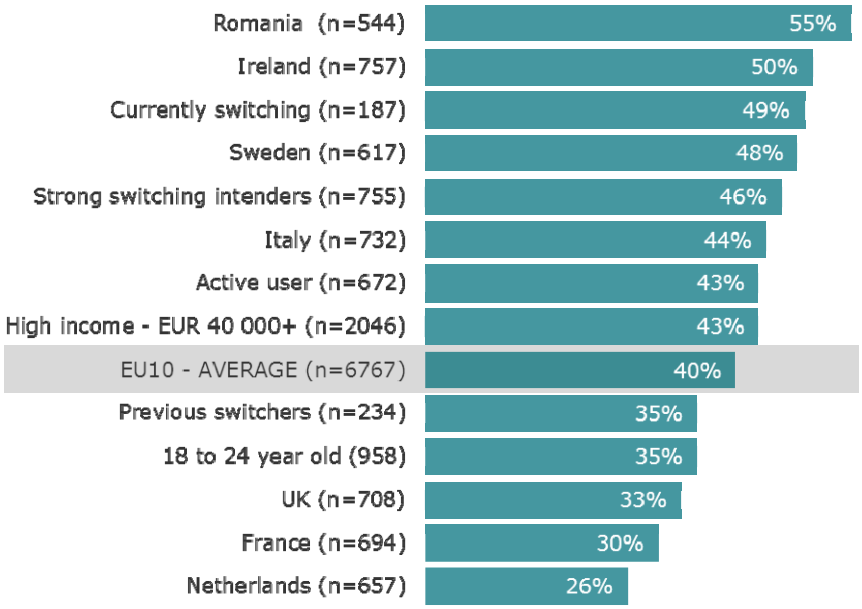
Customers in highly competitive markets typically say that the prices of products and services play a crucial part in their decisions. It is therefore interesting to compare how different consumer segments emphasize the fact that better fees and interest rates are key when deciding to switch or choose a current account.

People who are currently switching their bank obviously display a significantly higher sensitivity to fees and interest (49%) than switchers who have completed the process within the past 2 years (35%). This finding corresponds to similar research across many industries, which regularly shows that prices are always relevant in the decision process of new customers, but that once a customer is hooked by contractual design and quality features, prices become less dominant. Of course, this psychology is also exploited by current account providers who – for instance – offer to skip the monthly fee or throw in a free credit card for the first year only.

Respondents with a higher income (€40,000 or more) or who can be identified as active users are also more likely to say that fees and interest are relevant factors, which is rational as active users are more affected by unit costs because of their behaviour.

However, the main surprise of this comparison is the striking variation across countries. Romania (55%) and Ireland (50%) lead the markets with higher price consciousness, while prices are of least relevance to consumers in the Netherlands (26%) and France (30%). These national differences are too strong to be explained by other factors such as long-term account holding or switching types. Therefore, it should be noted that the consumer focus on fees may be driven by country-specific causes.

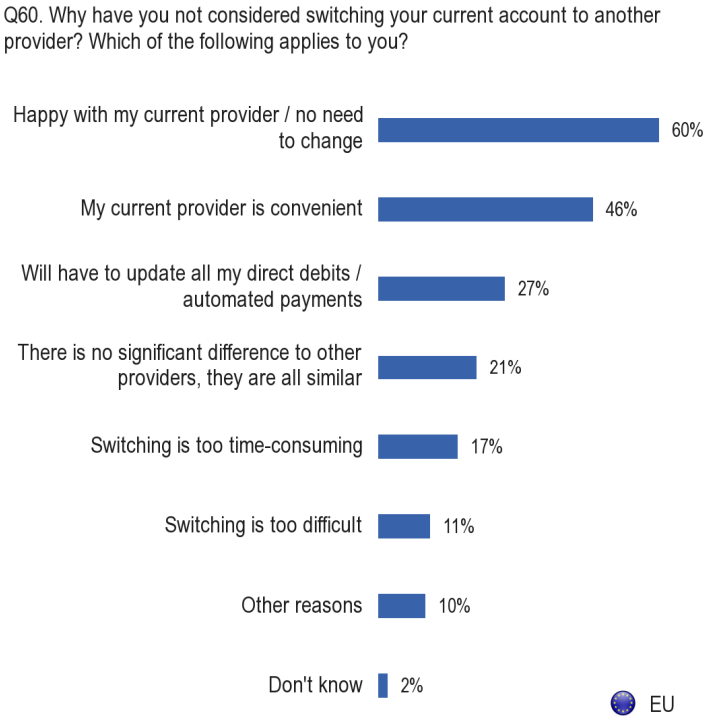
Reason to switch: Another provider offered / might offer better fees and interest rates



Q59: Why have you switched / considered switching? Which of the following applies to you?
Base: EU10 - all respondents except non-switchers (n=6767)

Another interesting finding is that the majority of people who switched did not spend long on the process. Overall 53% spent less than 4 hours comparing and switching accounts, 12% spent between 4 and 8 hours, 13% up to one whole day. However, at least one in five switchers (22%) said that they had spent more than one day, which reflects how complex a switching process still can be. As there were few respondents with previous switching experience, the base is not sufficiently large to allow analysis of subgroups on this question.

People who had not considered switching were asked why this was.



The main reason for not switching is because people are happy with their current provider and see no need to change (60%). Convenience is another key factor, mentioned by 46%. Interestingly, for over a quarter (27%) one of the main barriers is the need to update direct debits and automated payments. A fifth (21%) think all providers are similar, 17% think the process would be too time-consuming and 11% believe switching would be difficult.

Over two-thirds of respondents (69%) agreed that it is possible to save a significant amount of money by switching to a less expensive current account. However, when these people were asked to estimate how much they could save by switching, most people did not know (51%). A quarter (25%) did not think they would save anything, suggesting that a sizeable minority of those who believe there are savings to be made also think that they have the best current account for their needs.

Q58 How much do you estimate - approximately - you could save per year by switching your current account?

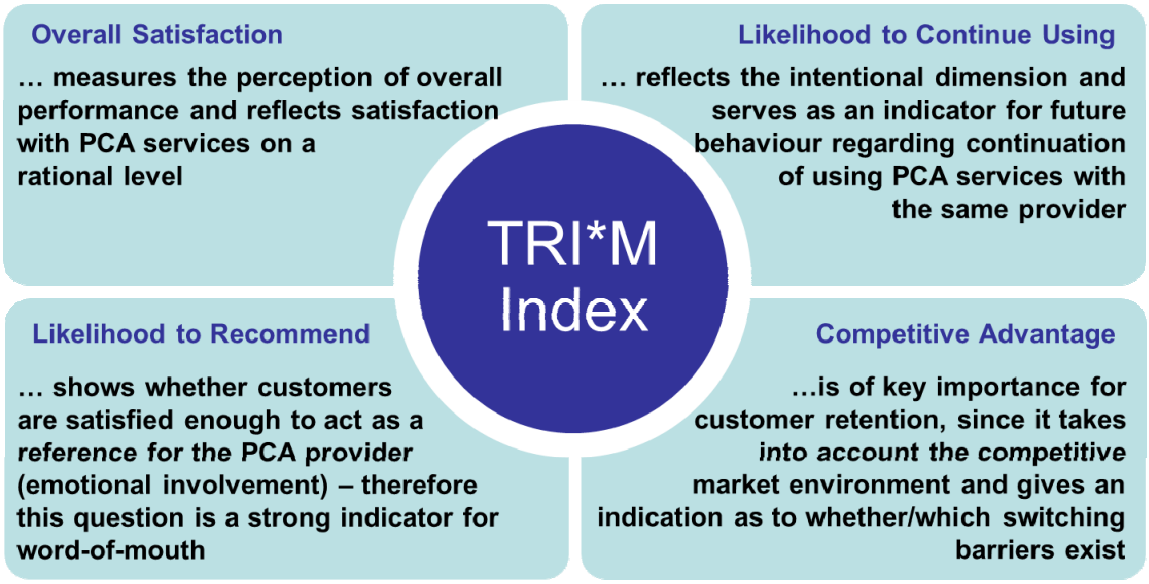
	100 EUR or more	Between 50 to 100 EUR	Less than 50 EUR	Nothing	Don't know
EU10	7%	6%	11%	25%	51%
DE	10%	11%	12%	37%	30%
IE	10%	8%	6%	22%	54%
ES	7%	6%	6%	29%	53%
FR	8%	9%	11%	17%	55%
IT	10%	10%	10%	23%	48%
LV	4%	2%	12%	22%	59%
NL	3%	4%	11%	23%	59%
RO	5%	2%	26%	12%	54%
SE	5%	4%	8%	23%	59%
UK	7%	3%	4%	42%	45%

Base: Those who agree that it is possible to save a significant amount of money by switching to a less expensive current account (n=7013)

Respondents in Germany and UK were least likely to think they could save money by switching accounts.

4.6 Satisfaction and loyalty to current provider

The strongest variable that influences switching of current account providers in Europe is the degree of satisfaction and loyalty of consumers to their current account providers, which was measured by an index (the TRI*M index) based on the following four dimensions:

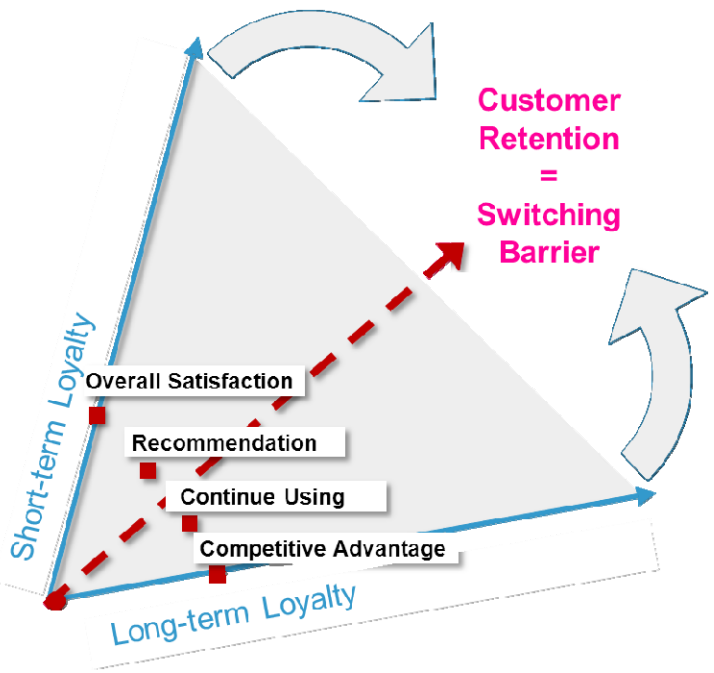


In this survey these four questions are worded as follows:

- Overall Satisfaction:
- Q9 – How would you rate the overall performance of your current account provider?
- Propensity to Recommend:
- Q10 – Based on your experiences would you recommend your current account provider to friends or acquaintances?
- Propensity to Continue Using:
- Q11 – Based on your experiences would you continue to use your current account provider?
- Competitive Advantage:
- Q12 – Given what you know about other providers, how would you rate the advantage to you of your current account provider compared with any other provider?

These four questions define all the dimensions of customer retention:

- from short-term loyalty (satisfaction + recommendation), which is based on past experiences and results in short-term satisfaction
- to long-term loyalty (continue using + competitive advantage), which includes forward-looking aspects representing more long-term switching barriers



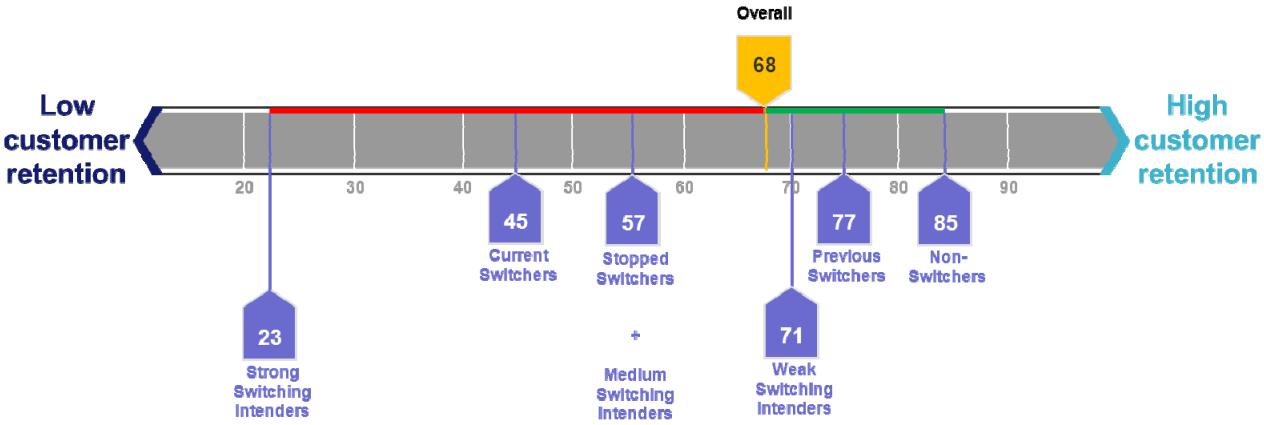
When developing the TRI*M index, a factor analysis of these four dimensions was conducted on a range of surveys across different markets and stakeholder groups, which all resulted in the same picture as shown to the left.

Of course, these four questions are inter-related. However, the graphic also shows that the index covers the relevant range of different sub-dimensions of loyalty.

Furthermore, a proprietary tracking survey with the same sample of consumers over 3 years showed a clear link between the TRI*M index and switching of bank accounts in practice (the lower the index, the higher the switching rate).

The development of the TRI*M index was based on research conducted by Heskett, Jones, Loveman, Sasser and Schlesinger around 20 years ago[4]. Since then it has been fine-tuned, applied and validated in practice in more than a thousand surveys by TNS worldwide.

In this survey, the index gives a clearer picture of how switching barriers are perceived by each consumer segment. Unsurprisingly, "Non-Switchers", who have not switched within the past 2 years and who have no intention to switch in the future, show the highest degree of loyalty (index = 85) to their existing provider. Respondents who have switched to a new provider within the past two years and those with a very weak switching intention are also more likely than average to be retained by their current providers, and therefore less likely to switch in the near future.



Base: all respondents without DK in Q9-12: overall (n=10140)

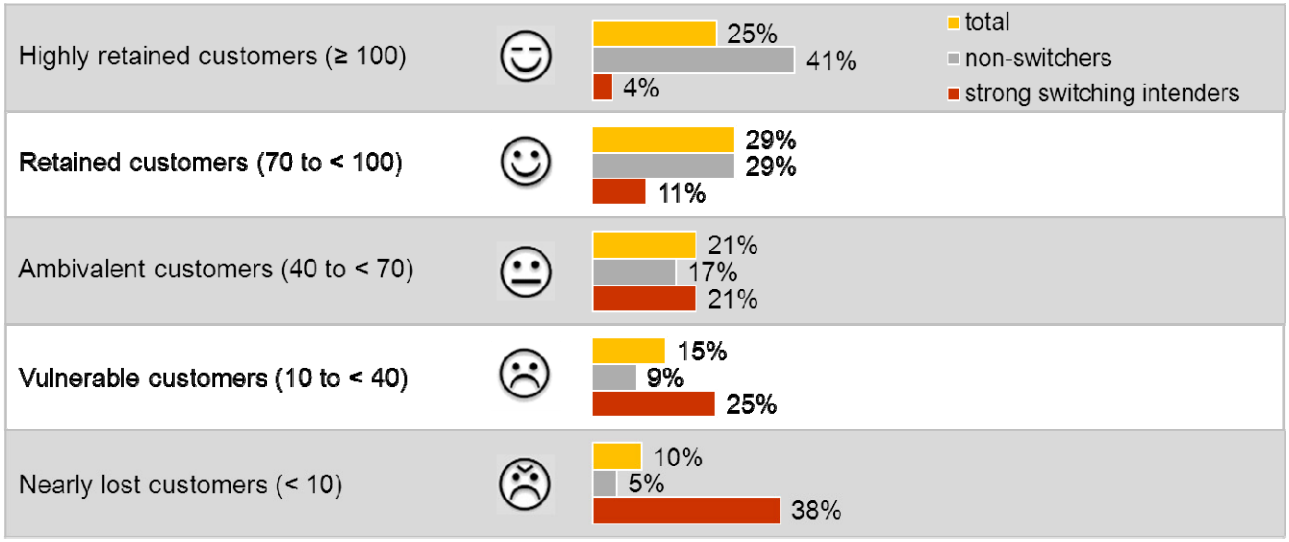
At the other end of the scale are the firm intending switchers, who plan to switch in the near future, obviously because they are not only dissatisfied (short-term) but also see no advantage (long-term) in their current provider.

More ambivalent loyalty is shown by respondents who are currently in the switching process, who stopped switching or say they have a moderate intention to switch.

Overall a majority of bank customers with an index of 70+ are (very likely to be) retained by their provider, while 21% can be described as ambivalent customers (index 40 to <70) and 25% are vulnerable or on the verge of switching.

The distribution of non-switchers and firm intending switchers across the TRI*M index categories demonstrates the close correlation between switching type and customer retention by the current account provider.

[4] James L. Heskett, Thomas O. Jones, Gary W. Loveman, W. Earl Sasser and Leonard A. Schlesinger: "Putting the Service-Profit Chain to Work", Harvard Business Review 1994;
Thomas O. Jones, W. Earl Sasser Jr: "Why satisfied customers defect", Harvard Business Review 1995



Base: all responden:s wi:hout DK in Q9-12: total (ŋ=10140), non-switchers (n=3375), strong switching ntenders (n=753)

While the index itself serves as a top line metric for quick comparisons across different segments or in our regression analysis to compare loyalty with other dimensions, the **TRI*M typology** serves as an additional output based on the same four questions. As mentioned above, customer retention is based on more short-term satisfaction covered by the first two questions and on long-term loyalty, covered by the last two questions.

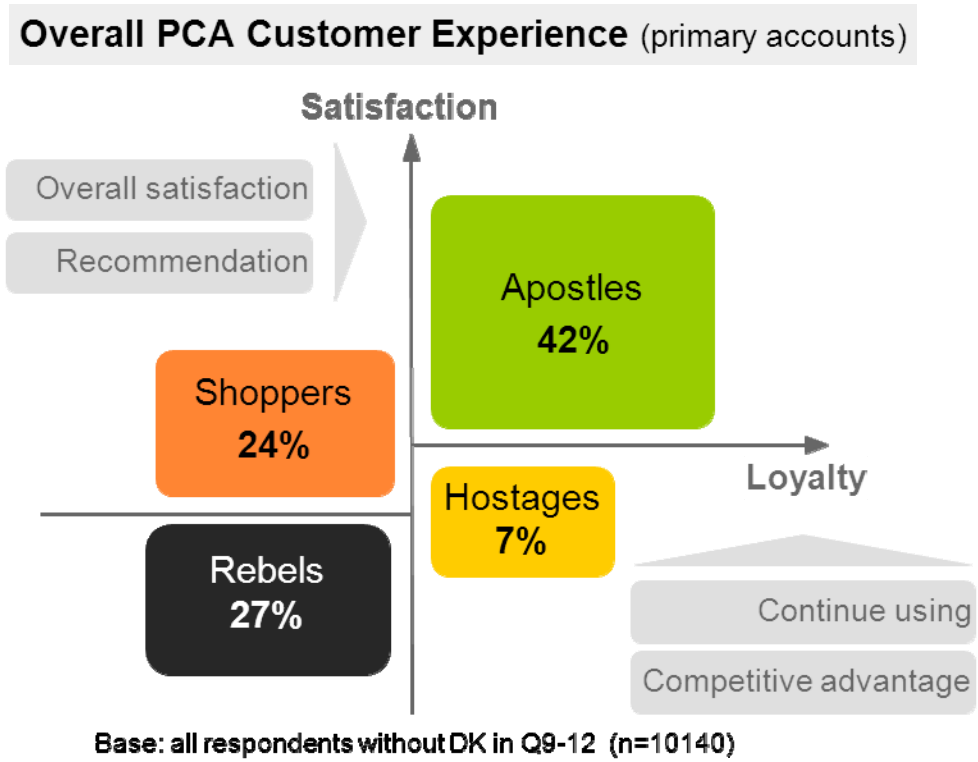
The Harvard professors W. Earl Sasser and Thomas O. Jones published an article entitled 'Why satisfied customers defect' in 1995 in which they showed that the relationship between satisfaction and loyalty is not necessarily linear within a market.

Several factors influence the relationship between the two measures:

- The competitive situation
- The products and services
- The market standards (or barriers in this context of the survey)

Based on these findings, the TRI*M Typology was developed. It is based on the two major TRI*M Index dimensions, satisfaction and loyalty, identifying four types of customer experience on the basis of the combination of ratings the respondents give to the four index questions: the Apostle, Hostage, Shopper and Rebel relationship.

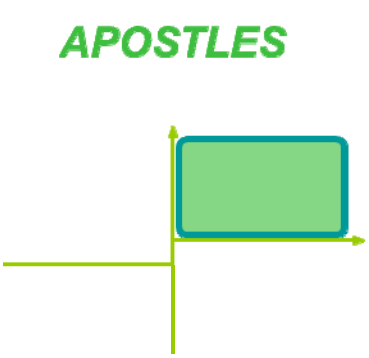
The TRI*M Typology is about how bank customers experience the performance of their primary provider. Different positive and negative experiences influence groupings within the typology, which reflects how the banking industry's current processes create an overall quality of experience across customer groups.



This typology can help us to understand what drives or reduces short-term satisfaction and what influences long-term loyalty or switching in the current account market by taking a closer look at each of the four customer types:

"Apostles": high levels of satisfaction and loyalty.

⇨ TRI*M index = 106



These are highly involved customers who have made an emotional commitment to their current account provider. They spread positive word of mouth and are prepared to defend the company to friends or colleagues.

Apostles record the highest proportion of non-switchers in this survey (47% vs. 33%), corroborated by consistently high levels of inertia in the switching experiment and the low relevance of removing switching barriers through the introduction of EBIC principles and/or a redirection service.

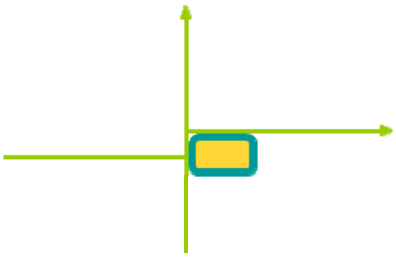
The main barrier to switching is their high level of satisfaction with their current provider. Apostles also seem to have more trust in banks in general (58% vs. 50%), feel well-informed about the costs of their current account (89% vs. 76%) and tend to say that they currently pay no fees, so they have nothing to gain by switching.

This type tends to be somewhat younger than average (39.9 vs. 40.8), and more confident in financial matters (93% vs. 87%). Apostles are most common in Germany (13%) and Latvia and Romania (12%).

"Hostages": moderate to low satisfaction, but still very loyal.

