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Consumer behaviour and attitudes when shopping around for multiple financial and household services

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Consumer behaviour and attitudes when shopping around for multiple financial and household services

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Abstract

In developed economies, such as the UK, to function from day to day every household requires a substantial array of basic services that might be termed 'household infrastructure'. These include utilities, such as energy supply and communications, and financial services, such as banking and insurance. Increasingly, UK governments have adopted the view that the best outcomes for consumers and the most efficient allocation of resources in virtually all markets, including those for household infrastructure, are achieved through competitive markets. Effective competition requires consumers to engage actively in these markets, being prepared to switch providers in order to signal their preferences and influence the pricing and product decisions of firms. In many of the household infrastructure markets, there is evidence that consumers are not sufficiently engaged to drive competition in this ideal way. Numerous studies have looked at the barriers to engagement in individual markets and proposed ways to foster consumer-driven competition for each particular service. However, little research has been done looking at whether the need to engage simultaneously in many different markets could itself constitute a barrier. The research presented here used a survey of over 1,000 consumers to examine their behaviour and attitudes when shopping around for multiple services. It finds that the average household shops around for fewer than half of the infrastructure services they use and suggests that regulators may find it tough to persuade households to shop for the rest. Consumers who do not shop around tend to overestimate the difficulty of the task, are more likely to think that providers are all the same (especially for energy) and that the potential savings are too small to make shopping around worthwhile (particularly in the case of energy, insurance and credit cards). Respondents also took part in a cognitive test which, if reliable, suggests that even when consumers do engage, their shopping around might not drive competition effectively.

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Background

In the UK, to function day-to-day even at a minimum level, households need to buy a wide range of services. These might be characterised as household infrastructure. As a minimum, this infrastructure is likely to include: energy supplies, phone service (landline and/or mobile), car insurance (for car-owning households), household insurances and bank current account. Many households will have further services they consider to be essential, such as broadband, pay-TV, credit card and savings account.

In a largely market-based economy, such as the UK, policymakers tend to the view that the best outcomes for consumers and the most efficient allocation of economic resources are achieved through competitive markets. One requirement for effective competition is that consumers engage actively in these markets, being prepared to switch providers in order to signal their preferences and so influence the behaviour of firms (see, for example, Competition Commission, 2014). However, textbook perfect competition is rare and there are potentially many barriers that prevent consumers from engaging in this ideal shopping and switching behaviour. This may be particularly the case with household infrastructure services because: some (such as energy and communications) have some characteristics of natural monopoly, where economies of scale mean that in theory production is most efficient when concentrated in a single provider; others (such as banking) are dominated by a small number of very large providers; and, in others (particularly financial services), products are often complex and hard for consumers to assess. As a result, most household infrastructure markets are regulated - by the Office of Gas and Electricity Markets (Ofgem) for energy, The Office of Communications (Ofcom) for phone, broadband and TV and Financial Conduct Authority (FCA) for financial services.

The regulators engage actively in trying to reduce barriers to consumer engagement (UKRN, 2014). Their policies are diverse, for example, increasing the information provided to consumers, requiring providers to simplify their range of services and improving price transparency. Research and policies generally focus on the market for each service individually. There is a lack of research into the impact that engaging simultaneously in multiple markets might have on consumers' behaviour and attitudes and so whether some overarching policies might be appropriate or possible. The research presented here explores that gap. In particular, while consumer engagement in any one market might not seem onerous, it seems reasonable to suggest that the time and effort required increase when multiplied across all the markets with which consumers are expected to engage. Therefore, the questions which this research aims to address are:

- Does the need to engage in multiple markets for household services deter shopping around?
- What ranking would consumers give to different services if time and effort available for shopping around and switching are limited?
- How do perceptions about the costs and benefits of shopping around vary across services and between consumers who shop around and those who do not?

Literature review

Competition and the consumer

The perceived benefits of competitive markets and the role consumers play in creating them is embedded in the economics literature and neatly summarised in the guidelines for the work of the Competition Commission, which was the forerunner of the UK's current competition regulator (emphasis added):

> *'Competition is a process of rivalry as firms seek to win customers' business. It creates incentives for firms to meet the existing and future needs of customers as effectively and efficiently as possible—by cutting prices, increasing output, improving quality or variety, or introducing new and better products, often through innovation; supplying the products customers want rewards firms with a greater share of sales … Vigorous competition between firms also fosters economic growth, as firms respond to competitive pressure by striving for efficiency and directing their resources to customers' priorities.* ***Customers have an important part to play in stimulating rivalry between suppliers by making informed decisions which reward those firms that best satisfy their needs or preferences.*** *Markets work best when both the supply side (the firms) and the demand side (the customers) interact effectively … ways in which competition can be threatened include … customers may lack information about what product to choose, may not be able to judge between different products on offer or may be locked into one supplier and unable to switch to another.'*
>
> Competition Commission (2014, pp.7-8)

Anything that prevents market efficiency - in other words, impedes competition - is characterised as 'market failure'. It can take many forms: monopoly power, asymmetric information, externalities, and so on. In the markets for household infrastructure, a common reason cited for market failure is lack of sufficient consumer engagement and there is persistent pressure for consumers to become more active. For example, an FCA (2015a) market study concluded that the savings market was not working well largely because four-fifths of consumers had not shopped around at all in the last three years; a Competition and Markets Authority (CMA) (2015a) study of banking services identified lack of consumer engagement as a major theory of harm; and its review of the energy market (CMA, 2015b, p. 21) recommended a range of measures, including increased information, to promote higher consumer engagement. In other areas beyond household infrastructure, such as pension annuities (FCA, 2014), it is suggested that the market would work so much better if only consumers would engage. The ideal consumer can expect a heavy workload.