⇨ TRI*M index = 65

HOSTAGES



These are customers who continue to assign a relatively high share of wallet to their current account provider, despite their dissatisfaction. Something prevents them from choosing another provider (e.g. competitive landscape; brand prestige; contract; technology; inertia).

Not surprisingly, hostages include a greater proportion of stopped switchers (12% vs. 8%). They are more dependent on branch visits (62% vs. 59%) and more likely to rely on their existing bank advisors (27% vs. 22%) or new bank advisors (17% vs. 13%) as a source of information. They do not expect significant savings from switching (30% vs. 23%) and would therefore be less likely to switch even if EBIC principles become mandatory (55% vs. 58%) or if a redirection service is introduced (57% vs. 60%). If they do consider switching, a "change in personal circumstances" is more likely to be the cause for this type than for any other types (25% vs. 20%), which again emphasises the relevance of personal contact with advisors in a nearby branch.

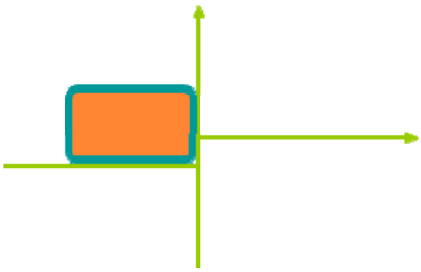
In summary, the main switching barriers for hostages seem to be a lack of alternatives that also offer a nearby branch service with good advisors and better fees. Therefore, greater inertia can be observed in the switching experiment, in particular for choice sets 1.2 and 1.3, where branch access was excluded.

Hostages tend to be somewhat older (41.5 vs. 40.8), more risk-averse (3.2 vs. 3.3) but very confident in financial matters (90% vs. 87%) compared to the average consumer. They are most prevalent in Latvia (16%), the Netherlands and Germany (14%) and Italy (13%).

"Shoppers": moderately to very satisfied with their provider, but not very loyal.

⇨ TRI*M index = 63

SHOPPERS



These customers show a greater tendency to seek variety, and higher risk tolerance. Their relationship with their current account provider is often driven by short-term and price considerations.

Shoppers in this survey include a greater proportion of intending switchers (medium 21% and weak 34%).

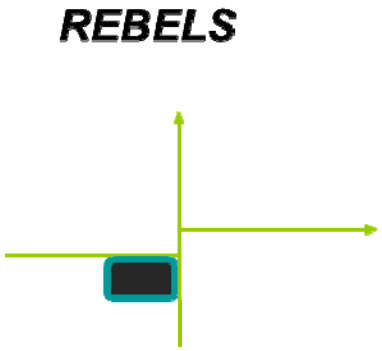
They express a greater propensity to switch if EBIC principles become mandatory (62% vs. 58%) or if a redirection service is introduced (65% vs. 60%). The latter outcome corresponds with a shopper-specific switching barrier, "will have to update all my direct debits" (30% vs. 27%).

However, the main characteristic of this type is the view that "all banks are similar", which corresponds with the statement that "there is no or only a slight advantage in the existing provider" (39 vs. 25%). In the choice experiment the shoppers react no differently than the average.

This type is more likely to be male (50 vs. 48%), with a high income (19 vs. 17%) and is more common in Sweden (13%), the UK (12%) and Ireland (12%).

"Rebels": low satisfaction rates, low loyalty rates.

⇨ TRI*M index = 14



Rebels are often customers who have had a bad experience and are frustrated with their current account provider. These are consumers with a very high churn probability.

Unsurprisingly, rebels include the highest proportion of intending switchers (moderate 23% and firm 18%) and they display a consistently higher switching rate in the choice experiment.

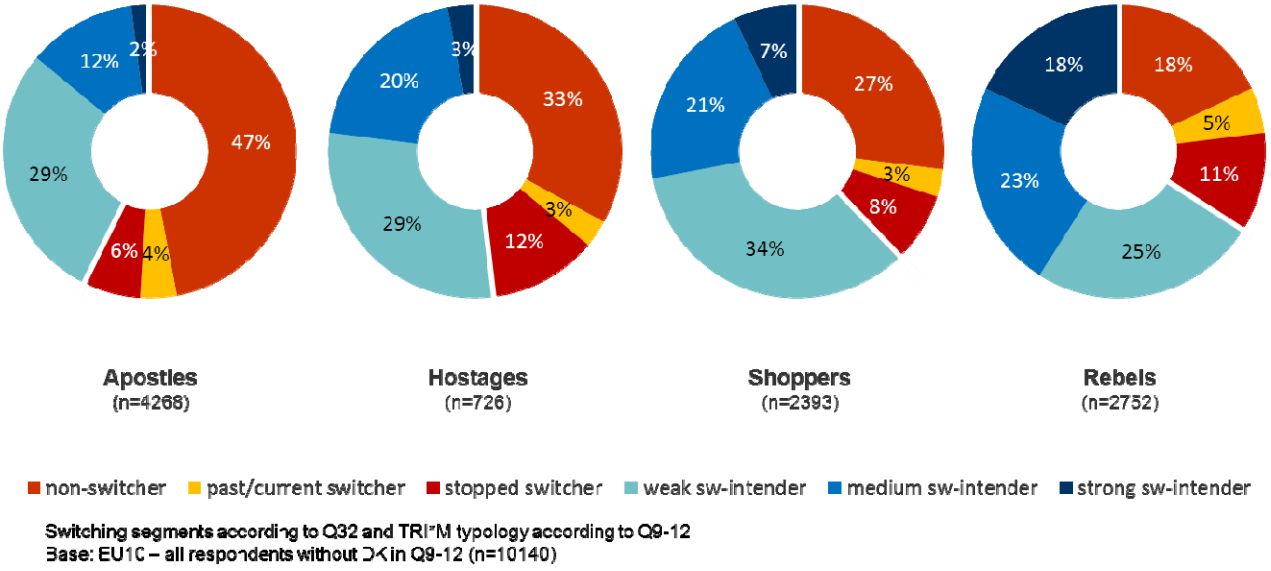
Although disappointment with their current provider is the main driver of their propensity to switch, this segment also expresses less trust in banks in general (28% vs. 50%), which also reflects the news about the financial crisis during the field work in the respective countries.

At the same time rebels also face switching barriers related to the difficulties and time-consuming process of switching and updating. Obviously this consumer type would be more likely to switch if switching barriers were removed by introducing EBIC principles and/or a redirection service.

Further, this type seems to need more assistance in accessing and assessing the relevant information on bank fees. Rebels do not feel well-informed about the costs of their current account (56% vs. 76%) and they have a high "don't know" rate when asked about the fees they currently pay, or how much they could save by switching.

Rebels tend to be older (42.1 vs. 40.8), somewhat more risk-averse (3.2 vs. 3.3) and less confident in financial matters (78% vs. 87%) than the average consumer. Rebels are more prevalent in Spain (18%) and Ireland and France (12%).

Overview of switching segments within each TRI*M type



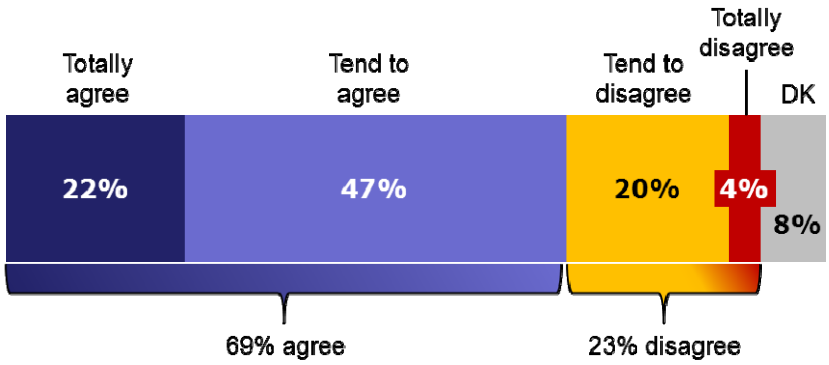
Switching segments according to Q32 and TRI*M typology according to Q9-12
Base: EU10 – all respondents without DK in Q9-12 (n=10140)

4.7 Post-experiment questions

While the experiment findings are detailed in section 5, some of the questions that were asked after the survey are described here in general terms.

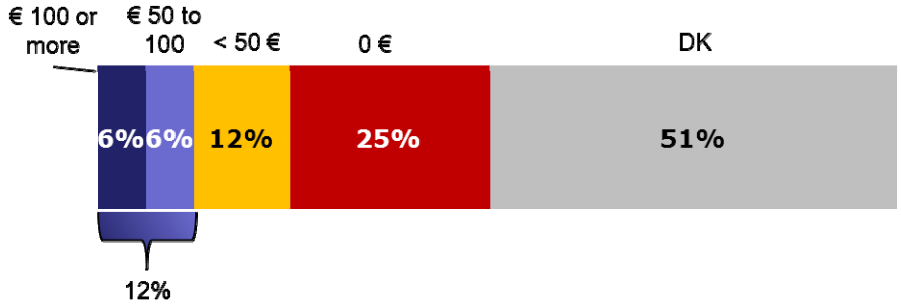
Generally respondents agreed that they found the experiment easy – 88% agreed that the differences between accounts were easy to understand, 90% agreed that the different costs were easy to compare, 86% were confident that they chose the best account.

There were some interesting findings on people's views of switching bank accounts and saving money. Almost seven in ten (69%) agreed with a general statement that it is possible to save money by switching to a less expensive current account.



Q56.1: It is possible to save a significant amount of money by switching to a less expensive current account.
Base: EU10 – all respondents (n=10144)

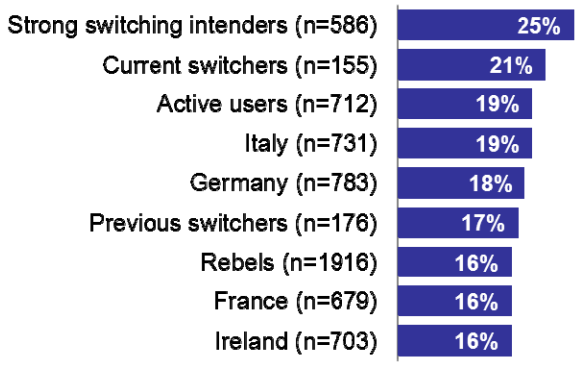
This is quite a high proportion, which requires further explanation when set against the low numbers of switchers in the sample. Those who agreed with the statement were also asked to say how much they estimate they could save per year by switching to a less expensive current account. This more concrete follow-up question dramatically reduces the proportion of consumers who see significant potential for savings from switching, as only 12% of the 69% (approximately 8% of the total sample) expect to achieve significant savings - €50 or more - from switching.



Q58 How much do you estimate – approximately – you could save per year by switching your current account?
Base: EU10 – respondents who said in Q56.1 that switching saves money (n=7013)

As might be expected, consumers with a firm intention to switch and with experience of switching are more likely to see strong potential for savings from switching. Active users and dissatisfied rebels are also convinced that they currently pay more than they should. Italy, Germany, France and Ireland stand out as the countries where consumers expect the highest potential savings from switching.

Consumer segments with higher estimates of saving money:



Q58 How much do you estimate – approximately – you could save per year by switching your current account?
Base: EU10 – respondents who said in Q56.1 that switching saves money (n=7013)

While half the respondents admitted that they did not know how much could be saved, a quarter actually contradicted their previous answer on the significance of savings from switching. These respondents represent a significant proportion of the sample (25% saying "0 savings" of the 69% originally saying "significant savings" equates to approximately 17% of the total sample). The majority of these respondents are very satisfied with their current account provider (69% with TRI*M index of 70+, 57% apostles). They are far from thinking about switching (72% are non-switchers or have

only a very weak intention to switch). Further, they are mostly passive or medium users (93%). All this suggests a group for whom current accounts have extremely low salience. They feel well-informed (90%) about their bank fees, but because they don't care; this also has some impact on the way they answer when evaluating general statements – an effect which, unfortunately, cannot be completely avoided in online research. However, the issue of low topic salience is also part of consumer behaviour in the real world and therefore should be acknowledged as an explanation for the widespread inertia surrounding switching accounts.

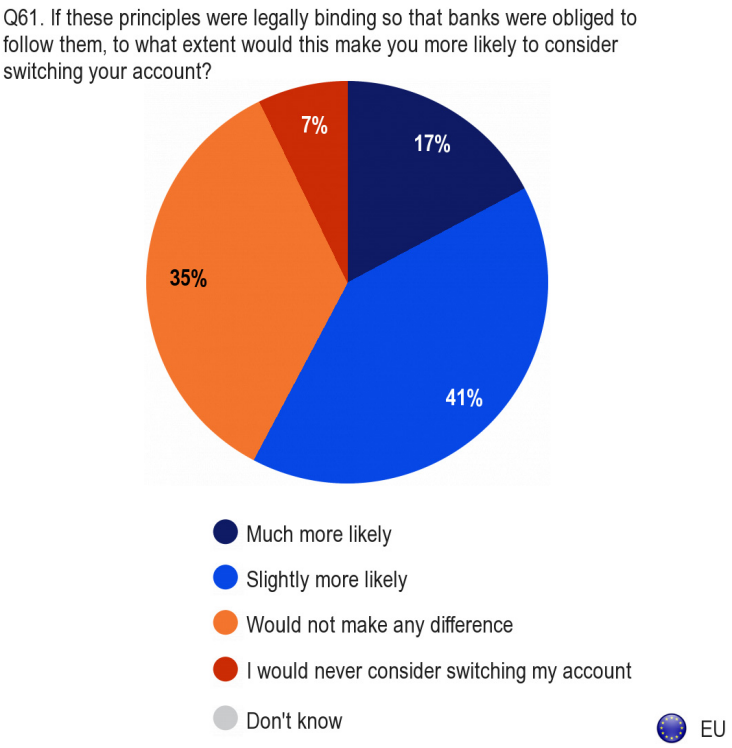
4.8 Making banking industry principles legally binding

Policy option 6 is *"Making the EU banking industry common principles on switching legally binding. These define the role and responsibilities of the "old" and the "new" banks, and fix clear limits for switching costs and timing".*

Respondents were read the following description of these principles as follows:

There are certain principles for the banking industry which are intended to make it easier for customers to switch current accounts. These principles include providing clear and complete information, assisting the customer in switching, and helping the customer deal with third parties about incoming and outgoing payments. If these principles were legally binding so that banks were obliged to follow them, to what extent would this make you more likely to consider switching your account?

There was considerable support for this option; 17% said it would make them much more likely to consider switching their account.



A further four in ten (41%) said it would make them slightly more likely. Just over a third (35%) said it would make no difference while 7% would simply never consider switching.

The effectiveness of legally binding EBIC principles – based on the answers only, but nevertheless a logical outcome – shows the highest correlation with loyalty aspects, i.e.

- Firm intending switchers (82%) and current switchers (75%) who are obviously already experiencing the value of such principles
- The lower the TRI*M index, the higher the propensity to switch; 71% of rebels and 62% of shoppers are more likely to switch in this case as compared to apostles (48%) and hostages (55%)
- Active users (67%), who would also benefit more from this policy than passive users (53%)
- Further, consumers in Romania (72%), Italy and Ireland (71%) and Spain (68%) are more likely to welcome the introduction of EBIC principles, while in Germany (39%), the Netherlands and Sweden (49%) they are less convinced.

While there are no differences by gender, younger respondents are more responsive to this policy option. Only half (50%) of respondents aged 55 and over said it would make them more likely to consider switching, compared with around six in ten of those aged under 55.

Q61. If these principles were legally binding so that banks were obliged to follow them, to what extent would this make you more likely to consider switching your account?

	Total 'More Likely'	Total 'Would not make a difference/would never switch'
EU	58%	42%
Gender		
Male	59%	41%
Female	58%	42%
Age		
18-24	60%	40%
25-34	62%	38%
35-44	61%	39%
45-54	57%	42%
55+	50%	50%
Education (End Of)		
15 or less	47%	53%
16-19	56%	44%
20 or more	60%	40%
Still studying	59%	40%

There is also a clear differentiation by level of education, with those who finished education at a lower age least likely to say that legally binding principles would make them more likely to consider switching their account.

4.9 Establishing a redirection service

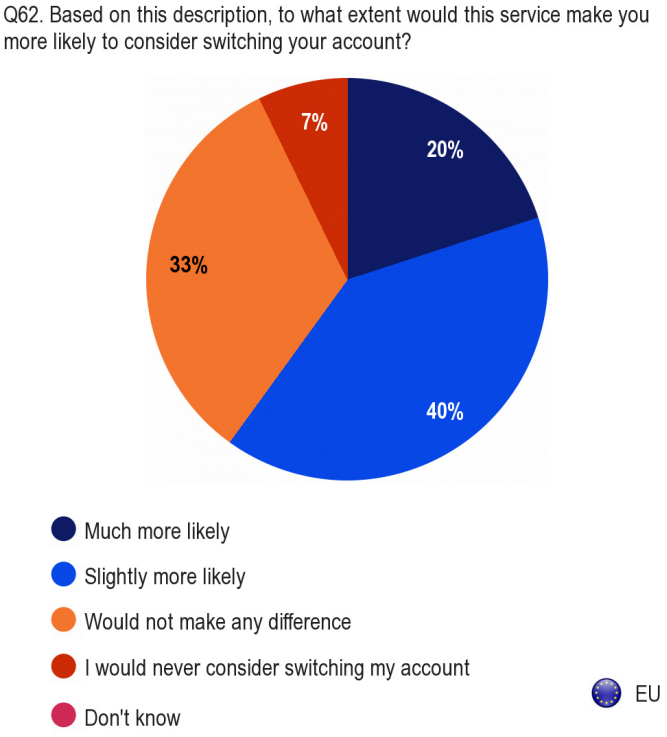
Policy option 7 is *"Establishing a redirection service for credits and debits (therefore ensuring no loss of payments/receipts as a result of switching bank accounts)."*

Respondents were read the following description of a redirection service.

Many people have automated incoming and outgoing payments on their current account such as their salary being paid into their account or direct debits to pay bills, credit cards or other regular payments. One option which might make it easier for people to switch accounts would be to have such payments automatically redirected to the new account so that customers would not have to cancel or amend any of these payments.

They were then asked what impact such a service would have on their propensity to consider switching.

A similar proportion said it would make them more likely to consider switching – in total six out of ten said it would have positive influence.



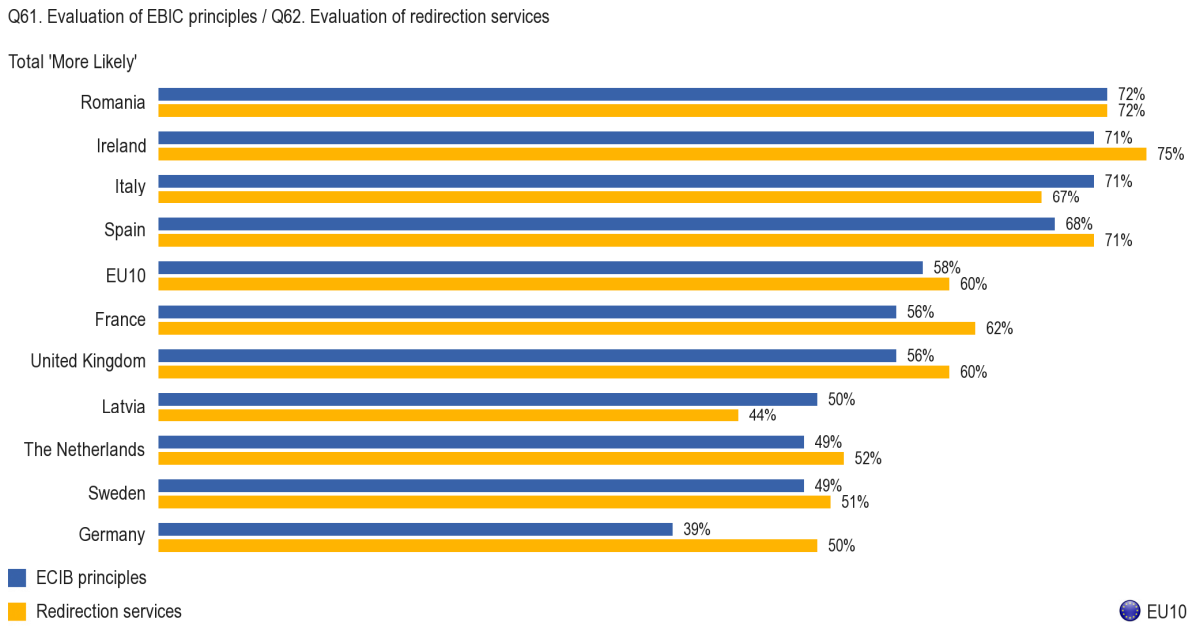
One in five (20%) said it would make them much more likely to switch, 40% said it would make them slightly more likely. For a third (33%) the redirection service would make no difference, while again 7% said they would never consider switching.

Again the most noticeable difference is by age and education; older people and those with a low level of education were less likely to say a redirection service would make a difference.

In comparison to the EBIC principles, the redirection service is more positively received, in the sense that it seems to attract a broader range of consumer segments beyond customers who are merely frustrated.

- Current switchers (79% would be more likely to switch as compared to 75% for EBIC)
- Shoppers (65% vs. 62%)
- Weak intending switchers (62% vs. 59%).
- Average users (63% vs. 60%)
- Apostles (51% vs. 48%)

However, there are significant variations in the appeal of this policy in different countries.



Base: EU10 – all respondents (n=10 144)

Diverse levels of intention to switch are reported, with Germany, Latvia, the Netherlands and Sweden at the lower end and Romania, Ireland, Spain and Italy at the higher end. These differences mostly correspond with the levels of loyalty and of rational switching behaviour already described.

A comparison of these two policies suggests that the EBIC principles are more attractive only in Latvia and Italy, while the redirection service has far more appeal to consumers in Germany, France, the UK, Ireland, and to a lesser extent also in Spain, Sweden and the Netherlands. Further research would be needed to understand better the factors underlying this differentiated appeal.

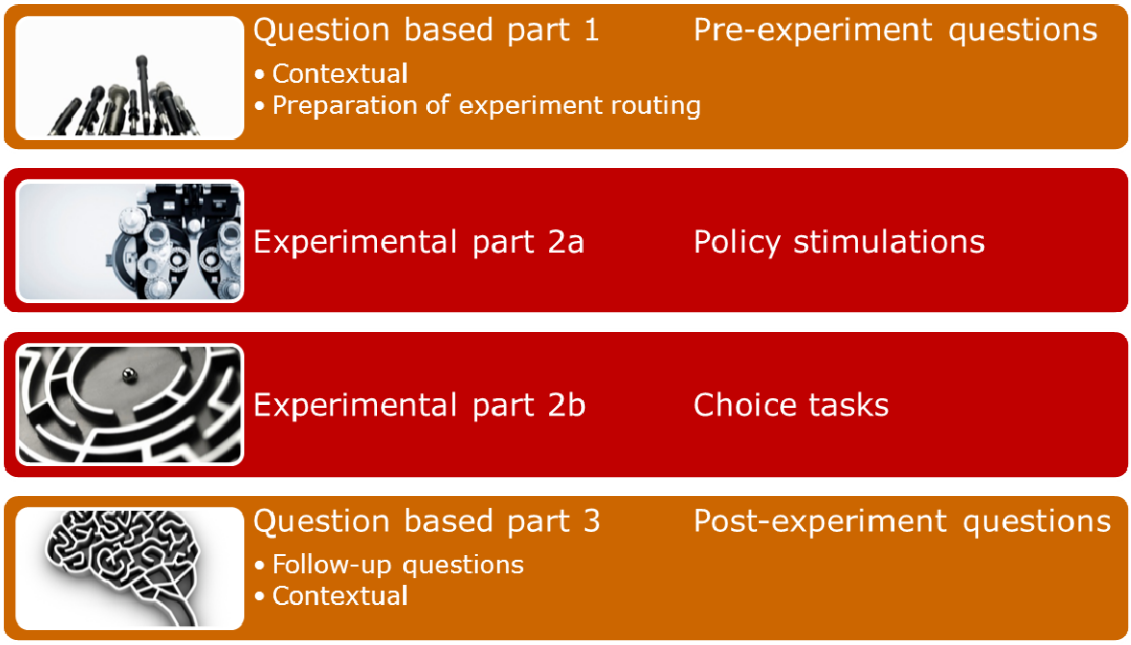
5 EXPERIMENTAL APPROACH

5.1 Overview

The experimental part of this ten-country study was the core research task of the Behavioural Study on Bank Fees. It aimed to deliver key insights into consumers' understanding of current bank account information disclosure and consumers' decision-making in this market through a two-stage experimental choice design.

Whereas the first and third part of the international survey collected data via a traditional questionnaire, the experimental core consisted of a two-stage experimental design:

Overview of survey structure



2a - In the first part, participants were **randomly distributed into 12 split groups**, each of them covering a combination of various pre-choice task stimuli (see section 4.2 below). Respondents were shown one, two or three different stimuli which all represented possible policy approaches to decreasing the information gap in the current account market.

2b – The central part of the experiment set respondents a choice exercise which consisted of a maximum of 8 choice tasks. In each choice task, one offer was presented with a more or less obvious cost advantage over the other. These choice experiments were designed differently for actual and potential switchers and non-switchers in the sample.

The following subsection will describe the policy stimuli before turning to the description of the choice tasks.

5.2 Design of Policy Stimuli

To examine the impact of possible policy options on consumer decision-making, it was agreed to develop four stimuli examples aimed at increasing the transparency and comparability of current account fees:

- Standard glossary (Policy Option 1)
- ⇨ with harmonised and easy-to-understand terminology for most common or relevant bank fees as well as a simple, clear layout
- Standard price list (Policy Option 2)
- ⇨ with mandatory fees and prices per unit for each service covering the most common or relevant fees with a clear layout for easier comparisons
- Cost summary with representative examples (Policy Option 3)
- ⇨ representative examples of pre-contractual conditions for different customer profiles based on usage behaviour (e.g. active or passive user)
- Cost summary based on individual behaviour (Policy Option 4)
- ⇨ detailed price information based on expected usage through a cost simulation

We also considered two further options for presenting a glossary

- without standardisation
- with standard terminology but individual presentation

but these options were discarded before this online survey. The findings of another survey suggested that these glossaries could be expected to have no significant impact[5].

Instead of additional glossary versions, the set of policy options was supplemented by an

- "individual offer / price list" (Policy Option 5)
- ⇨ resembling the actual presentation of a typical current account offer, covering most but not all fees explicitly and highlighting alleged benefits in sales-oriented language and layout.

As this stimulus reflects the minimum of information that someone who is shopping around for a current account can see, it serves well as a stimulus for the control group, for which none of the policy options was shown.

When defining the content of the experiment stimuli, a rather pragmatic approach was taken due to the short time available and to certain restrictions in the research design:

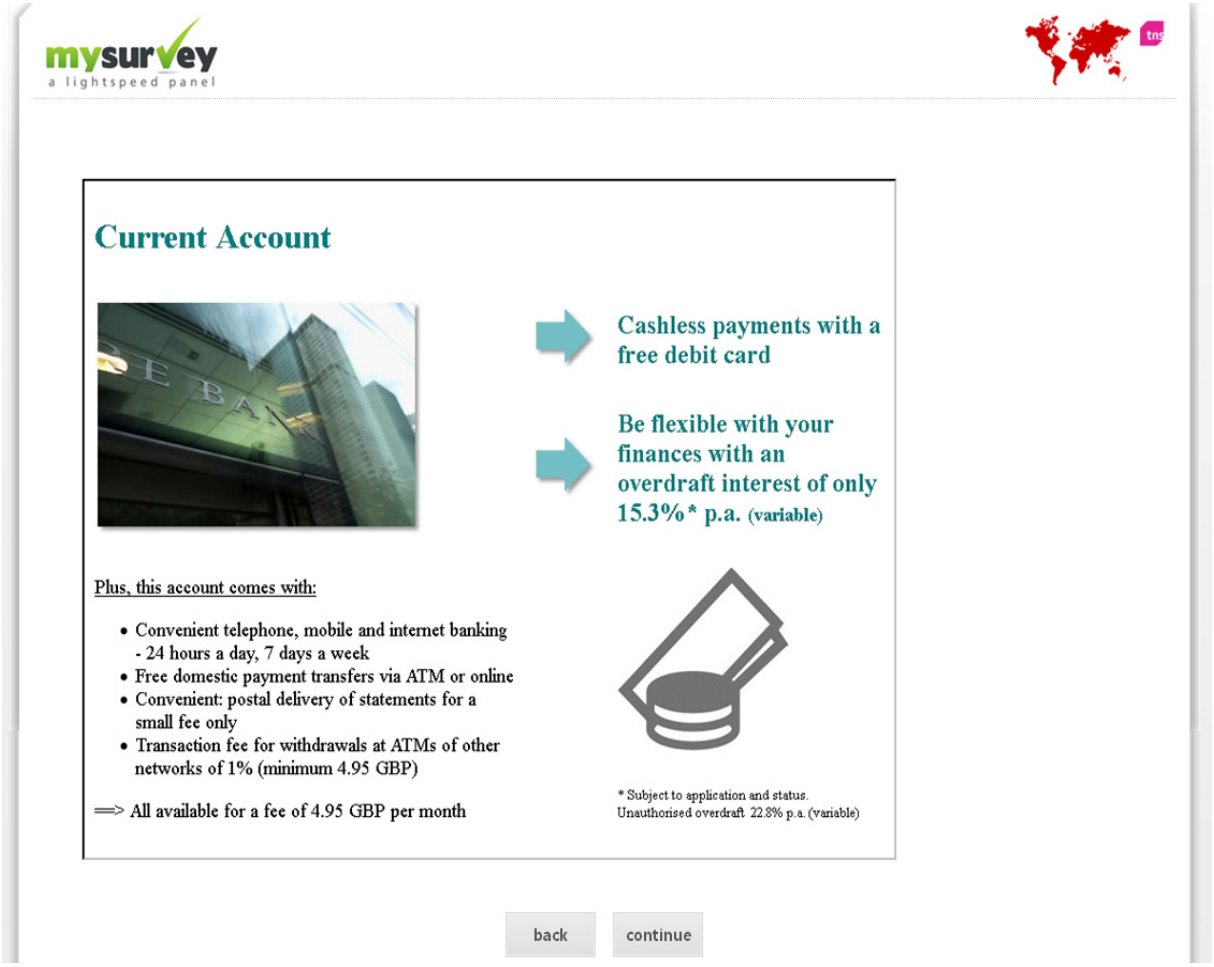
- Real-world brands had to be excluded, so no logos or brands were attached to the virtual but realistic offers.

[5] See study on Consumer Decision-Making in Retail Investment Services (http://ec.europa.eu/consumers/strategy/docs/final_report_en.pdf)

- As the experiment had to be conducted online, the presentation only reflects the online shopping environment, exluding other channels such as information found in a branch or via newspapers, TV, telephone, etc.
- Comprehensive glossaries, price lists or cost summaries used in real life had to be abridged for this online experiment to allow for a feasible survey length of no more than 20 minutes in total. Instead, we aimed at covering the most commonly used features across Europe, which included fixed fees as well as unit costs based on behaviour. The core features of this experiment and the stimuli presentation are:
    - Monthly account fee
    - Debit card
    - Withdrawals at ATMs
    - Access channels
    - Statements
    - Payment transfers
    - Overdraft interest
    - Unauthorised overdraft interest
- To link the stimuli options seamlessly with the subsequent choice exercise, the same set of cost variables and the same fees and conditions of the Bank A offer were used in the choice task.

Illustration of an individual offer / price list (Policy Option 5)

(master set in English used for the survey in UK)

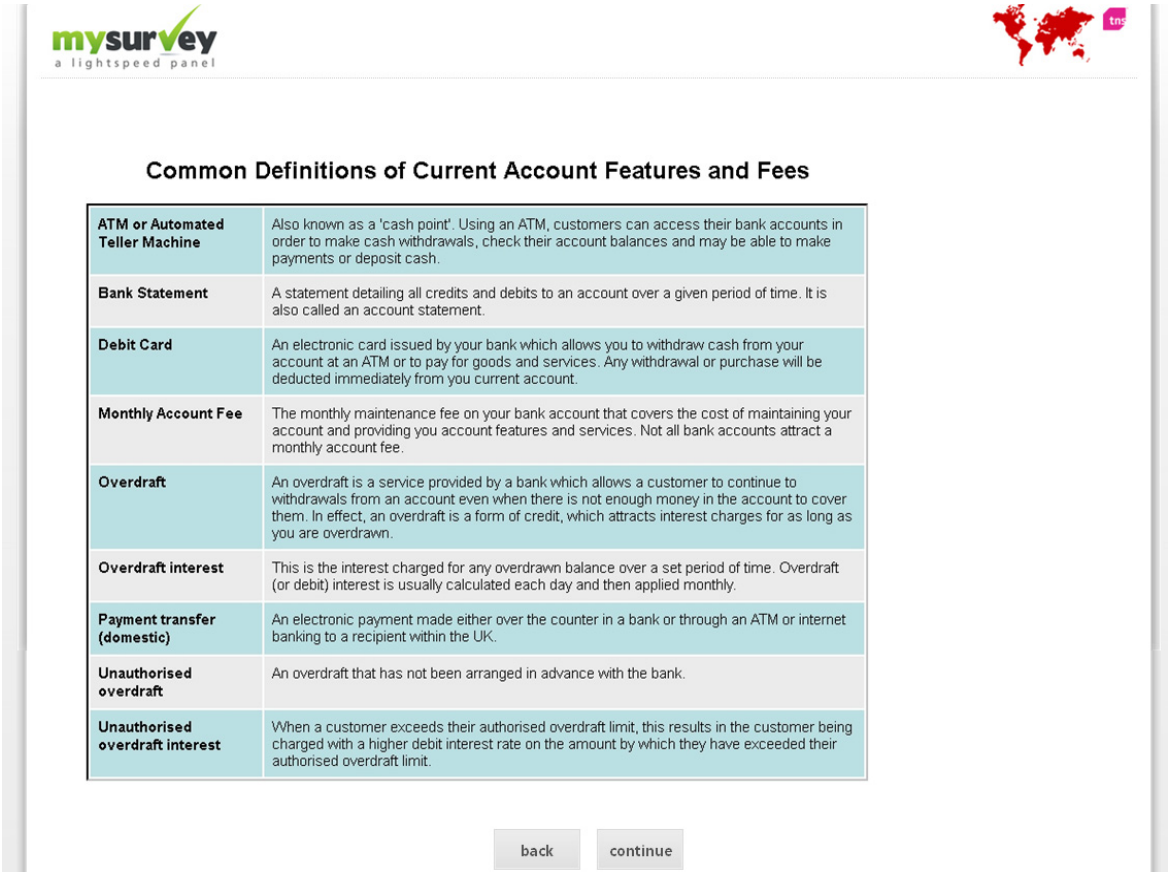


The glossary was prepared in two formats.

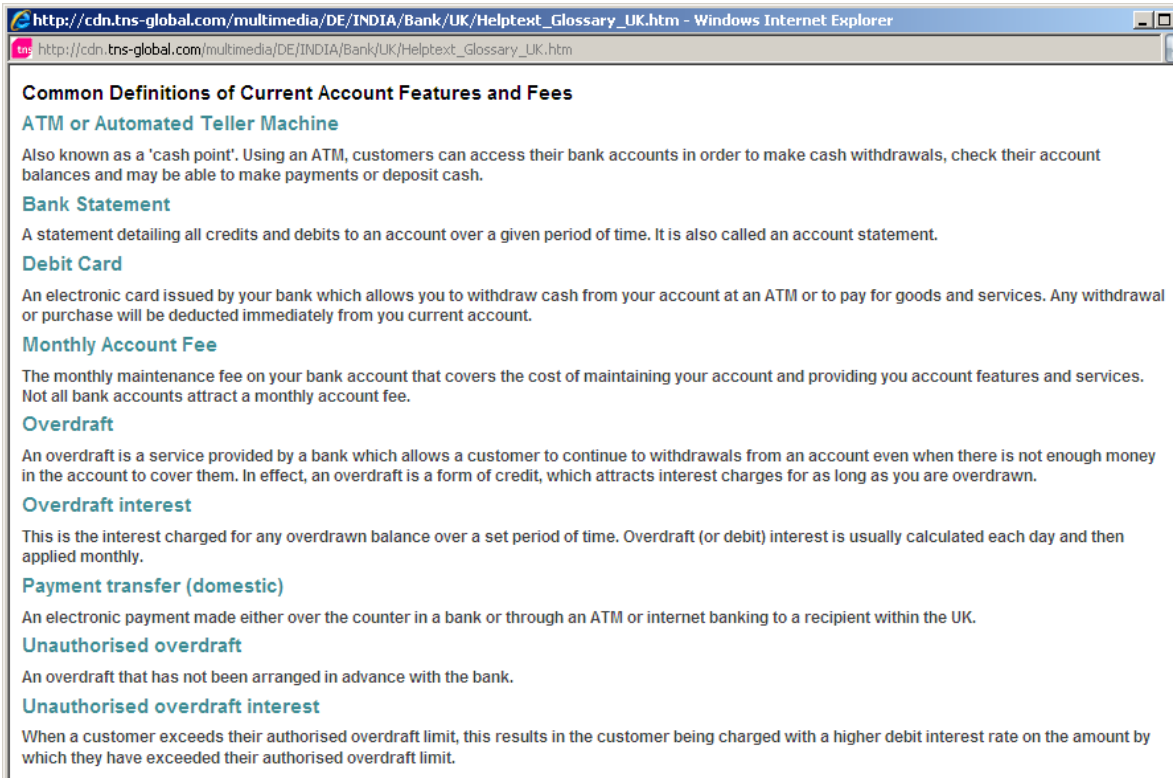
- A "forced presentation" in stage 2A shown to each respondent (respondents were randomly assigned to a split with a glossary). Of course, in an online environment it was not possible to force respondents to read the glossary in detail. However, time stamps were implemented for all visual stimuli pages, which provide additional information on the time that a respondent spent on this page before moving to the next page.

- An optional presentation in stage 2B by inserting a "Glossary Review" button in the top left corner of the choice tasks, which contained the same text but in a slightly different layout (due to technical restrictions).

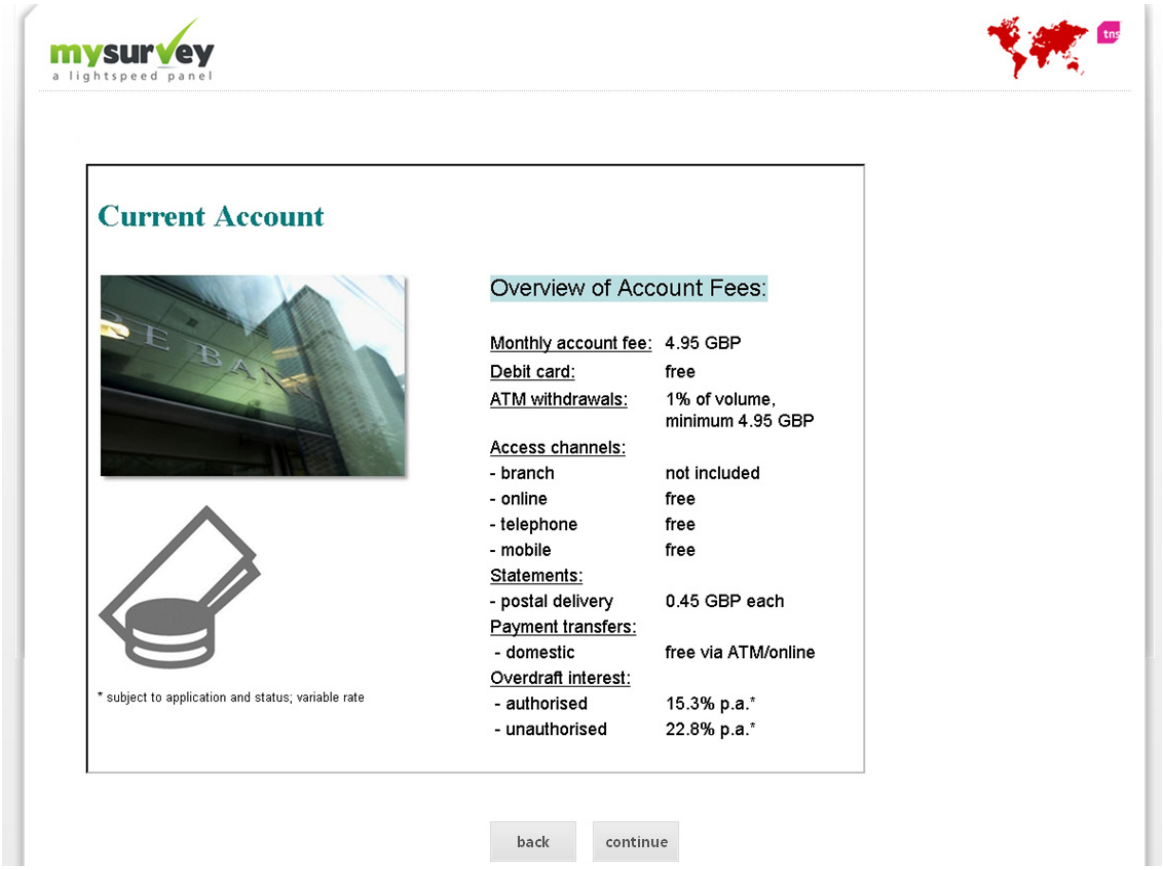
Presentation of a standardised glossary (Policy Option 1)



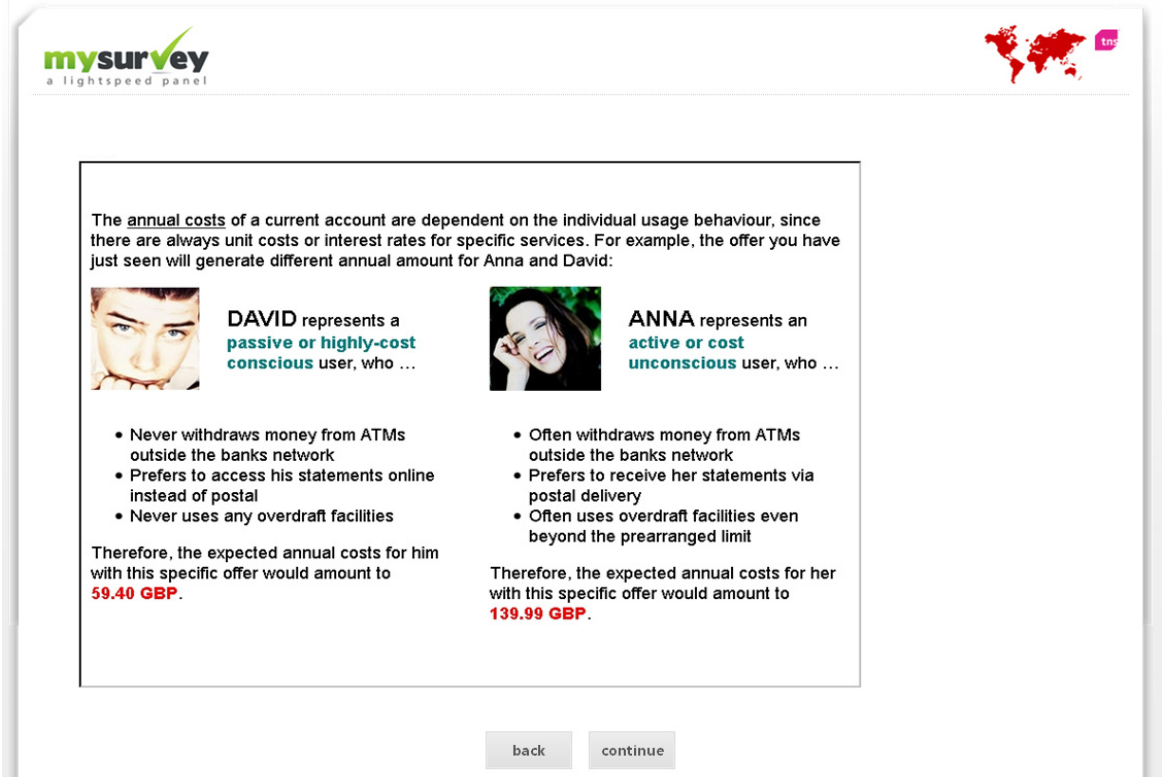
Optional glossary presentation in stage 2B (Policy Option 1)



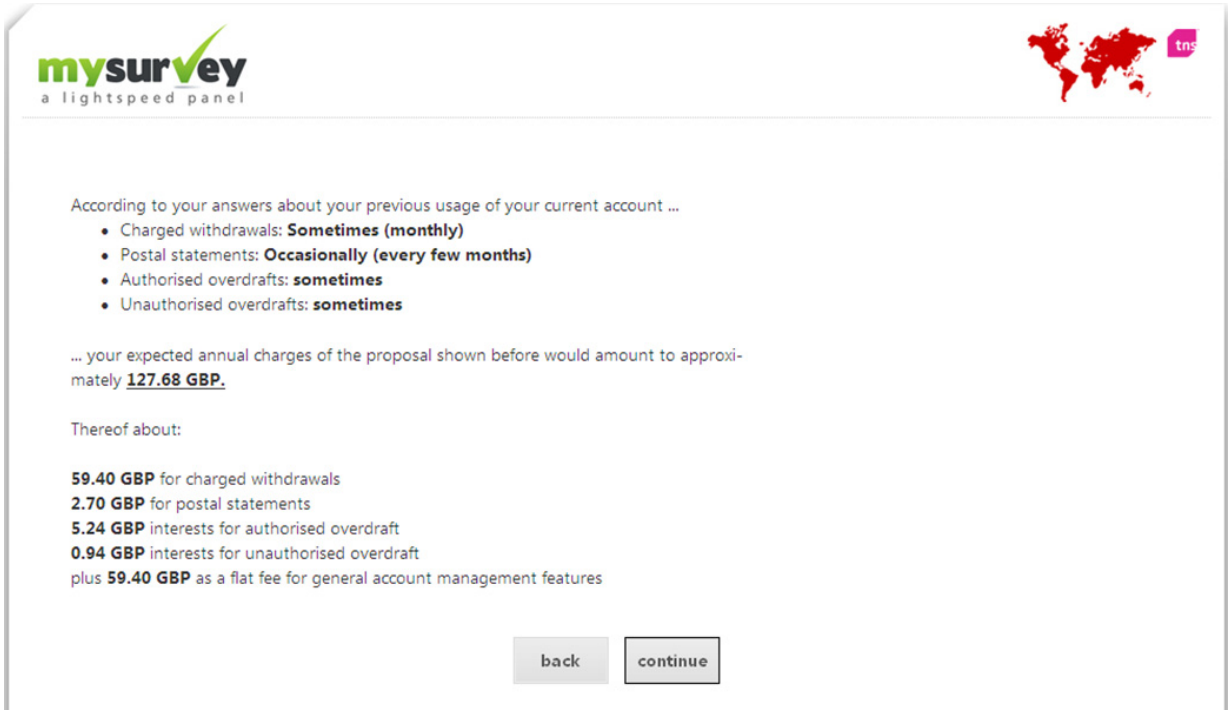
Presentation of a standardised offer / price list (Policy Option 2)



Presentation of cost summary with representative examples (Policy Option 3)



Presentation of cost summary based on individual behaviour (Policy Option 4)



The challenge of developing cost summaries that reflect individual usage behaviour for policy option #4 required an algorithm which combined the answers to usage questions in the pre-experimental part 1 with a typical bank fee offer from the subsequent choice experiment. This is an overview of the instructions that were implemented into the online questionnaire:

ALGORITHM FOR COST SUMMARY STIMULI (master for all EUR/GBP countries)												
BANK FEE VARIABLES	answer1	answer2	answer3	answer4	answer5	answer6	**Bank A fee:**	cost1	cost2	cost3	cost4	cost5
Monthly fee:							**4,95**					
fix fee x 12 months			12							59,40		
Withdrawal fees:							**4,95**	Q14-2/1	Q14-2/2	Q14-2/3	Q14-2/4	Q14-2/5
Q14 - statement 2: usage of charged withdrawals	often (weekly or more)	sometimes (monthly)	occasionally (every few months)	rarely	never	don't know		often	sometimes	occasionally	rarely	never
assumptions: times p. a.	62	12	6	3	0	n. a.		308,88	59,40	29,70	14,85	0,00
Postal delivery fees:							**0,45**		Q15-3/1	Q15-3/2	Q15-3/3	Q15-3/4
Q15 - statement 3: postal delivery of statements		monthly	occasionally (every few months)	less often	never	don't know			monthly	occasionally	less often	never
assumptions: times p. a.		12	6	3	0	n. a.			5,40	2,70	1,35	0,00
Authorised overdraft interest:							**15,3%**	Q16/5	Q16/4	Q16/3	Q16/2	Q16/1
Q16: authorised overdraft	often	sometimes	rarely	don´t use	don´t have	don't know		often	sometimes	rarely	don´t use	don´t have
assumptions: days	50	25	10	0	0	n. a.		20,96	5,24	0,42	0,00	0,00
assumptions: EUR/GBP	1.000	500	100	0	0							
Unauthorised overdraft interest:							**22,8%**	Q17/5	Q17/4	Q17/3	Q17/2	Q17/1
Q17: unauthorised overdraft	often, i.e. more than 5 times	sometimes, i.e. from 3 to 5 times	rarely, i.e. once or twice	don´t use	don´t have	don't know		often	sometimes	rarely	don´t use	don´t have
assumptions: days	20	10	5	0	0	n. a.		3,75	0,94	0,23	0,00	0,00
assumptions: EUR/GBP	300	150	75	0	0							

Example for annual cost summary:

very passive (cost-conscious) user	=> lowest possible costs for bank A offer, i.e. no unit costs apply				59,40
more passive / mixed user				74,25	
average / mixed user			91,10		
more active / mixed user		127,68			
very active (cost-unconscious) user	=> highest possible costs for bank A offer, i.e. max. unit costs	398,39			

Reading example cost summary:	**94,34**

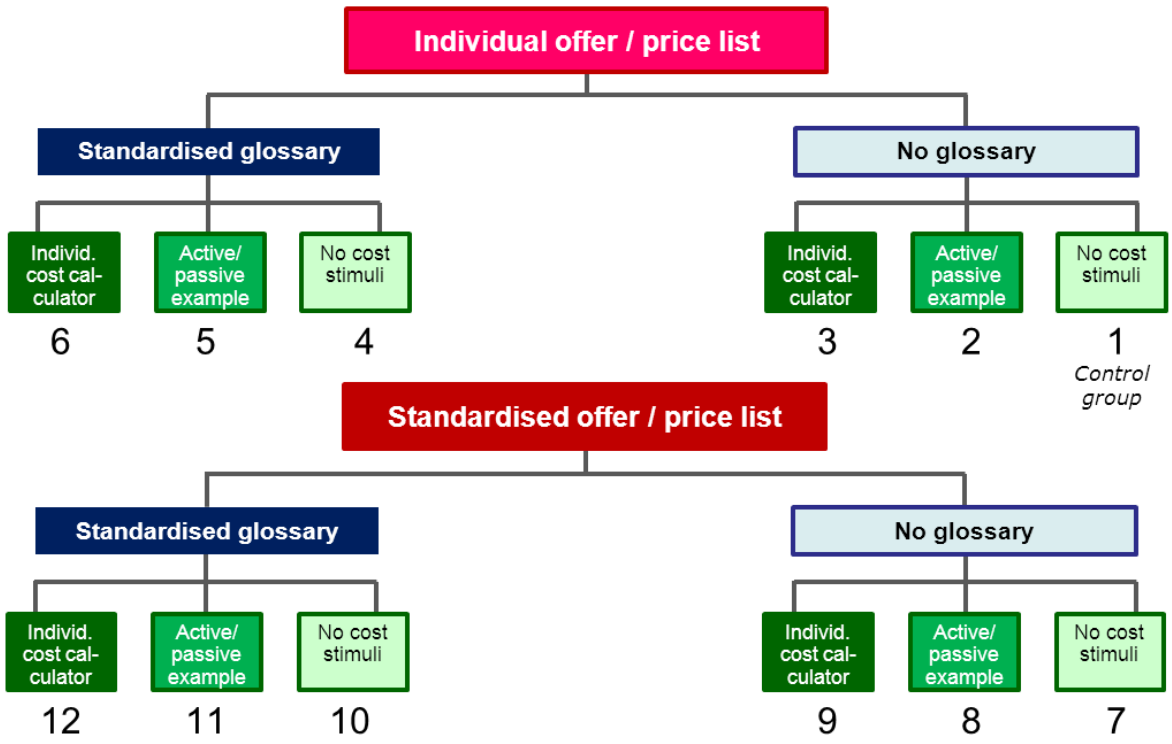
An example of how to read this overview:

If respondents said they occasionally withdraw money from ATMs, incurring a fee, we assumed an average frequency of 6 times a year. If they were using the Bank A offer, this would amount to £29.70 per year. If the same respondents said that they never had statements delivered by post, no additional costs for this service were added. If an overdraft was used "sometimes", then our deliberately fixed assumptions[1] on frequency and volume were applied, in this case 25 days with an average amount of £500, which would result in approximate costs of £5.24 in interest. The same algorithm was applied to unauthorised overdraft usage, which results in 0 for this example. When these annual costs are added, including the monthly fee of 4.95 x 12 months, this amounts to £94.34. All respondents randomly assigned to the presentation of the individual cost summary (#6), were shown such an individual calculation based on their previous answers in the questionnaire.

For the development of the cost summaries with representative examples (#5) we used the minimum and maximum range of this algorithm, which represent on the one hand a very passive or cost-conscious user, who would only pay the monthly fee and nothing else, and on the other hand a very active cost-unconscious user, who would pay the maximum amount based on usage behaviour and fees.

To address all the relevant combinations of policy options under consideration, the following splits were implemented in the online experiment:

Relevant split versions and order of presentation for the experimental part



The tree structure reflects a typical information flow, which usually starts with an offer that may lead to the need for additional information on unfamiliar terms. In addition to a general understanding of these offer details, relevant insights may be gained from annual cost summaries linked to the behaviour of an individual or a representative type as an example.

In principle this sample design allowed an average sample size of 83 experiment participants per split per country, or 830 individuals across the overall sample, where the goal was to present:

- half of the sample with the individual offer/price list; the other half received the standardised version
- half of the sample with the (standardised) glossary; the other half received no glossary
- a third of the sample with the individual cost calculator, another third with the active/passive example; the final third received no cost summary

As can be seen from the following table, the empirical overall split sizes across the EU-10 sample does almost perfectly match the theoretical distribution.

Split sizes of various policy stimulations

	No glossary	**Standardised Glossary**
Individual Offer	No cost stimulation (832/8.2%)	No cost stimulation (833/8.2%)
	Active/passive (863/8.5%)	Active/passive (826/8.1%)
	Indiv. cost calc. (862/8.5%)	Indiv. cost calc. (856/8.4%)
Standard Offer	No cost stimulation (836/8.2%)	No cost stimulation (867/8.5%)
	Active/passive (835/8.2%)	Active/passive (835/8.2%)
	Indiv. cost calc. (848/8.4%)	Indiv. cost calc. (849/8.4%)

The absolute numbers of respondents and their percentage share in the total sample are shown in parentheses. Based on unweighted data.

For a separate analysis of the relative weight of the three types of policy intervention based on the four distinct measures summarised at the beginning of this chapter, the splits have to be "disentangled" so that the "isolated" effect of each policy measures can be estimated.

5.3 Choice tasks

The choice tasks were conducted after the first part of the questionnaire and the presentation of the various stimuli as described in section 4.2. Respondents were automatically routed to the choice experiment and first presented with a short summary of what the task was about.

The choice task was developed during the preparatory stage and several decisions were taken, such as the number of service components shown to respondents, which resulted in an increased number of service features to be displayed in each choice task. This had implications for the design of the choice task. The first consequence was that the costs for three of the nine presented service components were fixed, i.e. no variations were implemented across sets of choice tasks and between choice alternatives. As the complexity of the task had been increased by the introduction of more components than originally foreseen, the choice alternatives were presented according to the logic of decreasing attribute differences rather than increasing differences as originally foreseen. This did not cause any substantial change in the experiment or the structure of the data. Although this experiment measures different concepts, to a certain extent it resembles some variants of 'time preference experiments' which measure hyperbolic discounting (a myopic behaviour that makes people prefer even small immediate gratification over long-term substantial benefits).

Service components covered in choice task presentation

Service component	Constant or variable between offers and across choice tasks
Monthly account fee	Variable
Debit card	Constant and free of charge
Withdrawals outside ATM network	Variable
Access to nearby branch	Variable
Account statements via ATM printer	Constant: available and free of costs
Postal delivery of statements	Variable
Domestic money transfers via ATM or online	Constant and free of charge
Authorised overdraft interest	Variable
Unauthorised overdraft interest	variable

The principal design logic

The principal design logic can be summarised as a discrete choice experiment based on a sequential presentation of pairwise alternatives.

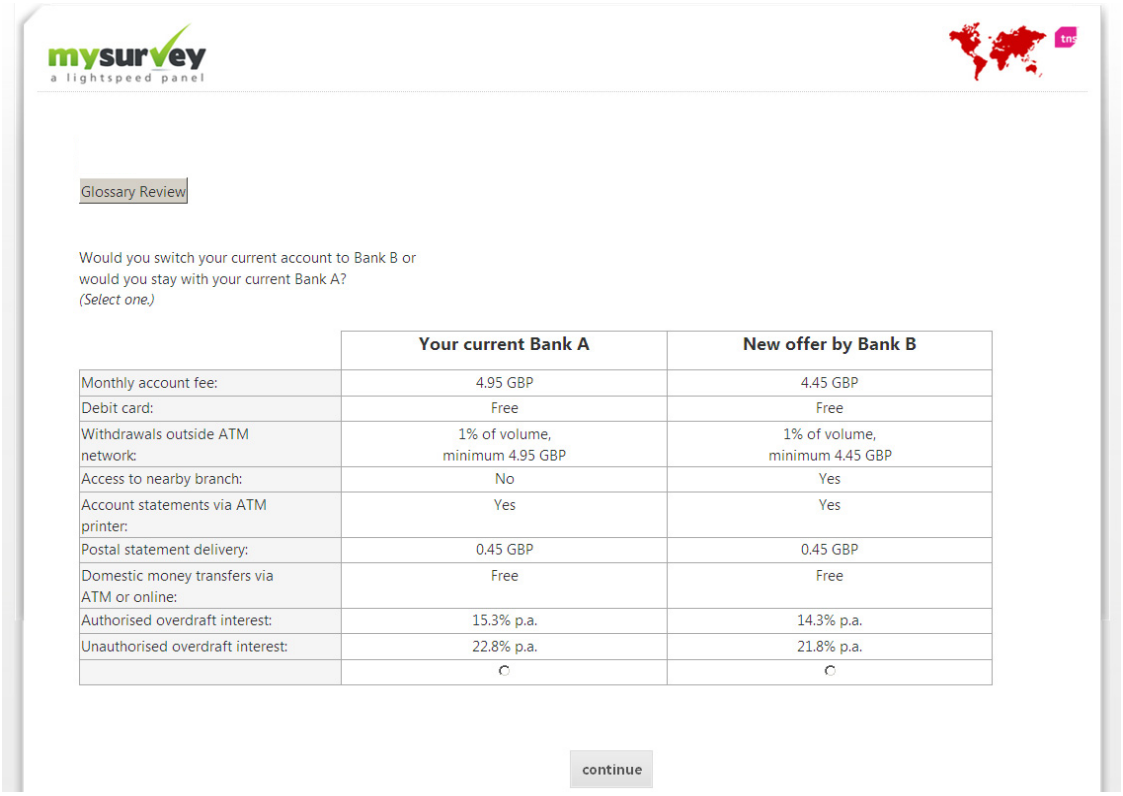
Compared to various types of conjoint choice experiments, the presentations of product attribute features was not based on a random variation of individual product attribute levels. Compared to one-stage discrete choice experiments, the experimental part covered a minimum of four and a maximum of eight choice tasks for each consumer. The number of choice tasks for individual participants was dependent on their preferences in the first of two main choice sets: participants who showed a consistent preference for all four more "cost rational" options in the four choice tasks of the first main set were not presented the second set which also consisted of four choice tasks but in this set the cost differences between the presented alternatives were more striking than in the first set. All participants who revealed, in at least one choice setting, a preference for a more costly alternative were presented with the second set consisting of four subsets. Thus, respondents were either presented four choice exercises or eight.

Logic of choice task sequence choice sets 1;2			
Task 1;1	Task 1;2	Task 1;3	Task 1;4
High cost advantage of new Bank offer B	Medium cost advantage of new offer Bank B	Small cost advantages of new offer Bank B	Small cost advantage of current Bank A's offer

The choice alternatives were presented differently to respondents with switching experience or intentions and to respondents with no prior switching experience or intention to switch.

In the case of the subsample of actual or potential bank account switchers, the two alternatives were consistently presented as an Offer A describing the current account (status quo option) and option B was presented as a new offer by another bank (switching option). This kind of experimental setting makes no sense for respondents who generally rule out any future switch of their current account provider. As a consequence, the questionnaire asked about future switching intentions and how likely they were. Respondents who stated that they would never consider switching were presented the two offers in each choice task as offers from banks A and B.

Presentation of choice experiment for switchers (with additional glossary stimulus)



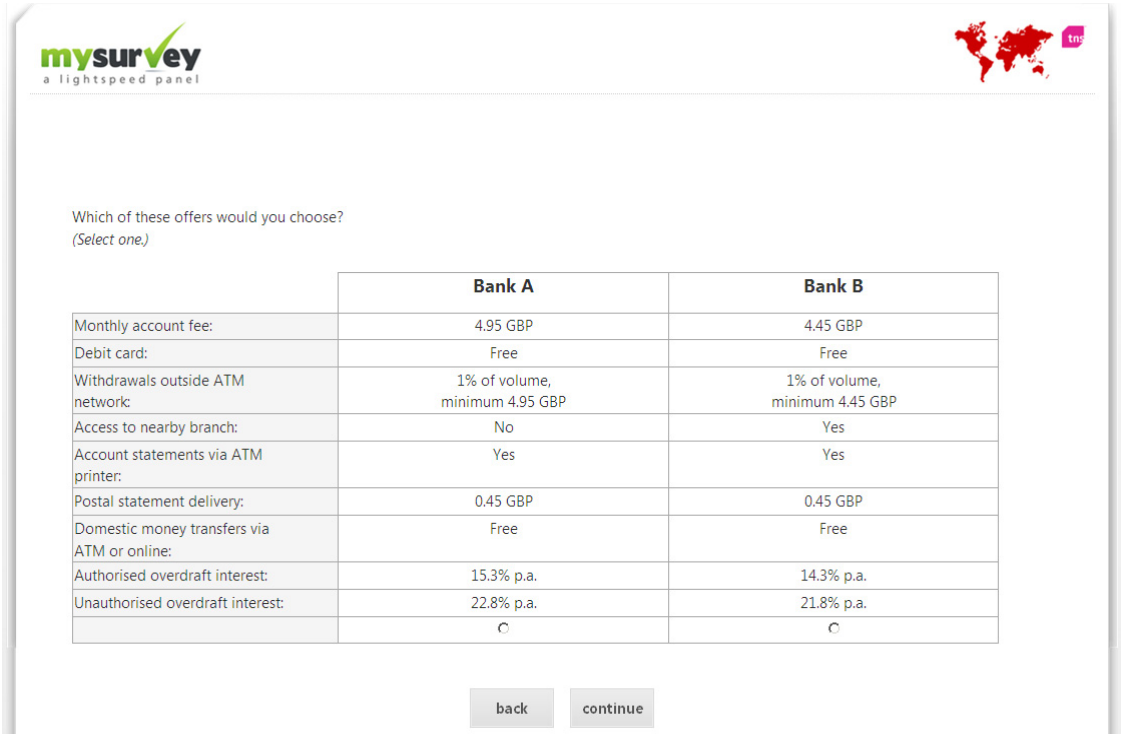
Glossary Review

Would you switch your current account to Bank B or would you stay with your current Bank A?
(Select one.)

	Your current Bank A	New offer by Bank B
Monthly account fee:	4.95 GBP	4.45 GBP
Debit card:	Free	Free
Withdrawals outside ATM network:	1% of volume, minimum 4.95 GBP	1% of volume, minimum 4.45 GBP
Access to nearby branch:	No	Yes
Account statements via ATM printer:	Yes	Yes
Postal statement delivery:	0.45 GBP	0.45 GBP
Domestic money transfers via ATM or online:	Free	Free
Authorised overdraft interest:	15.3% p.a.	14.3% p.a.
Unauthorised overdraft interest:	22.8% p.a.	21.8% p.a.
	○	○

continue

Presentation of choice experiment for non-switchers (without glossary stimulus)



Which of these offers would you choose?
(Select one.)

	Bank A	Bank B
Monthly account fee:	4.95 GBP	4.45 GBP
Debit card:	Free	Free
Withdrawals outside ATM network:	1% of volume, minimum 4.95 GBP	1% of volume, minimum 4.45 GBP
Access to nearby branch:	No	Yes
Account statements via ATM printer:	Yes	Yes
Postal statement delivery:	0.45 GBP	0.45 GBP
Domestic money transfers via ATM or online:	Free	Free
Authorised overdraft interest:	15.3% p.a.	14.3% p.a.
Unauthorised overdraft interest:	22.8% p.a.	21.8% p.a.
	○	○

back continue

Introductory explanations for choice experiment

Experiment for categorical non-switchers: Choice Task Introduction Text

'Now we would like to know more about your preferences when comparing different offers for current accounts.

On each of the following pages we will show you two offers from two different providers. We will ask you which of the two offers you would prefer if you had to choose when opening a new current account.

The information that will be displayed summarises key services and their related costs. Some of the cost levels might differ between the two offers, whereas others might be identical. Please do also note that from one screen to the next the costs of individual services may change, too. Thus, we ask you to take some time and to have a closer look at the two offers and then to decide which one you would prefer.'

Experiment for de facto and potential switchers: Choice Task Introduction Text

'Now we would like to know more about your preferences when comparing different offers for current accounts. On each of the following pages we will show you two offers.

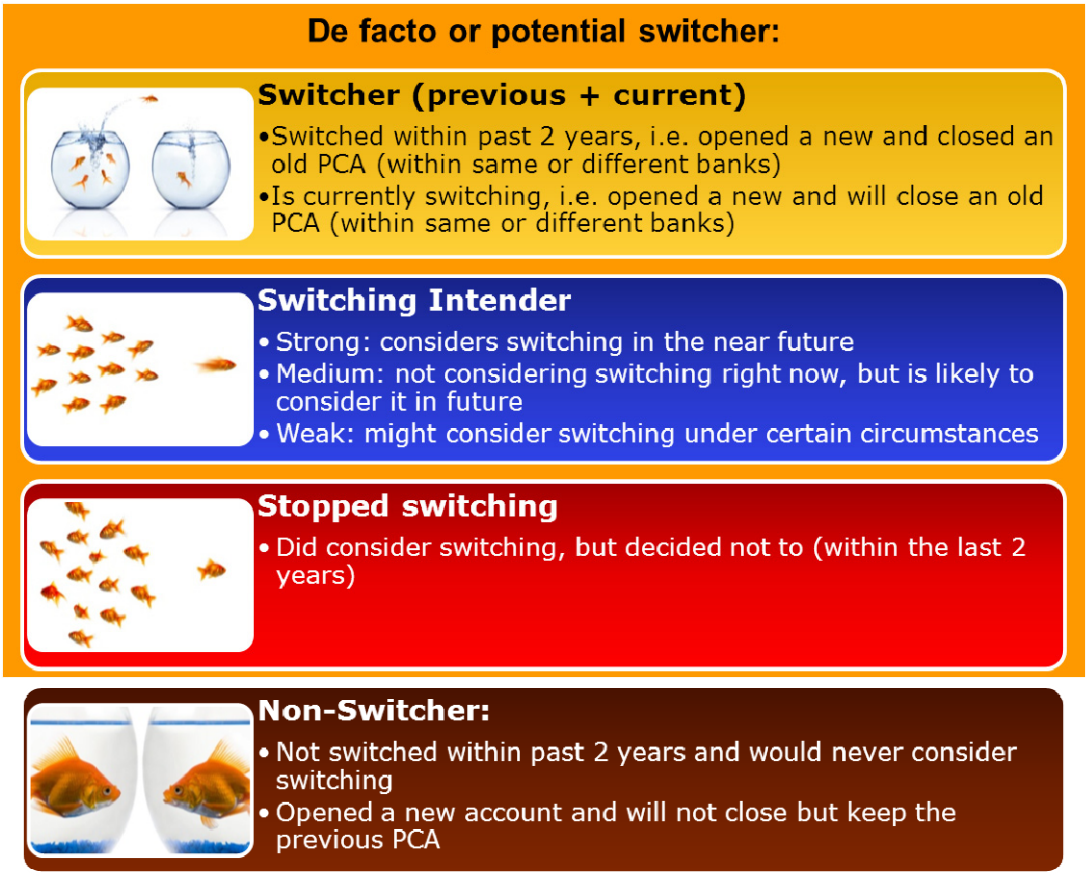
Please assume that the first offer would summarise the costs for your current main account, whereas the alternative represents a cost summary of a competing provider. The cost levels will, of course, not be identical with your current account, but please assume they would provide you with a reasonable cost summary for the bank account you have been holding for some time.

When comparing the two offers, some of the cost levels might differ, whereas others might be identical. Please do also note that from one screen to the next the costs of individual services may change, too. Thus, we ask you to take some time and to have a closer look at the two offers and then decide whether you would like to switch to a different provider or stay with the first one.'

Obviously, the behavioural patterns for the two subsamples were expected to be different, as the choice experiment measured two substantially different preferences. For the subsample for which the switching experiment was conducted it was expected that, due to anticipated transaction costs and the effects of habit, there would likely be a high proportion opting for the status quo position, with lower proportions of consumers indicating a rational switching preference. The 'neutral' presentation of two alternative account offers for the subsample of non-switchers and the narrative framing were expected to result in more cost-rational choices overall, as these would involve the transaction costs for switching provider. As we will show in chapter 6 this is exactly what was found in all 10 countries covered in this study.

Definition of the subsample for the switching experiment

The questionnaire part of the survey contained questions (Q27-Q31) on switching behaviour and switching intentions which were used to define the target population for the switching experiment. From the combination of answers about previous switching experience (including those who had stopped the process), current switching or potential prospective behaviour four major types were defined, of which the first three were all defined as de facto or potential switchers and were therefore presented with the choice experiment variant for the switching population.



As can readily be seen from the table below, the de facto or potential switcher subsample was built on a very broad or inclusive definition: only those who said that they would never switch or 'can't say' were classified as "categorical non-switchers" and routed to the non-switcher experiment. Overall, this definition of subsamples resulted in a distribution in which only a third of respondents in the overall sample were classified as strict non-switchers and two-thirds as consumers for whom future switching could not be ruled out; at least a low probability of switching could be assumed.

Country-specific split sizes for switcher and non-switcher experiments

		De facto or potential switcher		
Country		No	Yes	Total
DE	abs.	303	711	1,014
	%	29.9%	70.1%	100.0%
ES	abs.	320	690	1,010
	%	31.7%	68.3%	100.0%
FR	abs.	322	694	1,016
	%	31.7%	68.3%	100.0%
IE	abs.	249	757	1,006
	%	24.8%	75.2%	100.0%
IT	abs.	279	732	1,011
	%	27.6%	72.4%	100.0%
LV	abs.	364	658	1,022
	%	35.6%	64.4%	100.0%
NL	abs.	365	657	1,022
	%	35.7%	64.3%	100.0%
RO	abs.	479	544	1,023
	%	46.8%	53.2%	100.0%
SE	abs.	391	617	1,008
	%	38.8%	61.2%	100.0%
UK	abs.	304	708	1,012
	%	30.0%	70.0%	100.0%
EU 10	abs.	3,376	6,768	10,144
	%	33.3%	66.7%	100.0%

Based on weighted data

As can also be seen from this table (and in many other results in this study), there are striking differences between countries: whereas in Ireland approximately one in four (24.8 %) respondents were categorized as strict non-switchers, almost twice as many respondents (47 %) in Romania showed strong preferences which justified their classification as 'categorical non-switchers'.

Defining the cost levels and differences in service components

As desk research shows, the costs per service component do vary significantly between different current account providers even within the same country – let alone across countries within the EU. The choice of cost component levels and definitions of cost differences were therefore established on the basis of two core design rationalities:

(1) As the choice task was **non-adaptive**, the cost levels had to appear as realistic as possible for as many respondents as possible. As a consequence the cost information was shown in local currencies for countries outside the Eurozone and adjusted according to PPT-based algorithms.

(2) Following from (1), current account cost levels were summarized as a kind of realistic "middle scenario", i.e. neither the "best choice" product attributes some consumers may individually prefer nor an unrealistically expensive account. Both alternatives would – very probably – have resulted in very low levels of variation for the choice task data. As the aim of the experiment was to assess the potential impact of various policy interventions in the information-gathering and purchase process, the data output from the choice tasks was to serve as a core dependent variable for at least a significant range of analyses to be run on the basis of the choice answers. Thus, it was essential to have a reasonable dispersion of data on the choice variable(s) across consumers and across countries. The key issue for the definition of service component levels therefore was to achieve a reasonable distribution of alternatives around the mean for all consumers participating in the experiment.

Summary of cost level information for switching experiment, choice set 1

Set 1	Fixed	Task 1;1	Task 1;2	Task 1;3	Task 1;4
	Your current Bank A	New Offer by Bank B	New Offer by Bank B	New Offer by Bank B	New Offer by Bank B
Monthly account fee:	4.95 GBP	4.45 GBP	4.45 GBP	4.95 GBP	5.45 GBP
Debit card:	Free	Free	Free	Free	Free
Withdrawals outside ATM network:	1% of volume minimum 4.95 GBP	1% of volume minimum 4.45 GBP	1% of volume minimum 4.45 GBP	1% of volume minimum 4.45 GBP	1% of volume minimum 5.45 GBP
Access to nearby branch:	No	Yes	No	No	No
Account statements via ATM printer:	Yes	Yes	Yes	Yes	Yes
Postal statement delivery:	0.45 GBP	0.45 GBP	0.45 GBP	0.45 GBP	0.45 GBP
Domestic money transfers via ATM or online:	Free	Free	Free	Free	Free
Authorised overdraft interest:	15.3% p.a.	14.3% p.a.	14.8% p.a.	14.8 % p.a.	15.3 % p.a.
Unauthorised overdraft interest:	22.8% p.a.	21.8% p.a.	22.3% p.a.	22.3 % p.a.	22.8 % p.a.

As this research is necessarily 'exploratory' or 'formative' in the absence of a scientifically grounded body of literature from previous academic studies or of applied market research, the selected cost levels and differences were built on 'inductive' conclusions based on information available from desk research. A summary of cost levels is provided by the following two tables, where the 'fixed current account' (status quo) is shown as well as the cost levels for service attributes of the alternative Bank B offer for each of the choice tasks.

Summary of cost level information for switching experiment, choice set 2

Set 2	Fixed	Task 2;1	Task 2;2	Task 2;3	Task 2;4
	Your current Bank A	New Offer by Bank B	New Offer by Bank B	New Offer by Bank B	New Offer by Bank B
Monthly account fee:	4.95 GBP	4.45 GBP	4.95 GBP	5.25 GBP	5.45 GBP
Debit card:	Free	Free	Free	Free	Free
Withdrawals outside ATM network:	1% of volume, minimum 4.95 GBP	1% of volume minimum 4.95 GBP	1% of volume, minimum 4.95 GBP	1% of volume minimum 4.95 GBP	1% of volume, minimum 4.95 GBP
Access to nearby branch:	No	Yes	No	No	No
Account statements via ATM printer:	Yes	Yes	Yes	Yes	Yes
Postal statement delivery:	0.45 GBP	0.45 GBP	0,45 GBP	0.45 GBP	0.45 GBP
Domestic money transfers via ATM or online:	Free	Free	Free	Free	Free
Authorised overdraft interest:	15.3% p.a.	13.3% p.a.	13.8% p.a.	14.3 % p.a.	15.3 % p.a.
Unauthorised overdraft interest:	22.8% p.a.	20.8% p.a.	21.3% p.a.	21.8 % p.a.	22.8 % p.a.

6 EXPERIMENT FINDINGS

6.1 Introduction

What follows is a summary of the key findings of the experimental part of the survey. We first present the results for the choice tasks in a disaggregate format for transparency. We will then turn to more comprehensive, i.e. aggregate, indicators which summarise the information from individual choice tasks. The composite indicators we have constructed present two core findings: they (1) indicate the extent to which individuals have revealed consistently rational preferences through all the choice tasks and they (2) show the sum of rational choices consumers have taken in the choice tasks.

Whereas in section 5.2 the presentation of findings is mainly based on descriptive summary tables, the following subsection summarises the findings concerning the various stimuli splits described in the previous chapter. The main goal therefore is to assess whether one of the policy stimuli (standardised glossary, standardised offer, two formats of cost summary information) had an effect on the preferred choice. For this purpose we summarise the results of multivariate regression analyses conducted to assess the effects of various socio-demographic variables, usage-related indicators and the effect of the policy stimuli which were tested in this experimental setting.

6.2 Disaggregate descriptive findings of choice tasks

As can be seen from the table below summarising the switching experiment results, a majority of participants across the sample preferred the more cost-effective alternative in the four choice tasks of set 1. Even in the third choice task where the cost advantage of the new bank's alternative offer was lowest, slightly more than 50% of respondents chose to switch. As expected, a trend towards decreasing proportions of rational consumers can be observed when the proportion of 'rational choices' is compared between the set 1 choice tasks: whereas 71 % of participants preferred the obviously more attractive switching option in the first choice set (1;1), 61 % of consumers preferred to switch to Bank B in task 1;2, and 51 % revealed a preference for switching to Bank B in task 1;3, where the new offer provided a comparatively small cost advantage over the status quo option.

Disaggregate results from Switcher Experiment for four choice tasks in set 1

Country	Share rational answers set 1;1	Share rational answers set 1;2	Share rational answers set 1;3	Share rational answers set 1;4
DE	75.1%	59.6%	47.8%	93.8%
ES	73.0%	63.7%	55.1%	88.2%
FR	66.7%	57.3%	51.4%	89.8%
IE	77.1%	68.7%	56.8%	92.6%
IT	67.1%	60.9%	48.9%	88.2%
LV	61.5%	53.8%	43.8%	88.8%
NL	63.5%	52.8%	40.8%	94.7%
RO	75.9%	65.7%	58.5%	84.2%
SE	64.7%	56.1%	42.5%	93.3%
UK	79.8%	69.4%	58.9%	94.1%
EU	**70.5%**	**60.9%**	**50.5%**	**90.9%**

Based on weighted data, n=6,689.

The fourth subset, where the status quo account offered the more favourable option than switching, must be analysed separately as status quo preservation offered the more cost-attractive alternative. As expected, a vast majority of consumers chose to stay with their current bank. Thus, by and large, the choice experiment revealed the expected behavioural pattern: within this experimental setting, a majority of consumers preferred the more cost-attractive alternatives, with a lower proportion of consumers choosing to switch the less attractive the alternative option became.

Throughout the results of the switching experiment there are significant country-specific variations. There is a difference of between 15–20 percentage points between the countries with the lowest and highest proportions of "cost-rational" consumers in a choice task. As anticipated, due to the sequential choice design with decreasing cost differences from one task to the next, the largest difference between countries is observed for the 'most difficult' pairwise presentation in subset 1;3. In other words, this is the switching exercise with the highest discriminatory power. The difference between the country with the fewest rational consumers – the Netherlands, with less than 41 % – and the country with the highest proportion of rational decision-makers – the UK, with almost 59 % – is close to 20%.

A comparison of individual countries with the EU10 average 'rational' results reveals that consumers in France, Ireland, Romania, Spain and the UK were consistently more likely to show a switching preference in subsets 1 to 3 than consumers in the other 6 countries tested. The country-specific patterns for subset 4 are more mixed, indicating that a preference for remaining with the existing account where the cost advantage is small distinguishes Romania and Spain from Ireland and the UK, while Germany, Sweden, and the Netherlands join Ireland and the UK in the group with

above-average proportions of rational consumers. This reveals a pattern in which the two Anglo-Saxon countries consistently record a higher proportion of consumers behaving rationally, regardless of whether this involves switching or preserving the status quo. In contrast, the results for Germany and the Netherlands seem to confirm the finding that in these countries inertia is particularly high. Although we do not present more analytically-based findings in this part, one striking factor is worth considering if we want to understand the specific patterns for Netherlands and Germany: these are the two countries with by far the highest mean scores for risk aversion when it comes to financial issues.[6]

The results for the second set of choice tasks, containing more striking cost differentials between the presented alternatives, should be interpreted very cautiously. The reason is that only the subsample of individuals who did not consistently choose the more rational alternatives in the four set 1 choice tasks were routed towards the second set. Thus, the levels of rational consumers in sets 1 and 2 cannot be compared substantially. Also country-specific variations should not be analysed separately from the results of the first subset, as the remaining sample size varies hugely across countries. Therefore, in the remaining sections of this report we do not analyse set 2 results in isolation but only jointly with the results for set 1, using aggregate indicator scores. But before we turn to a more comprehensive, summary indicator-based description of the switching experiment results, we will briefly summarise the findings for the non-switcher experiment.

[6] This can be shown, e.g., by scores well above the EU average for self-rated risk aversion as asked in question 66. This pattern is not surprising as both countries are well-known for a monetary policy regime which has been characterized by fiscal conservatism or more precisely, the primacy of 'price stability policy'.

Disaggregate results from Switcher Experiment for four choice tasks in set 2

Country	Share rational answers set 2;1	Share rational answers set 2;2	Share rational answers set 2;3	Share rational answers set 2;4
DE	78.2%	61.4%	47.7%	96.8%
ES	74.3%	65.3%	55.6%	92.8%
FR	71.0%	63.3%	53.0%	94.1%
IE	83.2%	75.0%	60.8%	95.8%
IT	72.7%	63.5%	53.3%	93.2%
LV	66.6%	56.6%	49.1%	92.4%
NL	64.9%	53.9%	43.4%	97.1%
RO	77.9%	72.6%	62.2%	92.6%
SE	68.7%	55.9%	45.8%	94.5%
UK	85.2%	71.2%	58.9%	96.3%
EU 10	74.5%	64.0%	53.0%	94.6%

Based on weighted data; n=6,689.

Descriptive findings for non-switcher experiment

Compared to the levels of rational choices in the switching experiment, the results for the experiment for the non-switcher subsample show consistently higher preferences for the more attractive choice alternatives. This was expected, as the two alternative offers were "neutrally" presented in the sense that they were just referred to as options provided by "Bank A" and "Bank B". Thus explicit or implicit transaction cost assumptions or other more unconscious factors that may favour a bias towards the status quo in a switching situation were not an issue in the design of the non-switcher experiment. The results reflect this trend very clearly. The proportions of rational choices are higher and national variations are considerably lower. If consumers with no switching intentions are confronted with two options one of which offers an obvious cost advantage, and switching costs are not part of the experimental set up, the expected result is a consistent preference for the rational choice.

As the core aim of this study was to measure the potential impact of various policy measures aimed at providing consumers with better information and transparency, the remainder of this report will focus exclusively on the subsample of consumers who have either switched bank accounts in the past or who do not rule out switching in the future.

Disaggregate results from Non Switcher Experiment for four choice tasks in set 1

Country	Share rational answers set 1;1	Share rational answers set 1;2	Share rational answers set 1;3	Share rational answers set 1;4
DE	93.1%	93.7%	92.7%	91.1%
ES	93.1%	91.3%	88.8%	85.6%
FR	93.2%	90.7%	90.1%	80.7%
IE	94.0%	94.4%	91.6%	91.2%
IT	91.4%	88.9%	88.5%	80.3%
LV	95.9%	96.1%	93.4%	78.6%
NL	89.9%	85.5%	79.0%	89.6%
RO	94.4%	92.9%	90.0%	83.9%
SE	93.4%	91.6%	90.3%	89.3%
UK	97.0%	95.1%	92.1%	90.8%
EU 10	93.5%	92.0%	89.5%	85.9%

Based on weighted data, n=3,455.

Disaggregate results from Non Switcher Experiment for four choice tasks in set 2

Country	Share rational answers set 2;1	Share rational answers set 2;2	Share rational answers set 2;3	Share rational answers set 2;4
DE	95.0%	92.7%	91.7%	94.1%
ES	92.2%	90.6%	87.2%	92.2%
FR	93.8%	91.3%	88.2%	90.4%
IE	94.4%	94.0%	91.2%	95.2%
IT	91.4%	91.4%	87.8%	89.6%
LV	95.1%	94.2%	91.8%	86.3%
NL	92.1%	83.1%	78.4%	92.3%
RO	94.2%	93.1%	90.8%	92.5%
SE	94.9%	92.8%	90.5%	92.1%
UK	97.0%	96.1%	92.1%	95.1%
EU 10	94.0%	91.9%	88.9%	91.9%

Based on weighted data, n= 3,455.

6.3 Comprehensive indicator-based findings

The major aim of the choice experiment was to arrive at comprehensive results for consistently more or less rational behaviour in response to cost differentials between different account offers. For this purpose, we will summarise various indicators, arriving at two major types of indicator sets with a total of 6 sub-indicators. Again, we will focus on the switching experiment.

First indicator set: Index scores based on consistency of 'rational choice preferences'

The first indicator we use measures the consistency of rational behavioural choices across all tasks in set 1. We call this indicator "**CON RATIONAL",** standing for consistent rational behaviour across all four choice tasks. The indicator is calculated as a dummy variable score with a value of "1" for respondents who consistently preferred the more cost-attractive option, and "0" if at least one choice signalled that a consumer chose the less cost-effective option. For cross-country comparisons **CON RATIONAL** can be used for calculating the percentage of consumers with consistently rational behaviour patterns.

The second indicator, which we have called **CON SWITCH,** is calculated on the same principle but excludes the results for the fourth choice set and therefore measures the consistency of rational switching behaviour in the first three choice tasks of set 1. The reason why we use CON RATIONAL and CON SWITCH as two separate indicators is that the fourth choice task presented a distinct task, as the expected rational decision was to preserve the status quo. For the first three choice tasks however switching was the more rational decision and CON SWITCH indicates whether a respondent has preferred the more rational variant for all of the three choice pairs in set 1.

The correlation coefficients across the four choice tasks empirically confirm that the fourth task represents a substantially distinct task: the correlation between choices for tasks 1, 2, and 3 are consistently high and positive whereas the correlation coefficients for choice task 4 suggests that this choice task represents a distinct preference set.

	Task 1;2	Task 1;3	Task 1;4
Task 1;1	.67 (.000)	.50 (.000)	-.05 (.000)
Task 1;2		.67 (.000)	-.09 (.000)
Task 1;3			-.12 (.000)

Shown are values for Pearson's correlation coefficient r and significance levels (2-tailed) in parentheses; based on unweighted data, n=6,689 de facto or potential switchers.

Country	CON RATIONAL Consistently cost rational preferences in all choice tasks in set 1		CON SWITCH Consistently cost rational switching behaviour in set 1, tasks 1-3		Respondents (de facto or potential switchers)
	% share	Rank	% share	Rank	
DE	39.3%	5	43.5%	7	711
ES	41.6%	4	49.0%	4	690
FR	38.9%	6	45.5%	5	694
IE	47.4%	2	52.4%	3	757
IT	36.5%	7	43.6%	6	732
LV	31.6%	10	38.2%	8	658
NL	35.5%	8	37.6%	10	657
RO	43.0%	3	54.3%	2	544
SE	34.3%	9	38.9%	9	617
UK	50.3%	1	54.7%	1	708
EU 10	40.0%		45.9%		6,768

Based on weighted data.

As can be seen, the calculation of the two different indicators for consistently rational answers do not reveal striking differences when the relative position of countries is measured either by distance from the mean or changes in country rankings. Nevertheless, for some of the remaining analyses we will focus on both indicator sets measuring rational choice consistency, as we expect different associations between potential factors impacting on preferences, e.g. the relevance of current satisfaction scores. In the case of consumers who say that they are not really satisfied with their current bank provider, it is plausible to assume that the results of the choice experiments differ if the cost information for one set of choice tasks indicates that the different bank's new offer has cost advantages, whereas for one choice task retaining the status quo would be the more attractive offer.

Index scores based on additive number of rational answers

An alternative way to summarise the findings of the choice experiment is not based on the measurement of rational choice consistency, but on the number (or proportion) of rational answers in the individual choice tasks.

Such an additive and unweighted measurement can generally be conducted for all four choice tasks in set 1 but can also be restricted to isolate the issue of "switching inertia" by focusing on the results for the choice tasks 1-3 only. Two indicators for the average rational choice score can thus be calculated. The index scores show a range of 0-3 and 0-4 respectively for set 1.

Evaluating the choice patterns in the second set using a simple quantitative measure is not as straightforward as for the first set. The reason is that only those respondents who had not shown consistently rational preferences in the first set went on to the second set of four choice tasks. Hence the participants in the second set of choice tasks represent a selective subsample of the total sample. Consequently, a separate indicator score for set 2 should not be calculated. Instead we have built an integrated value with imputations for those respondents who did not go through the second set of choice tasks.

The easiest way to arrive at an aggregate quantitative measure for both sets is to assume that all respondents who had consistently chosen the more cost effective alternative in set 1 would have behaved in the same way in set 2, as in set 2 the cost differentials were much easier to evaluate. Thus, the two subtypes of indicators for an inclusive overall score for sets 1 and 2 take into account the first three and all four choice alternatives respectively, where the score for rational answers in set 2 is automatically set at "3" and "4" respectively for respondents who did not go through the second set. Thus, the index can take a range between "0" and "6" for the aggregate indicator focusing on the first three choice tasks in the two main sets and between "0" and "8" for the aggregate measure based on all four choice tasks in each main set.

In summary, four indicators can be calculated:

- **SUM SWITCHING$_{1}$** which measures the number of rational choices in the first three tasks of set 1
- **SUM RATIONAL$_{1}$** as a more general overall score for set 1, expressing the number of rational choices for the first set
- **SUM SWITCHING$_{1\text{-}2}$** as a score measuring the number of rational choices in the first three choice tasks of sets 1 and 2,
- **SUM RATIONAL$_{1\text{-}2}$** calculated by the sum of rational choices for up to eight choice tasks with imputed scores for respondents who were only taking part in the first main set of the choice experiment.

The following tables present the results for the four "SUM"-indicators for the switcher experiment.

Country	SUM SWITCHING$_1$ Number of rational switching choices first three tasks in set 1	SUM SWITCHING$_{1-2}$ Number of rational switching choices three tasks in sets 1+2	SUM RATIONAL$_1$ Overall number of rational choices in set 1	SUM RATIONAL$_{1-2}$ Overall number of rational choices sets 1 and 2
DE	1.83 (1.20)	3.70 (2.29)	2.76 (1.19)	5.60 (2.28)
ES	1.92 (1.22)	3.87 (2.32)	2.80 (1.24)	5.68 (2.35)
FR	1.76 (1.28)	3.63 (2.42)	2.65 (1.28)	5.47 (2.43)
IE	2.03 (1.19)	4.22 (2.17)	2.95 (1.19)	6.10 (2.19)
IT	1.77 (1.26)	3.66 (2.33)	2.65 (1.26)	5.48 (2.35)
LV	1.59 (1.29)	3.31 (2.49)	2.48 (1.28)	5.12 (2.47)
NL	1.57 (1.29)	3.19 (2.49)	2.52 (1.30)	5.11 (2.50)
RO	2.00 (1.23)	4.13 (2.30)	2.84 (1.23)	5.90 (2.30)
SE	1.63 (1.29)	3.34 (2.47)	2.56 (1.27)	5.21 (2.46)
UK	2.08 (1.15)	4.23 (2.15)	3.02 (1.16)	6.14 (2.16)
EU 10	1.82 (1.25)	3.73 (2.37)	2.73 (1.25)	5.59 (2.37)

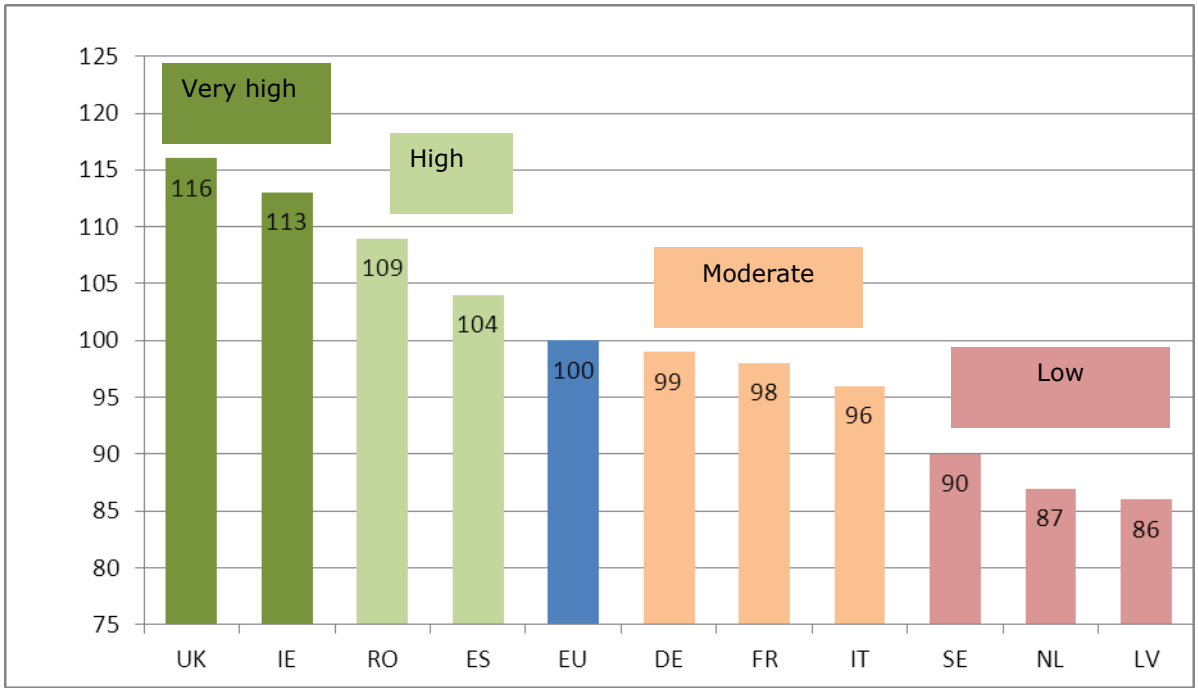
Based on weighted data; EU 10 average has been calculated on the basis of individual weighted data and therefore cannot be directly derived from country-specific mean scores. Standard deviations in parentheses.

The results of the four indices which are based on the number of rational choices rather than consistency show similar country-specific variations, with **Ireland and the UK showing on average the highest numbers of rational pro-switching preferences**.

As can be seen from the standard deviations which are shown in parentheses, striking within-country variation is observable. The coefficient of variation – calculated by dividing the standard deviation by the mean and multiplying the result by 100 – is higher than 50 for most countries.

A combined standardised indicator summarising the information for all six sub-indicators by setting the EU10 average for each indicator at 100 and expressing individual country values as percentages of the EU10 mean value for each sub-indicator, gives the following average country scores for the six sub-indicators, based on an EU10 mean standardised at 100 and a standard deviation of 10 points.

6.4 Standardised overall rational choice indicator scores



Average standardised scores for the six indicators CON RATIONAL, CON SWITCHING, SUM RATIONAL$_1$ SUMRATIONAL$_{12}$, SUMSWITCHING$_1$, SUM SWITCHING$_{12}$

The two countries with the highest proportions of rational behaviour choices in the experiments are both English-speaking countries, or what is often referred to as the Anglo-Saxon cluster of liberal un-coordinated market economies. Compared to the other 8 countries covered in the survey they both have very high proportions of 'rational' consumers (above one standard deviation from the mean value of 100).

Romania and Spain show above-average scores within one standard deviation from the mean value. Germany, France and Italy, representing the "Continental European variety of capitalism", have below-average proportions of rational choices but an overall index value that comes very close (Germany, France) or quite close to the average. The Netherlands, Sweden, and Latvia score lowest, the first countries essentially as a consequence of very low proportions of consumers with rational switching behaviour.

6.5 Analytical results 1: policy stimuli

As described in section 5.1, a total of 12 split groups were defined for each country in order to assess the combined effect of the three main policy interventions, consisting of four different kinds of policy measures.

- (1) The impact of a standardised vs. non-standardised presentation of an offer, i.e. its main features
- (2) The impact of a standardised glossary
- (3) The impact of cost information policies, tested by two variants in the experimental part of the study:
    - one variant based on a representative segmentation of passive vs. active users and
    - one based on an individual cost simulation algorithm

The following table again summarises the 12 stimuli splits.

Overview of splits of various policy stimulations (split number according to Q 33 variable in parentheses)

	No glossary (splits 1-3, 7-9)	**Standardised Glossary (splits 4-6, 10-12)**
Individual Offer (splits 1-6)	No cost stimulation (1)	No cost stimulation (4)
	Active/passive (2)	Active/passive (5)
	Individualised cost calc. (3)	Individualised cost calc. (6)
Standard Offer (splits 7-12)	No cost stimulation (7)	No cost stimulation (10)
	Active/passive (8)	Active/passive (11)
	Individualised cost calc. (9)	Individualised cost calc. (12)

Overall, the different stimuli splits did not generate strikingly different patterns of rational behaviour generally or for switching in particular – but they did evoke observable and statistically significant variations. The percentage point differences between the splits are around 6 for the indicator CON RATIONAL and 8 for CON SWITCH, i.e. observable and partly statistically significant.

Summary of general rational and switching indicators per policy (stimulation) combination split

	CON RATIONAL	CON SWITCHING	SUM RATIONAL$_{12}$	SUM SWITCHING$_{12}$
1 Indiv. offer - no glossary - no cost stimuli (control group)	41.8%	45.7%	5,67	3,79
2 Indiv. offer - no glossary - active/passive	41.7%	48.1%	5,70	3,87
3 Indiv. offer - no glossary - indiv. cost calc.	39.9%	45.2%	5,34	3,48
4 Indiv. offer - stand. glossary - no cost stimuli	37.7%	44.6%	5,52	3,68
5 Indiv. offer - stand. glossary - active/passive	42.6%	49.2%	5,74	3,93
6 Indiv. offer - stand. glossary - indiv. cost calc.	36.6%	40.5%	5,31	3,45
7 Stand. offer - no glossary - no cost stimuli	39.8%	45.9%	5,70	3,84
8 Stand. offer - no glossary - active/passive	42.5%	48.0%	5,75	3,89
9 Stand. offer - no glossary - indiv. cost calc.	36.2%	41.4%	5,38	3,50
10 Stand. offer - stand. glossary - no cost stimuli	40.3%	46.5%	5,71	3,86
11 Stand. offer - stand. glossary - active/passive	41.6%	48.5%	5,74	3,88
12 Stand. offer - stand. glossary - indiv. cost calc.	39.1%	45.6%	5,47	3,63
Total	40.0%	45.8%	5,59	3,73

Based on weighted data; green shaded: above mean value; red shaded: below mean value; yellow shaded: at or very close to mean value

Splits 2, 5, 8, and 11 stand out as the stimuli combinations with consistently above-average scores for the four main indicators of rational choice. What these splits have in common is that in all of them **the active/passive user type cost summary was presented to participants, i.e. the "representative cost summary" policy measure**. The split groups with consistently below-average index scores are numbers 6 and 9, with individualised cost stimuli. As we will show in our summary of the multivariate analysis, this pattern, in which the representative cost summary has a positive impact and the individual cost summary a negative effect, presents a statistically significant outcome of multivariate model specifications.

Isolating the effects of various policy interventions across the splits shows that highest scores were consistently achieved when the active/passive user typology was shown to participants. This kind of calculation does not, of course, take into account potential interaction or sequence effects but is based on observing whether or not participants were confronted with one of the stimuli. Interestingly, the more comprehensive but graphically enriched presentation of the cost representative summary information was obviously more appealing, as the average time spent was higher than for the more information-loaded individual cost summary, based on numerical information only.

The presentation of user type-based cost information resulted in the highest proportions of rational choices, as can be seen by comparing the four mean indicator values for this type of stimuli: all the indices are above the mean scores for the subsample to which the active passive user typology was shown. If we standardise the indicator differences from the mean scores for each individual policy measure, and standardise the distance to the mean by using percentages of the mean scores, the average standardised index score of 104.5 for the active/passive user type presentation shows the highest relative level of pro-rational choices, regardless of whether the overall indicators for pro-rational choices are considered or only those for the three subsets which measure rational switching behaviour.

Summary of general rational and switching indicators per policy stimulation

	CON RATIONAL	CON SWITCHING	SUM $RATIONAL_{12}$	SUM $SWITCHING_{12}$
Offer presentation stimulus				
Standardised Offer	39.9%	46.0%	5.63	3.77
Non-standardised Offer	40.0%	45.6%	5.55	3.70
Glossary stimuli				
Glossary	39.7%	45.8%	5.59	3.74
No Glossary	40.3%	45.7%	5.59	3.73
Cost stimuli				
No cost information	39.9%	45.7%	5.65	3.79
A-P Typology based	42.1%	48.5%	5.73	3.89
Individual cost calculation	37.9%	43.1%	5.38	3.51
All	40.0%	45.8%	5.59	3.73

Based on weighted data.

Standardised scores for individual policy measures (% of EU 10-averages)

	CON RATIONAL	CON SWITCH-ING	SUM $RATIONAL_{12}$	SUM $SWITCH-ING_{12}$	Average Score
Standardised Offer	99.8	100.4	100.7	103.9	100.5
Non-standardised Offer	100.0	99.6	99.3	101.9	99.5
Glossary	99.3	100.0	100.0	103.0	99.9
No Glossary	100.8	99.8	100.0	102.8	100.1
No cost information	99.8	99.8	101.1	104.4	100.6
Active-Passive Type Presentation	105.3	105.9	102.5	107.2	104.5
Individual cost calculation	94.8	94.1	96.2	96.7	94.8
All	100.0	100.0	100.0	100.0	100.0

Based on weighted data

Country-specific impact patterns

In the following three tables we have summarised the country-specific results for two major indicators and the policy stimuli. The tables show the proportions of consumers who have consistently chosen the rational alternatives in all subsets of set 1 (CON RATIONAL) and during the three switching decisions in subsets 1-3 of main set 1. Again, as in the previous paragraphs, all figures are for the switching experiment only.

As can be seen, there is enormous cross-country variation, particularly if the figures for the glossary and the standardised vs. non-standardised presentation are compared. In the case of cost information the active/passive typology has obviously contributed to more rational choices about switching decisions in all countries except Italy and Spain. As for the overall trend, the individualised cost information seems to have had a rather dampening effect in most countries. However, before we can move to a final conclusion and recommendations, some more detailed analysis is still required.

Country specific patterns for standardised vs. non-standardised presentation of offer/price list

	CON RATIONAL		CON SWITCHING	
Country	stand.	non-stand.	stand.	non-stand.
DE	41.2%	37.4%	44.9%	42.0%
ES	41.7%	41.5%	48.4%	49.7%
FR	41.1%	36.5%	47.9%	42.8%
IE	43.5%	51.2%	49.5%	55.4%
IT	35.8%	37.0%	44.1%	42.9%
LV	33.5%	29.9%	40.2%	36.3%
NL	30.7%	40.4%	33.1%	42.1%
RO	45.0%	40.8%	58.1%	50.4%
SE	34.1%	34.3%	38.0%	39.8%
UK	51.4%	49.0%	56.2%	53.2%

Country specific patterns for presence/absence of standardised glossary

Country	CON RATIONAL		CON SWITCHING	
	stand.	non-stand.	stand.	non-stand.
DE	40.0%	38.6%	43.1%	43.9%
ES	41.5%	41.9%	48.9%	49.1%
FR	39.1%	38.7%	46.2%	44.9%
IE	46.1%	48.7%	53.1%	51.8%
IT	35.0%	38.0%	42.9%	44.3%
LV	33.1%	30.3%	40.3%	36.1%
NL	35.5%	35.4%	38.3%	36.7%
RO	42.5%	43.6%	53.7%	54.9%
SE	32.3%	36.2%	36.7%	41.3%
UK	50.3%	50.1%	54.7%	54.6%

Country specific patterns for cost stimuli

Country	CON RATIONAL			CON SWITCHING		
	no stimuli	active/ passive	individua-lized	no stimuli	active/ passive	individua-lized
DE	40.9%	40.2%	36.5%	45.3%	45.6%	39.3%
ES	37.4%	43.9%	43.4%	45.0%	50.6%	51.1%
FR	38.2%	44.3%	34.5%	45.9%	51.7%	38.7%
IE	46.2%	47.9%	48.2%	51.0%	54.5%	51.8%
IT	42.1%	31.9%	35.9%	48.5%	37.3%	45.1%
LV	31.5%	34.8%	28.4%	36.1%	43.6%	34.9%
NL	36.6%	39.2%	30.7%	39.1%	40.5%	33.3%
RO	43.6%	45.1%	40.2%	55.4%	57.7%	49.4%
SE	36.1%	36.2%	30.0%	39.5%	42.7%	34.3%
UK	45.1%	56.3%	49.0%	50.9%	61.2%	51.5%

6.6 Results of multivariate analysis

In the following sections we present the summary results of the multivariate analyses conducted to identify the major determinants influencing rational switching behaviour in the choice experiments. For this purpose, we have used the indicator SUM SWITCHING in OLS regression specifications measuring the number of rational pro-switching decisions in both choice sets of the experimental part. The analysis is restricted to the switching experiment.

We do not report alternative model specifications such as logistic regressions for the indicator CON SWITCHING, i.e. consistent switching behaviour in the first choice set. Nor do we report alternative ways to estimate regression coefficients for the variable SUM SWITCHING. The reason for restricting this summary presentation to the core findings of OLS model specifications is that the choice of the indicator for the dependent variable as well as various econometric techniques have produced highly robust results for a key set of indicators shaping the behavioural patterns in the experiment.

In what follows, we first summarise the variables which we have included in the multivariate models. We then show the results for the so-called 'base model' which includes the two most important socio-demographic variables (age and gender), a shortlisted set of variables that measure different dimensions of usage patterns, the scope of bank account services used and a dummy variable indicating whether respondents are shopping around to compare prices and services for different bank offers. We then turn to the impact of the policy stimuli variables.

Variables included

The following variables were included in the multivariate analysis.

Gender

Across the EU10 sample a somewhat higher proportion of women (47%) showed a consistently more rational tendency to switch to a more attractive alternative offer than men (44%). However, this "gender gap" varies across countries: it is particularly strong in Germany (women: 47 %, men: 40%) whereas in the UK a slightly higher proportion of men (56%) than women (54%) showed consistently rational switching behaviour. To test the potential gender impact we inserted a dummy variable into all model specifications.

	SUM SWITCHING		CON SWITCHING	N
	mean	std. deviation	% in group	
Male	3.67	2.38	44.4	3,173

Female	3.85	2.31	47.3	3,516
Total	3.77	2.34	45.9	6,689

Based on unweighted data; respondents in switching experiment.

For the multivariate analyses conducted, the variable gender was coded 1 if a respondent was female and 0= if male.

Age

As expected, switching rationality is particularly weak in the 55+ age group, only 40% of respondents preferring to switch compared to 46-50% in the other age brackets. This trend towards status quo-oriented inertia is to be expected in a demographic group with generally more stable life circumstances and higher risk aversion and in which habit is stronger than in younger age groups.

Closely related to this age-specific finding, consumers who are retired show strikingly less willingness to switch: with 39.5% of retired consumers showing a consistently rational switching pattern, this is the occupational group with the lowest rational choice pattern, whereas there are few differences between full-time (46%) and part-time (45%) working populations and participants who said that they were still at school/college or university (46%). Switching scores are somewhat higher for those in the working-age population who either report they are unemployed (50%) or are not working due to other reasons (49%).

As the age variable showed a more consistent bivariate pattern we decided to include an age variable based on five age intervals: '1'= 18 and 24 years old, '2'= 25 and 34 years old, '3'= 35 and 44 years old, '4'= 45 and 54 years old, '5'= 55 years old or more.

Usage-based indicators

We now turn to the variables used for the multivariate analysis to assess the effects that various dimensions of usage may have on more or less rational switching behaviour. The underlying assumption – mainly based on applied market research rather than academic policy analysis – is that the frequency of use of charged services and the 'scope of services' consumers use with their current bank account are both important factors that influence switching behaviour – but in opposite directions. Whereas active users who often use charged services are expected to be aware of variable service components, and thus to be more likely to prefer to switch than passive users as a result of cost differences in alternative offers, the scope of services used is expected, in the light of key lessons from behavioural economics, to work in the opposite direction. The larger the number of current account services a consumer uses, the more likely it is that the non-cost factors may influence decisions in a way that makes status quo preservation more likely. The reason is that consumers who use a broad scope of services may associate switching with high transaction costs – even if that might not really be the case, the perception might nevertheless be a prominent factor. In addition, beyond simple cost-benefit

rationalities, consumers may be unconsciously influenced by habitual factors, even if this leads to non-optimal choices for those who use their account for many different services and who would benefit in the long-term from switching to an alternative account.

In our multivariate model specifications we will also test whether another concept has a statistically robust effect on switching behaviour, one that is based on key insights from customer retention research. We use the TNS customer satisfaction tool T*RIM in combination with expressed switching intentions to assess the potential effects of low satisfaction scores and related switching intentions. For this purpose we will calculate a 'switching probability indicator', a five-point scale indicator whose technical construction we will describe below. The underlying assumption is that consumers who are not satisfied with their existing account and accordingly show a firm intention to switch should switch more readily to a new offer than consumers with higher satisfaction scores and only weak switching intentions.

Closely related to our switching probability indicator is a variable directly derived from the questionnaire, classifying consumers who do or do not compare charges for alternative bank accounts.

Scope of services used

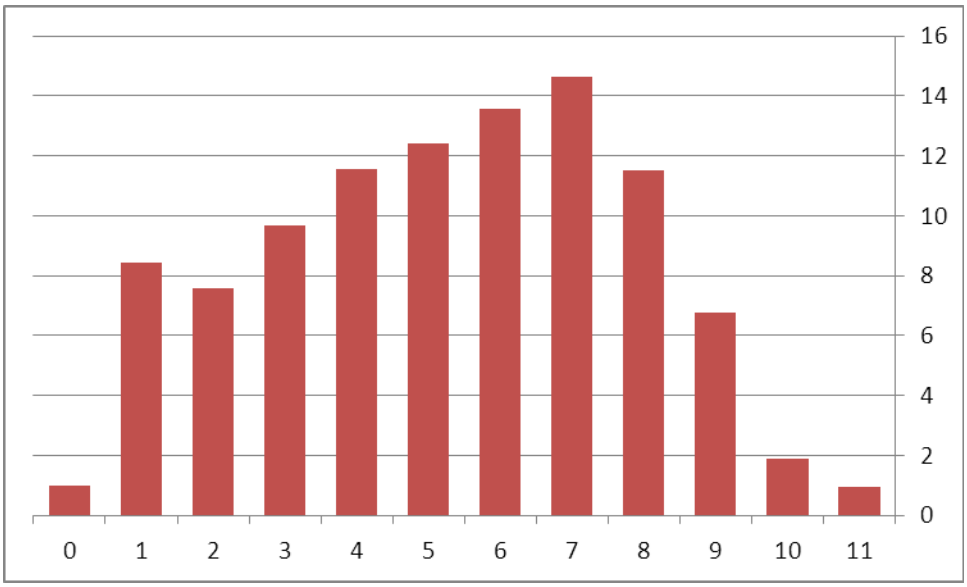
Based on the answers to question 7, which covered 11 different service components of a current account, we have calculated a composite score measuring the scope of services that participants in the experiments said they used. The indicator can take values of '0' to '11'.

In which ways do you use your current account? Please, indicate which of the following incoming and outgoing payments are running on your current account?

- Income from employment
- Social welfare payments, e.g. unemployment benefit, family allowance
- Other types of income, e.g. rental income pensions
- Income and payments for investments
- Rental or mortgage payments
- Payment of debit or credit cards
- Payments of online shopping purchases
- Paying household bills such as TV, radio, telephone
- Paying utility bills, e.g. gas, electricity, water
- Paying insurance, e.g. health, home, car insurance
- Any other automated transfers to other accounts

Across the overall sample, the mean value of services used is 5.3 (standard deviation: 2.5), slightly above the median of 5 but clearly below the mode value of 7 (which represents 14.6 % of respondents across the EU). As the indicator was built for the multivariate analysis only, we will not discuss country-specific patterns in more detail here.

Percentage of respondents using 0-11 service components



Based on complete sample with n=10,144 respondents.

The following table summarises the mean values for the number of rational switching decisions and the percentage share of consistent switching for the 11 subgroups of consumers. It shows that consumers who use their current bank account for a wide range of different services show less switching-oriented rational behaviour. This may indicate that consumers who use their current account for many different purposes tend to suffer more from status quo inertia. The rational assumption such consumers may make is that the transaction costs of opening a new account are high. Whether this is true in reality is not the point; what matters is their perception of the effort required to switch to an alternative provider.

Aggregate indicator scores: switching behaviour and scope of services used

	SUM SWITCHING		CON SWITCHING	
	mean	std. deviation	% in group	N

0	4.19	2.11	54.6	63
1	4.07	2.22	50.6	553
2	4.05	2.28	52.3	497
3	3.94	2.26	48.8	646
4	3.81	2.32	45.7	785
5	3.78	2.30	45.4	808
6	3.76	2.38	46.6	907
7	3.57	2.43	43.5	983
8	3.67	2.35	43.3	793
9	3.44	2.41	39.6	472
10	3.38	2.52	41.5	118
11	3.53	2.40	40.6	64
EU 10	3.77	2.34	45.9	6,689

Based on unweighted data

User type and switching decisions[7]

On the bivariate level, the choices based on this variable show a very clear pattern. Active users have the strongest tendency towards consistently rational behaviour both in switching to a more attractive new offer and in keeping their existing current account. The active user segment also shows a significantly higher proportion of rational switching decisions and lower standard deviation.

For the multivariate analyses we have created a variable user type which takes a value of "3" for active, "1" for medium and "0" for passive users.

	SUM SWITCHING$_{12}$		**CON SWITCHING**	
	mean	std. deviation	% in group	N
Passive	3.63	2.36	37.8%	2,747
Medium	3.81	2.33	41.3%	3,330
Active	4.12	2.30	46.1%	612
total	3.77	2.34	45.9%	6,689

Based on unweighted data

[7] The definition of the usage types based on questions 14 to 17 is explained in chapter 3.3 in detail.

Switching probability indicator

The summary indicator for switching probability does not measure a numeric probability between 0 - 100% but rather represents a composite aggregate score based on the level of satisfaction with the current bank provider and a stated intention to switch. For this purpose, we have used the inverted TNS TRI*M scores[8] and multiplied them by a dummy variable. This variable takes the value of 1 if a consumer shows a firm switching preference expressed by answering question 31 with "I am considering switching in the near future".

These variables are highly correlated and therefore the problem of multicollinearity would have a negative impact on estimator efficiency if both conceptually important variables had been inserted into the same model specification. By combining the more "objective" TRI*M satisfaction scores with the more subjective expression of an intention to switch in the near future, we arrive at a composite indicator score which should have explanatory power in model specifications where the dependent variables are pro-switching behaviour.

The outcome indicator "switching probability" measures the likelihood that a consumer will switch to another provider in the near future. The indicator can take values between '0' and '5', with '0' indicating a very low switching probability close to zero and '5' signalling a very high switching probability. For the multivariate analysis we expect that the higher the switching probability indicator score, the stronger should be the trend for preferring a more cost-attractive alternative from a new bank.

Reflecting results obtained in applied market research in the area of finance, the frequency distribution for switching probability shows that most consumers have a very low switching probability per se. As we will see in the summary results for the multivariate analyses conducted, this indicator shows the most robust and significant impact on 'rational' switching behaviour.

	SUM SWITCHING		CON SWITCHING	
	mean	std. deviation	% in group	N
0: firmly attached to status quo	3.70	2.36	44.6	5,951
1: attached to status quo	3.75	2.17	43.8	32
2: somewhat ambivalent	3.99	2.24	48.9	90
3: strongly ambivalent	4.22	2.22	56.7	157
4: likely to switch	4.34	2.12	56.8	185
5: very likely to switch	4.59	1.98	59.9	274
Total	3.77	2.34	45.9	6,689

Based on unweighted data

[8] The definition of the TRI*M score based on questions 9 to 12 is explained in chapter 3.6 in detail.

Shopping around

A plausible assumption is that respondents who state that they at least sometimes (even if only 'rarely') compare the charges for their bank account with the charges of alternative providers show greater awareness of potential cost differences in the bank account market. They are therefore also more likely to have a propensity for switching than respondents who say they never compare charge levels. In other words, consumers who tend to compare prices already have a certain 'base level' of switching willingness.

	SUM SWITCHING		CON SWITCHING	
	mean	std. deviation	% in group	N
Yes	3.86	2.31	47.4	2,621
No	3.71	2.36	44.9	4.068
Total	3.77	2.34	45.9	6,689

Based on unweighted data, respondents in switching experiment. Based on question 20: 'Current accounts tend to be differently priced by financial institutions. Do you ever look at information to compare current account charges with other financial institutions?'

Finally, we take account of one variable which reflects the attitudinal dimension, namely trust in banks, which may be of particular weight in the aftershock of the banking crisis. We expect consumers who show a higher degree of distrust (or less trust) to take cost differences more systematically into account, at least in an experimental setting as in our 10-country survey. As can be seen, the mean scores for rational switching behaviour are higher for consumers who do not agree with the statement that "in general banks can be trusted". Also, the proportion of consistent pro-switching behaviour is higher in the subsample of experiment participants who have rather low scores for trust in banks.

Trust in Banks

	SUM SWITCHING		CON SWITCHING	
	mean	std. deviation	% in group	N
Totally agree	3.72	2.38	46.9	275
Tend to agree	3.58	2.41	42.9	2,584
Tend to disagree	3.88	2.29	47.5	2,381
Totally disagree	3.96	2.29	49.0	1,209
Don't know	3.83	2.25	45.4	240
Total	3.77	2.34	45.9	6,689

Based on unweighted data Q64, item 4: "What is your opinion on the following statements?" "In general banks can be trusted".

For the multivariate analyses we use the "distrust" variable with the same values as reported above. Respondents who said "Don't know" were excluded from the data set.

Results of Multivariate Analysis

The presentation of the results begins with the summary statistics for the 'base model', i.e. not controlling for the potential effects of policy stimuli. This base model takes into account the two socio-demographic indicators, four usage-based variables and 'stated trust' in banks. The first model specification 1 A is run without taking into account country effects, whereas in model 1 B we have controlled for country effects by using k-1 country dummy variables (with Romania as the reference country not included).

Model 1A: Basic Model, no policy stimuli, no country dummies

N	**6,688**
F (7; 6,680)	26.38
Prob > F	0.000
R^2	0.027
R^2adj	0.026
Root MSE	2.313

Variable	Coeff.	Std. Error	t	Prob>|t|
Gender	0.150	0.057	2.61	0.009
Age class.	- 0.126	0.021	-5.97	0.000
Active User	0.191	0.033	5.70	0.000
Shopper	0.171	0.059	2.92	0.003
Service Scope	-0.060	0.012	-5.17	0.000
High Switching Probability	0.152	0.023	6.63	0.000
Distrust Banks	0.075	0.027	2.76	0.006
Intercept	3.877	0.113	34.30	0.000

Model 1B: Basic Model, no policy stimuli with country dummies

N	**6,688**
F (16; 6,671)	18.78
Prob > F	0.000
R^2	0.043
R^2adj	0.041
Root MSE	2.295

Variable	Coeff.	Std. Error	t	Prob>|t|
Gender	0.174	0.057	3.05	0.002
Age class.	-0.115	0.021	-5.47	0.000
Active User	0.124	0.035	3.54	0.000
Shopper	0.170	0.060	2.84	0.005
Service Scope	-0.035	0.013	-2.72	0.006
High Switching Probability	0.147	0.023	6.36	0.000
Distrust Banks	0.068	0.027	2.47	0.014
DE-Dummy	-0.246	0.138	-1.78	0.075
ES-Dummy	-0.252	0.138	-1.82	0.069
FR-Dummy	-0.425	0.141	-3.02	0.003
IE-Dummy	0.164	0.135	1.22	0.223
IT-Dummy	-0.452	0.133	-3.41	0.001
LV-Dummy	-0.586	0.139	-4.22	0.000
NL-Dummy	-0.727	0.143	-5.08	0.000
SE-Dummy	-0.542	0.145	-3.74	0.000
UK-Dummy	0.233	0.137	1.71	0.088
Intercept	4.055	0.142	28.63	0.000

All the factors which we have introduced in the base model turn out to be statistically significant and show the expected signs. Including the country dummy variables only causes small changes in the regression coefficients for individual variables and standard errors (and therefore the t-values), the differences between models 1 A and 1 B being quite small and without substantial effect on significance levels. Thus, with or without country dummies, the results of the base model show rather robust results for individual variables.

According to the results, female respondents show more switching rational behaviour, whereas older respondents tend to stay with a current provider even if that may offer a less attractive offer compared to switching provider.

The usage variables are also statistically significant. The more a respondent fits into the active user group, the more likely it is that she or he will switch to more cost attractive alternative offers. Consumers who at least sometimes compare charges for bank account also tend to make more rational decisions to switch the account than consumers who say that they never assess information on service charges. Finally,

there is a significant negative relationship between the range of current account services consumers use and pro-switching behaviour. Again, this was expected as the subjectively anticipated transaction costs for consumers who use a broad range of services are higher. In addition, habitual factors are likely to be stronger among respondents who use a broad scope of services with their current provider.

The summary indicator measuring switching probability has the greatest predictive power. Of course this finding is not very surprising: dissatisfied consumers with firm switching intentions can be expected to prefer an alternative offer, even where the alternative offer does not provide a cost advantage over the current one. Additional regression analyses for the choice experiment in which status quo preservation was the more cost-attractive option does indeed indicate the expected change in the relationship between the switching probability indicator and the proportion of "rational choices" made: although only significant at the 10 per cent level, the switching probability indicator produces a negative sign, indicating that dissatisfaction with the current provider in combination with a firm intention to switch may cause consumers to switch to an alternative offer even if it is associated with higher costs.

Low levels of trust in banks in general and conversely high levels of distrust seem to lead to more rational switching behaviour, suggesting that high levels of distrust can lead to a more accurate evaluation of different offers.

It should be borne in mind that the overall explanatory power of the model is not very strong, as only 3 vs. 5 per cent of the variation in the dependent variable can be explained. However, this level of R square or adjusted R square is common in econometric analyses of huge survey samples when the results of choice experiments are used as the dependent variable.

Assessing the effects of policy stimuli

In contrast to the base model, in specifications 2 A, 2 B, 3 A and 3 B we have included the various policy stimuli into the equations. The glossary and standardised offer variables represent dummy variables which take values of '1' if a stimulus was present in the decision-making tasks and '0' if was absent.

For the cost summary information we have used two variables. The representative cost summary variable (again coded as a dummy variable) indicates whether respondents were shown the active/passive user type-based representative cost summary information. The individualised cost information variable indicates whether consumers were shown the average costs for a current account on the basis of their reported usage patterns in questions 14 to 17 of the questionnaire.

The findings of the multivariate analyses strongly validate what could already be illustrated in the cross-tabulations across the ten EU countries and by comparing country-specific patterns. In none of the model specifications presented and in none of the alternative models we have estimated, does the glossary variable emerge as a statistically significant determinant of switching decisions. This can best be seen by comparing the values of the t-statistics or the glossary variable across all model specifications: they all are below 1.96, the threshold for significance. The sign is

always positive, i.e. in the expected direction, but in none of the models does the variable come close to t-levels which surpass conventional statistical significance levels of 5% or 1%.

Model 2A: Policy stimuli included, no country dummies: representative cost summary

N	**6,688**
F (10; 6,677)	19.74
Prob > F	0.000
R^2	0.029
R^2adj	0.027
Root MSE	2.311

Variable	Coeff.	Std. Error	t	Prob>|t|
Gender	0.147	0.057	2.56	0.010
Age class.	-0.125	0.021	-5.97	0.000
Active User	0.195	0.033	5.81	0.000
Shopper	0.172	0.058	2.95	0.003
Service Scope	-0.059	0.012	-5.09	0.000
High Switching Probability	0.151	0.023	6.58	0.000
Distrust Banks	0.074	0.027	2.74	0.006
Glossary	0.021	0.057	0.36	0.716
Standardised Offer	0.065	0.057	1.15	0.249
Representative Cost Summary	0.199	0.060	3.32	0.001
Intercept	3.762	0.121	30.97	0.000

Model 2B: Policy stimuli and country dummies included: representative cost summary

N	**6,688**
F (19; 6,668)	16.51
Prob > F	0.000
R^2	0.045
R^2adj	0.042
Root MSE	2.293

Variable	Coeff.	Std. Error	t	Prob>|t|
Gender	0.171	0.057	3.00	0.003
Age class.	-0.115	0.021	-5.46	0.000
Active User	0.128	0.035	3.64	0.000
Shopper	0.171	0.060	2.86	0.004
Service Scope	-0.034	0.013	-2.65	0.008
High Switching Probability	0.146	0.023	6.33	0.000
Distrust Banks	0.067	0.027	2.45	0.014
Glossary	0.021	0.056	0.38	0.703
Standardised Offer	0.069	0.056	1.22	0.222
Representative Cost Summary	0.197	0.059	3.33	0.001
DE-Dummy	-0.249	0.138	-1.80	0.071
ES-Dummy	-0.260	0.138	-1.88	0.060
FR-Dummy	-0.430	0.141	-3.06	0.002
IE-Dummy	0.162	0.135	1.20	0.230
IT-Dummy	-0.456	0.133	-3.44	0.001
LV-Dummy	-0.587	0.139	-4.23	0.000
NL-Dummy	-0.729	0.143	-5.10	0.000
SE-Dummy	-0.548	0.145	-3.78	0.000
UK-Dummy	0.229	0.137	1.67	0.094
Intercept	3.941	0.148	26.56	0.000

The overall picture for the presentation of a standardized offer is quite similar, although the statistical relationship is somewhat stronger: the expected sign of the regression coefficients points in the predicted direction, the values of the t-statistics are all between 1.11 and 1.22 and therefore considerably higher than for the glossary variable – but they do not exceed statistically significant levels at the .05 or 0.01 level. To check whether the introduction of any of the usage variables included in the base model, the country dummies or socio-demographic variables may have suppressed the effect of the standardized offer variable, we have run various other model specifications, systematically omitting variables we have introduced so far. The effect on the explanatory power of the standardized offer variable is only minor, with t-values slightly increasing to a maximum of +1.35.

The two policy stimuli variables which turn out to be significant predictors regardless of the model specifications are both related to a cost information-oriented policy stimulus.

At first sight it may be regarded as surprising that the effects of the representative cost summary and individual cost summary point in opposite directions. The representative cost summary, shown to consumers as an active and passive user-type presentation, has a robust positive effect on rational switching behaviour. Thus, it is in line with a rational approach to policy-making based on the assumption that more and better information can empower consumers and lead to "better" choices. In both model specifications 2 A and 2 B t-values are well above 3, indicating a statistically robust significance level of 1 %. This is particularly important to point out as in our models a considerable range of control variables which are also statistically significant is included. Thus the same pattern which could already have been explored in bivariate cross-tabulations in section 5.1 is confirmed if we control for a range of alternative explanatory variables: a "simplistic" representative cost summary comes out as a driving factor in increasing rational switching behaviour. This also holds if we use alternative dependent variables such as CON SWITCHING and run logistic regressions.

Model 3A: Policy stimuli included, no country dummies: individualized cost information

N	**6,688**
F (10; 6,677)	20.89
Prob > F	0.000
R^2	0.030
R^2adj	0.029
Root MSE	2.310

Variable	Coeff.	Std. Error	t	Prob>|t|
Gender	0.144	0.057	2.51	0.012
Age class.	-0.126	0.021	-6.00	0.000
Active User	0.204	0.034	6.07	0.000
Shopper	0.182	0.058	3.11	0.002
Service Scope	-0.057	0.012	-4.87	0.000
High Switching Probability	0.151	0.023	6.57	0.000
Distrust Banks	0.077	0.027	2.85	0.004
Glossary	0.023	0.057	0.40	0.689
Standardised Offer	0.063	0.056	1.11	0.268
Individualised Cost Information	-0.286	0.060	-4.72	0.000
Intercept	3.896	0.120	32.50	0.000

Model 3B: Policy stimuli and country dummies included: individualized cost information

N	**6,688**
F (19; 6,668)	17.14
Prob > F	0.000
R^2	0.047
R^2adj	0.044
Root MSE	2.291

Variable	Coeff.	Std. Error	t	Prob>|t|
Gender	0.168	0.057	2.95	0.003
Age class.	-0.116	0.021	-5.50	0.000
Active User	0.137	0.035	3.90	0.000
Shopper	0.180	0.060	3.00	0.003
Service Scope	-0.031	0.013	-2.43	0.015
High Switching Probability	0.145	0.023	6.32	0.000
Distrust Banks	0.070	0.027	2.57	0.010
Glossary	0.023	0.056	0.42	0.676
Standardised Offer	0.066	0.056	1.18	0.240
Individualised Cost Information	-0.286	0.060	-4.76	0.000
DE-Dummy	-0.258	0.138	-1.87	0.061
ES-Dummy	-0.264	0.138	-1.91	0.056
FR-Dummy	-0.438	0.140	-3.12	0.002
IE-Dummy	0.157	0.135	1.17	0.242
IT-Dummy	-0.462	0.132	-3.49	0.000
LV-Dummy	-0.586	0.139	-4.23	0.000
NL-Dummy	-0.734	0.143	-5.14	0.000
SE-Dummy	-0.554	0.145	-3.83	0.000
UK-Dummy	0.224	0.137	1.64	0.102
Intercept	4.078	0.147	27.67	0.000

The opposite holds for individual cost summary information, for which the results are shown in model specifications 3 A and 3 B. As it turns out, the individualized information shows high and negative t-values. At first sight, this finding might be surprising as the assumption from a 'rational planning perspective' on policy-making would be that a realistic individualized cost summary should empower consumers to arrive at more (cost) rational behaviour. However, an interpretation taking account of key insights from the psychological foundations of behavioural economics might arrive at exactly the opposite assumption. Too much detailed information may have the unintended non-rational effect of preserving the status quo. We refer to this pattern as the "paradox of information".[9] Whereas in general information that

[9] We use this term not by analogy but there is some similarity with the "paradox of choice" explanation developed by the US psychologist Barry Schwartz. This states that having fewer options often reduces

increases transparency and comparability is seen as a means of empowering consumers to arrive at more "rational" consumption behaviour, many consumers might find it difficult to absorb the substance of very detailed and purely numerical information. Cognitive overburdening, associated with uncertainty and more risk-averse decisions, might lead systematically to more decisions in favour of the status quo. This may be different in a real-world purchase decision where consumers tend to invest more time making their decisions than in an experimental survey. However, even in a real purchase context the question is whether a cost summary providing detailed numerical information can cause uncertainty among many consumers. Since for many consumers an individualized cost information presentation might contain new information which is not easy to understand at first sight, the natural reaction can be increased feelings of uncertainty, usually leading to more security-seeking (or risk averse) behaviour. In such a situation, it is an unconscious but still rational response to stay with the status quo instead of switching to an alternative.

A separate analysis of the fourth choice task (details not shown here), where the preservation of the status quo was the more rational option, shows that the sign for the individualized cost information becomes positive, the t-value is above 1 but, therefore, does not surpass conventional statistical significance levels. But the tendency towards a positive sign is at least in line with an explanation based on the psychological foundations of behavioural economics, namely that too much detailed information can lead to an automatic reaction resulting in retention of the status quo, regardless of whether this is the more (cost) rational alternative. This final comment indicates that the 'rational behaviour' patterns vary if switching is the more rational choice in an experimental setting compared to status quo preservation.

consumer anxiety. There are different explanations for this pattern but a very prominent one focuses on cognitive overburdening as a key explanatory factor: facing (too) many alternatives causes feelings of insecurity in many people. This restricts their capacity to make reasonable comparisons – thus the probability of remaining in an existing arrangement may rise with an increasing number of alternatives provided. In our example the surplus information of an individualised cost summary may have systematically favoured the status quo over the alternative offer by a new bank, as the purely numerical data contained much new information. As the experiment followed shortly after this stimulus, the quasi-automatic reaction for many consumers might have been to cling more closely to the status quo.

7 FINDINGS AND CONCLUSIONS

The aim of this study was to investigate whether different (information-based) EU policy measures would help to improve transparency and comparability of bank fees, thereby increasing the willingness of consumers to 'shop around' and to take optimal or more rational decisions when it comes to opening and switching bank accounts, than in the absence of such policies.

This chapter presents the key findings of the experiment, summarising and interpreting the results. In a separate appendix (chapter 7) the empirical findings are embedded into an interpretation of the results which is mainly inspired by applied market research and behavioural economics.

The policy recommendations we put forward in the appendix are based on these two different strands of behavioural science based research. The policy initiatives aim at both, reducing the perceived efforts consumers have to invest in the switching process and increasing the awareness of the positive mid and long term effects ('gains') of more information based price assessments in the current account market.

Key findings

In this section, we summarise the most important findings, a shortlist of the seven key insights summarised by three major headline results. The findings are derived from both descriptive and analytical methods, as well as from the questionnaire parts of the survey and the experimental core of the study.

For the purposes of this summary, instead of discussing all the details, we focus on the core findings grouped along three major headline findings.

Headline finding I

Under the current policy status quo, most EU consumers show neither experience nor strong intentions to switch bank providers. This is mainly a consequence of high levels of customer satisfaction as well as of a lack of knowledge about the competitive benefits of switching providers.

The following two findings, which fall under this headline finding I, are all derived from the stated preferences, satisfaction levels with current accounts, and the experience with switching in the past or stated switching intentions in the future.

Key finding 1

Most consumers have no experience with switching a current account to another bank in the more recent past and have no intention to switch in the near future.

Key finding 2

'Shopping around' and comparing bank fees is not a common practice for most consumers, even amongst those who switched bank accounts. In addition, there is low awareness of the potential savings to be made by switching.

Finding 1 confirms the widely-held perception[10] of a banking market which displays a relatively low level of consumer mobility compared to other industries. Only 2% of consumers reported that they had actually switched their bank provider in the past two years, a further 2% are currently in the process of switching and another 7% showed a strong switching intention in the near future. This equates to nine in ten consumers (89%) who are loyal to their bank account provider with no recent switching experience.

When looking at the satisfaction scores this consumer inertia is far from surprising: 57% of respondents rate their current account as excellent or very good, 32% as good, with only one in ten (11%) who rated them as "fair" or "poor".

Similarly, around two thirds of respondents (68%) would recommend their bank and eight out of ten say they are "definitely" or "probably" likely to continue using their bank. A satisfied consumer has understandably fewer reasons to switch. For some consumers a high satisfaction may even outweigh the price factor of switching.

[10] See special Eurobarometer 373 and http://ec.europa.eu/consumers/strategy/docs/FL243_Analytical%20report_Final.pdf

On the other hand, these high satisfaction scores may also be a result of a common "consumer illusion" that all banks provide a similar account service for similar fee levels, which is indicated by the second finding.

Currently, six out of ten consumers never compare charges for current services among different providers. More interestingly, around 30% say they do not know how much their monthly fee is for their current account. Slightly under a third do not know how much it costs them to use other bank's ATMs, nor how much they pay for their postal statements. Seven out of ten do not know what the interest rate is for their authorized overdraft and 85% do not know the rate for their unauthorized overdraft.

All these figures illustrate that the underpinning rationale for the policy measures tested in this study, namely "a strong need for reliable and easily accessible cost information" remains valid. From a policy-making perspective, increasing consumer knowledge and facilitating access to information is clearly important in empowering consumers not only to compare offers more easily, but to understand the details of the account they currently have in terms of cost.

Headline finding II on behavioural patterns and the impact of tested policy measures:

Within an experimental setting, the tested policy interventions had limited impact on improving the likelihood of consumers making cost driven, rational choices.The representative cost summary displayed a small but significant positive impact on rational switching compared to the control group and the other policy measures.

Key finding 3

In the experimental part of this study a majority of consumers showed a preference for more cost attractive offers. This indicates that the selected price elements and levels are of high relevance in this decision experiment.

A majority of around six in ten consumers showed a rational preference for switching behaviour when a more cost attractive offer from a new bank was presented to them as an alternative to a less cost attractive account with their current bank.

This indicates – at least in an experimental setting – that a majority of consumers show a propensity to be price sensitive, as the cost differentials between the offers shown to consumers in the various choice tasks were comparatively small and mirrored realistically small price differentials in the existing bank account market.

This finding of a pro-rational preference was even more striking in a variant of the experiment where a new account offer was presented as the less cost attractive alternative, or where the two offers were presented as hypothetical choices (without switching).

In both variants, around 90% of consumers showed a rational preference for the more cost attractive offers. Thus, the findings from the experimental part of our study strongly confirm that in a decision situation prices and therefore price comparability are important.

Having emphasised the rational pro-switching behaviour of the majority of consumers in the experimental part of this study it is also worth stressing that 'non rational' behaviour resulting in inertia might be much more likely in a 'real life' context as price competes with other important factors like brand image, service quality and trust in a known provider. Despite such caveats, the main aim of the experimental part of this study, namely to present bank offers with realistically small cost differences has revealed cost rational preferences and therefore provides strong evidence for considerable price sensitivity among EU consumers.

Key finding 4

In the experimental setting none of the tested policy interventions had a dominant impact on the choice preferences. Other factors, such as usage behaviour and satisfaction with current providers, turned out to be more important factors influencing the behaviour patterns of participants in the experiment. However, a comprehensive and eye-catching "representative cost summary" had a positive impact on pro-rational switching behaviour of participants.

The evaluation of the potential four policy measures tested in the experimental setting shows that none of them had a *dominant* impact on the choice preferences and that various conditional factors have to be taken into account if their impact is to be assessed in a solid way.

Other factors like usage behaviour and satisfaction with current providers showed a stronger impact on the choice behaviour of participants in the experiment. Active users were more likely to favour more cost rational offers compared to passive users. This is in line with the expectation that heavy users face higher charges and with an increase in individual cost levels, the awareness of price differences is higher and the rewards of switching based on a cost-benefit analysis is higher than for consumers who only rarely use services which are charged.

The most important factor that matters for 'switching rationality' in the experiment was the current degree of satisfaction and (closely related to this) the 'strength of switching intention' regarding the respondents' provider in reality. This indicates that the choice behaviour in the experiment seems to reflect the consumers' current predisposition in his/her real bank relationship.

The relative impact of the potential EU policy measures which were tested in the experimental part of this study varies. Although many consumers found the information provided by a standardized glossary helpful, consumers to whom it was shown did not choose more frequently the more cost attractive alternative than those who had not seen the glossary.

At least partly this may be explained by the fact that a sizeable share of consumers had not read the glossary in more detail. Again it is important to stress that there might be differences in stated behaviour revealed within an experiment embedded in an online survey and real life behaviour.

In a real life situation consumers may spend considerably more time on the information provided by a standard glossary than in an online survey where participants know that their decision will not have a real impact on their monthly account figures.

The two policy measures which aim at providing consumers with more standardized cost summaries are the ones which have not governed the decision behaviour of consumers in the experiment, but have significantly influenced it.

Whereas a comprehensive and attractively presented representative cost summary for two types of users, one representing an active the other a passive one, resulted in significantly higher shares of pro-rational switching behaviour, a more text based, individualized cost summary led more frequently to status quo-oriented choices.

At first sight this result may be counterintuitive, as the individualized cost summary was calculated on the basis of the reported usage patterns of respondents and therefore should have provided more tailor-made information.

As we discuss in the appendix, based on the insights of behavioural economics concepts and evidence from market research this finding confirms the theory that too much detailed information can result in the opposite desired behaviour that favours the status quo (the paradox of information overload).

Key finding 5

Both policy measures which aim at improving the switching process were rated favourably within the questionnaire part of the survey, namely 'Making EBIC principles legally binding' and 'Establishing a redirection service'. The latter received a slightly more positive reception.

To restrict the number of policy stimuli that were assessed within the experimental part of the study, two potential policy measures were presented to respondents in a traditional questionnaire format, after having summarized the key substance of the potential interventions.

For both, a legally binding implementation of the so called EBIC principles and the establishing of a redirection service, a majority of respondents showed a positive

response: around six in ten consumers stated that these measures would make switching more likely.

The redirection service can be seen as more effective as it seems to attract a broader range of consumer segments beyond the merely dissatisfied bank customers.

Given the kind of agreement bias such statements can often produce, the actually expected 'direct impact' would presumably be not strong. However, as we discuss in the appendix, both measures may have a more indirect, by helping to reduce the perceived imbalance between efforts to switch and gains from switching.

Headline finding III:

There is considerable variation in consumers' behaviour and preferences across the EU as well as within each country. Thus an effective "one policy fits all" solution is difficult to identify. The more active (less cost-conscious) user type would benefit most from an improved transparency and comparability of bank fees.

Key finding 6

There is considerable country-specific variation in usage patterns, other key consumer indicators and rational switching preferences.

Key finding 7

There is also strong variation both within each country and across the EU, indicating different customer segments based on differing usage behaviours, preferences, and consequently, actual behaviour. The active (less cost-conscious) user type is the consumer segment with the strongest need and the most positive reaction to the tested policy options.

Descriptive cross-tabulations as well as more analytical multivariate analyses show that the variation across the 10 countries we have included in this study is striking, both when it comes to stated usage patterns as well as when the results of the choice experiments are considered more thoroughly.

Whereas in some countries, a more switching oriented behavioural pattern among many consumers such as those in Ireland and the UK is observable, other countries usually associated with strong banks and 'fiscal conservatism' like the Netherlands show above average inertia. As this study has not engaged in a discussion of the root causes of such country specific differences – such as the historically grown regulatory patterns in different EU countries – this report has only documented country specific variation, but not tried to explain it.

Having mentioned the country differences this study has revealed – it is at least as important to emphasise the robustness of findings which have revealed strong commonalities among consumer segments across the Member States. As demonstrated in the discussion of the multivariate regression analysis in chapter 5, if one statistically controls for country specific effects a set of individual variables does show a robust impact on more or less rational choices in the experimental part.

- Gender: women showed a significantly higher rational behaviour in the switching experiments than men
- Age: younger consumers revealed a more rational switching behaviour
- Usage patterns: active (less cost-conscious) users who more frequently use charged for services (overdraft, postal delivery, and charged withdrawals) and therefore are more affected by current pricing policies of banks show a more cost rational choice behaviour. However, these consumers also use a broad range of services with their current bank and therefore face higher switching barriers. This consumer type consistently shows the best ratings of the introduced policy options, which suggests viewing this segment as the primary target for future policies.

Conclusions

As the findings of the multivariate analyses of chapter 5 suggest, the impact of the policy measures investigated in this study are difficult to differentiate on the basis of the experimental design of this study. There are many factors which drive behaviour in this area, some of them obviously deeply rooted in habitual behavioural patterns and attitudes which are not easy to change. Currently, without the policy measures tested, the majority of consumers do not consider switching their bank in the near future nor do they 'shop around' to compare different offers in the market for current bank accounts. Among the small minority of consumers who have switched their provider in the more recent past, a sizeable proportion did not spend a significant amount of time to assess cost information from different providers. Thus, the perception that significant savings can be made by switching is not common among a majority of European consumers as long as the comparability and transparency of account prices is not improved.

The key issue for EU wide policies aiming at empowering consumers to become effective is to provide measures that encourage more citizens to shop around more frequently, i.e. to access improved information on bank fees. Policy measures based on standardized information, improved price transparency and comparability can contribute to such a behaviour change. However, only if consumers are primed to look for such relevant information, they would be able to assess it properly and benefit from glossaries, from cost summaries and eventually fully understand the advantages (and disadvantages) of their current account. Easily accessible information as described in the appendix to this chapter may define a way forward to increase bank mobility in the current account market in the European Union.

8 APPENDIX TO CHAPTER 7

Chapter 6 has summarised the most important descriptive findings of the empirical investigation of the study. This appendix serves as an extension and provides a more interpretative approach: it takes selected key results from the study which seem important when it comes to conclusions concerning recommendations for effective EU policy measures.

For this purpose, it takes into account insights from applied market research and from the multidisciplinary approach of understanding (consumer) behaviour by behavioural economics. Lessons from both approaches to understanding consumer behaviour can be drawn upon to enrich policy-making in the area of bank accounts. The following paragraphs focus on the main challenges for effective policy measures to improve consumer empowerment and thereby the competitiveness of the current bank account market in Europe.

From a consumer perspective, there are three main target dimensions that are relevant for empowerment in this market:

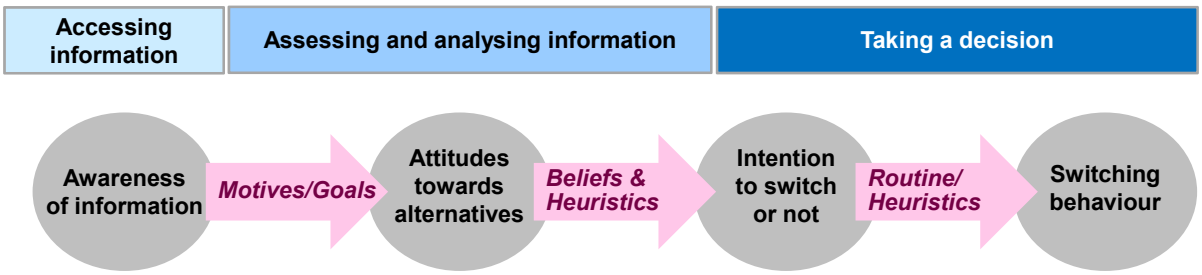
- Reducing detriment by facilitating the switching process and minimising costs.
- Improving consumer perceptions of savings to be made from switching to enable consumers to make a rational cost-benefit-analysis.
- Making 'shopping around' more relevant to consumers.

Although the first objective seems to be easier to influence directly from an EU policy-making perspective, the latter two targets may actually be more effectively influenced from a consumer behaviour perspective.

Target zones of policy measures

To contextualise the findings of our study and to structure the 'target zones' of possible policy interventions we put forward a radically simplified, ideal choice process in the market for bank accounts. This process consists of three major stages:

- accessing available information
- assessing and analysing information
- taking a decision based on previous steps



When looking at the different stages of a consumer decision process, it becomes apparent that the first stage of 'accessing information' serves as a necessary starting point for all policies that are only applied after this stage.

However currently, the majority of consumers across Europe do not enter any of the three stages.

Policies which increase the probability that a sizeable part of European consumers will start **accessing information** are therefore a necessary requirement to increase the probability that the subsequent stages may happen at all, or in other words, to overcome consumer inertia which seems currently to be a consequence of low issue salience and awareness due to a lack of accessed information.

Across Europe, 60% of all consumers admitted to not shopping around and comparing account charges at all. They never enter this decision process. Among those who took the decision to switch, only 56% shopped around, i.e. 44% simply skipped the first two stages.

Therefore, the tested measures that are relevant for the stage of assessing and analysing information would be recognised only by a minority sub-segment of consumers.

An effective policy approach to overcome consumer inertia in the market for current account should therefore comprise measures that can contribute to increased **awareness** among EU citizens that cost comparisons of bank fees are worth the effort – at least in the long run. Effective policy measures should be designed in a way that not only the currently small segment of consumers who are already in the process of opening a new bank or who show a high switching probability are targeted by information based policies or other means.

It is the large segment of consumers who show high satisfaction and loyalty levels with their current provider and therefore have no or low switching intentions who generally feel no need to access and assess price information in the current account market and therefore have to be targeted by policy measures, too.

A key issue for increasing the potential dynamic in the markets for bank accounts by policy interventions is a combination of policies which provide easy accessible information and also contribute to a more widespread perception among consumers that switching can result in a "high benefits for low efforts" outcome.

Why scrutinising high satisfaction and loyalty scores is important

More than any other factor, the satisfaction and loyalty with a current provider not only affect the likelihood to switch but also to access price information. Consumers who are more satisfied with their current provider tend to be loyal even if that may imply sticking to a less attractive alternative from a purely cost perspective.

One of the key findings derived by this study suggests that high satisfaction levels are at least partly the result that a majority of consumers in the EU is not aware of comparative price levels. Compared to other markets for goods and services (like cars, household equipment, food, mobile telephone providers etc.), price transparency and comparability is comparatively weak in the market for current accounts.

Current account providers may emphasize that the high levels of customer satisfaction are a consequence of their consumer friendly, high service quality and competitive price offers. However, the findings from this study suggest that there is strong evidence that an alternative explanation is important to understand the high customer satisfaction levels and the 'consumer inertia': high satisfaction scores do - at least to a certain extent - mirror low consumer salience and awareness in the context of a dysfunctional market.

		„Mobile" customers		
Switching beliefs & attitudes Base: EU10 – all respondents	**All**	**Previous switchers**	**Current switchers**	**Strong sw. intenders**
Lower effort / higher savings when switching accounts				
Q56.1/58: It is possible to save > 50 €	**8%**	↑ 13%	↑ 18%	↑ 19%
Q56.1/58: It is possible to save < 50 €	**8%**	8%	↑ 13%	↑ 12%
Q56.1/58: Nothing to save / Don't know	**84%**	↓ 79%	↓ 70%	↓ 69%
Q56.4: It is easy to switch (agree)	**54%**	↑ 65%	↑ 63%	53%
Q57: Time spent on comparing and switching: 'more than one day'	-	22%	-	-
Issue salience & confidence				
Q20: Shopping around & comparing account charges (yes)	**40%**	↑ 56%	↑ 64%	↑ 55%
Q19: Feeling well informed about costs of own current account (very/quite)	**76%**	↑ 80%	↓ 70%	↓ 58%

The key challenge therefore is to increase consumers' salience and awareness of price differences. Therefore, policy measures which will minimise consumer effort to access price information have the highest potential to increase the awareness about existing cost differences, a prerequisite for the perception that assessing comparable information on bank offers might indeed be worthwhile. If more consumers start to assess comparable price information and even start to 'shop around', the kind of policy measures that have been tested in this study may indeed have more impact on the behaviour of consumers than seen in the test. At least, as long as the price differences in the banking markets across the EU are as significant as they have been according to most recent surveys.[11]

An information based 'nudge' to encourage accessing and assessing cost information

To increase the probability that more consumers access and assess information on fee levels various policy measures could be discussed. We restrict the range of options to one idea borrowed from other policy areas which would probably not work in the area of bank accounts and to two supplementary measures which could indeed contribute to an increased willingness to assess the relative costs of one's bank account.

An idea that could be considered is based on existing summary information on consumption behaviour such as that seen in energy bills, i.e. providing relative cost information in the summary statements of bank accounts. However, compared to policy areas like energy consumption or other areas where such a calculation of individual customers' costs is more straightforward, bank fees are more complex. The multidimensional aspects of current account services raise the issue of how valid benchmark indicators for fees could be developed. An even more sensitive task is the 'control' aspect of such benchmarks in the area of private finances. A requirement to arrive at valid and reliable benchmarks would require access to highly sensitive personal data on bank usage behaviour. This obviously raises the issue of privacy. Thus, the kind of benchmarking oriented measures which work in other areas do not seem to offer a realistic option in the area of current accounts.

Easier to implement are policy measures which provide **easily accessible** and **cost free** information about bank fees provided by consumer protection agencies monitoring the banking market. Centrally organized information available online and provided either by the EC directly or an independent public agency might provide a solution. Any policy measure which would focus on improving the publicly provided information infrastructure would have to find means to secure that a sufficient number of consumers would access the available information. Therefore, information based service offers would only have a substantial impact if a well-designed communication and social marketing strategy accompanied the policy strategy – and/or separate push information is provided to consumers to increase cost awareness. It also has to be borne in mind that different social strata do not use "rationally" designed information equally nor with equal levels of cognitive competence: citizens with a relatively low educational or income background,

[11] European Commission, Directorate-General for Health and Consumers, 2009: Data collection for prices of current accounts provided to consumers.

i.e. those who may have the highest *relative*[12] benefit from comparative cost assessments, are known to use that kind of information less often than persons from lower social strata.

A concrete way to maximise the potential impact of cost information is a 'low effort' policy for consumers that removes the issue of the initial access to information. Automatically provided 'push information' in the form of mandatory cost summaries which are regularly sent to consumers by their bank with no extra charges involved and posted separate to account statements, are a potentially effective policy measure. Currently, most consumers across the EU are not aware how much they pay for bank fees in total over a given period of time or for individual services – although monthly or quarterly fee summaries for certain services like interests are typically shown in account statements. This is at least partly to do with the "presentation context" of the information provided. The current framing[13] of bank fees is typically split into very small amounts for each account service or transaction, which compares favourably low to other expenses. However, if a cumulative sum of all bank fees associated with the current account over one year would be distributed this sum could be better compared with other annual costs, which could make it more relevant to consumers to monitor and to shop around. Thus, automatically sent push information has the potential to increase the probability that consumers take notice of costs and start analysing it, in other words: that salience and awareness starts to increase, a prerequisite for influencing the inclination to consider the cost-benefit considerations of assessing alternative offers or even switching.

Decision stage

As in the case of standardized information provided to consumers already entering a purchase process, the right balance between maximising the standardisation of relevant information provision on the one hand and attractively and simplified presentational style on the other hand is a key issue that can have a significant impact on the decision to switch or not to switch. Traditionally, consumer protection policies in many areas and countries have been inspired by the diagnostic of "information asymmetry". The assumed lack of information of consumers was the starting point for policy initiatives that aimed at providing *more* information. This notion is not wrong, of course. But it has to be qualified if it is restricted to the quantity of information and does not take into account how information is presented to consumers (according to their 'needs'). As it is known from consumer protection initiatives but also other areas, "simply providing more information to consumers may not be sufficient"[14] and sometimes too much information can be harmful to individuals' making the "right" choices.

[12] Relative benefits as e.g. measured as savings from switching expressed as a percentage of available net equivalent household income. In contrast, *absolute* savings will be higher for active users which more often are to be found in higher income strata.

[13] Behavioural scientists call it the 'anchoring' heuristic, which explains that people's judgements are influenced by their 'starting point' and framing.

[14] See Bundesverband Verbraucherzentrale: Behavioural Economics – eine neue Grundlage für Verbraucherpolitik?, 2008. The quotation is taken from the English abstract of the study conducted by Andreas Oehler (University of Bamberg) and Lucia A. Reisch (Copenhagen Business School).

Our findings on the tested cost summaries in our experiment provide strong confirmation of this more general finding originally put forward in the area of social psychology. When more detailed technical and numerical information is presented, the higher the risk that sizeable shares of consumers might not understand or want to read it thoroughly. This increases the likelihood of keeping a product, or more generally the status quo.[15] The most likely result would be an unintended 'paradox of information' outcome, a process that systematically increases the likelihood of retaining the status quo. Thus, the kind of graphically attractive representative cost summary, reducing the 'real consumer heterogeneity' to a stylised user segment typology may provide an easier basis for cost assessments.

Cost-benefit perceptions

Communication policies that reduce the asymmetry between perceived "effort" and expected "gains" (savings) if switching a current account seem to be central for any successful policy implementation that aims at decreasing consumer inertia. For the vast majority of consumers who do currently not assess available information on bank account charges, the first step for increased awareness is to persuade them that the effort to switch might be lower than currently assumed and that benefit of switching in the long run may produce sizeable savings.

In a radically simplified way, the effort-reward structure in the current account market may be reduced to a dimension focusing on perceived efforts involved in switching a bank account and the assumed benefits to be gained from such a "behavioural change". On the cost and benefit side, one has to take into account (1) the time period when a potential value for effort may be recognized and (2) the expected levels of effort and reward. Concerning the time horizon *hyperbolic discounting* can be a real obstacle to behaviour change that is associated with long-term gains only, as the discounting factor reduces the *perceived* "value for effort" for many consumers. In such a context information that aims at **educating and persuading** consumers that the long term benefits of a certain behaviour change are worth an effort which actually might be lower than assumed is essential.

In the case of bank accounts, EU policy interventions that aim to increase the short term rewards are not realistic – although communication measures that help to overcome the notion among many consumers that switching involves significant monetary costs can be combatted by clarifying that many banks offer a switching bonus and service. The promise of the private sector which is communicated in marketing campaigns is that switching will involve only low effort and be rewarded with a short term reward like for example a significant lump sum payment or other monetary incentives[16]. Such marketing strategies are not an option for public policies. Rather policy interventions that help to reduce or minimize the effort in comparing the charges of different providers or even switch to a new bank are important. **The**

[15] A masterpiece for illustrative purposes are the mandatory annual information summaries private insurance companies have to send for private pension plans, including capitalized life insurance products: the legally mandatory information pieces in Germany are based on technical concepts and various numeric calculations which are extremely difficult to understand for sizeable shares of consumers.

[16] Aggressive marketing campaigns of some suppliers, e.g. in the UK, focus on the promise of high short term gains by paying consumers who open a new bank account with a welcome cash bonus of 100 pounds or even more.

policy measures on binding EBIC principles and the redirection service for facilitating switching processes therefore point in the right direction. However, these measures will not positively impact on behaviour change automatically. Their existence and the advantages they have during the switching process have to be communicated in a way that the perception becomes more widespread, that switching involves less effort than often assumed, does not involve complex or lengthy processes of administrative paper work, and that EU legislation guarantees standards and rights with which banks have to comply.

The most important challenge is to **persuade consumers that switching may pay off in the long term**. Patience and trust are two factors that make this long term rationality vulnerable to various short term heuristics. For example, saving an amount of 10 Euro per month or even 120 Euros in the first twelve months after switching to a new provider offering more cost attractive services might not be perceived as a saving that is worth the effort to close an existing and opening a new bank account. However, extending the time horizon to five or ten years may change the perceived cost-benefit ratio considerably. Instead of a purely numerical summary of short term cost differences, well known tools from (social) marketing campaigns may therefore offer helpful guidelines how to transport and to illustrate the long term savings potentials over a five or even ten year horizon. The 5- or 10-fold savings potential can for example be illustrated by a sample basket of goods and services[17] one might buy due to saved bank fees. Overcoming a short-term 'rationality trap' therefore seems to be a key issue here, and persuasive communication strategies are an important vehicle to help overcome the current inertia in the market for banking accounts by empowering consumers by means of legitimate and effective policy interventions.

[17] That are carefully selected for a framing effect.