In the marketing and economics literature, the many different factors that may deter consumers from active engagement are embraced by an overarching term: 'switching costs'. Klemperer (1995) describes several mechanisms by which switching costs impede the functioning of competitive markets. Firstly, switching costs give providers a degree of monopoly power over existing customers who can become trapped into expensive contracts. In the hypothetical event that firms were unable to price-discriminate between existing and new customers, this would increase prices across the whole market, because firms with an existing substantial market share would stand to lose more

profit from existing customers than they would be likely to gain by reducing prices to capture market share from rivals. In practice, firms with monopoly power often are able to price discriminate, particularly where switching costs enable higher prices to be charged to existing customers than new ones. So a second way in which switching costs impact is through the ability of firms to milk profits from existing customers which provides an incentive to grow market share by competing aggressively for customers who have not yet built up any switching costs, such as young adults taking up the product for the first time. This may make it hard for new firms to enter the market, reinforcing existing suppliers' dominance. A third mechanism is that, where customers are captive though the existence of switching costs, there is less incentive for firms to compete through product differentiation, so consumers are offered less variety.

The UK Regulators Network (UKRN), which includes Ofgem, Ofcom and the FCA among its members, identifies switching levels in a market as a *'useful indicator'* of consumer engagement (UKRN, 2014, p9). It has published an extensive review of the literature on the level of switching and factors that affect switching in a range of markets: general insurance, retail banking, gas and electricity and communication. While this provides good insights into consumer engagement within each respective market, there is, as the review notes, only a limited amount of cross-sector research.

Barriers to switching provider

Barriers to switching and switching costs can be classified in a variety of different ways. UKRN (2014) maps barriers to stages in the consumer journey:

- **Engagement.** Awareness of choice and willingness to switch. This involves perceptions of the market and the outcomes of switching. Engagement is likely to be higher if there are triggers for engagement, such as annual renewal.
- **Assessment.** Access to trusted information, understanding of own consumption patterns and ability to make comparisons. This will be more difficult if products or information about them are complex.
- **Action.** Ability to make the change. This may be hampered by, for example, cancellation fees and onerous transitional arrangements.

UKRN also adds an overarching barrier related to consumer characteristics, including behavioural biases and factors which may reduce capability or capacity to engage, assess or act – these could include practical barriers, such as lack of internet access, or lack of confidence, time or numeracy. All three stages of the process are deemed to be influenced by attitude, in particular the perception of the costs involved versus the potential benefits from switching. Costs are divided into financial (net monetary gain) and non-financial (time and energy).

Burnham et al (2003) offer a different taxonomy, as shown in Figure 1, dividing switching costs into procedural, financial and relational costs, using a broad definition of cost that embraces:

- **Economic risk costs**. The uncertainty about the future performance, cost and convenience of a new and previously untried provider.

- **Evaluation costs.** Time and effort involved in searching for, and analysing, alternative providers.
- **Learning costs.** Time and effort involved if new skills are needed to use a new provider's product.
- **Set-up costs.** Time and effort involved in cancelling the existing provider contract, initiating the new provider contract and any installation required.
- **Benefit loss costs.** Any loyalty bonuses and discounts lost on switching.
- **Monetary loss costs.** One-off costs incurred with the new provider, such as a deposit or joining fee.
- **Personal relationship loss costs**. Loss of familiarity and comfort built up with the current provider.
- **Brand relationship loss costs**. May be involved if the existing provider's brand has a symbolic or identity value to the consumer.

Procedural switching costs	Financial switching costs	Relational switching costs
• Economic risk costs • Evaluation costs • Set-up costs • Learning costs	• Benefit loss costs • Monetary loss costs	• Personal relationship loss costs • Relationship loss costs

Figure 1: A typology of consumer perceptions of switching costs
Source: Burnham et al (2003, p112)

The research presented in this paper focuses on the 'engagement' part of the consumer journey and mainly on those procedural costs - economic risk costs and evaluation costs - which relate largely to each market as a whole rather than the design of specific products.

For any household, evaluation costs can be considered as drawing on limited resources of time and effort. To claim that all households have limited time is unlikely to be controversial, although time pressure will vary for different households depending, for example, on work status, family demands and nature of free-time activities. A claim that effort is a limited resource needs further examination.

First, it is necessary to define 'effort'. Shugan (1980) suggests that the cost associated with making decisions is 'thinking cost'. He suggests that consumers decide between products by weighing up their relevant inherent characteristics and distinguished three factors that increase thinking cost. If the satisfaction (utility) derived from competing products is similar, then thinking cost will be high because more comparisons will need to be made to tease out the differences. If the confidence with which the decision needs to be made is high, then thinking cost rises - Shugan gives the examples of choosing chewing gum, where confidence does not need to be high since the product is cheap and easily switched on repurchase, and a house, where confidence needs to be high given the large financial outlay and limited opportunity for switching. Finally, the more variability there is in the way different characteristics score, the higher the cost - for example, if all characteristics for one product score more highly than characteristics for another (low variability), the decision is easy and thinking

cost low, but if some characteristics perform better and some worse (variability high), the decision is more complex. One way the current research tries to capture this is to ask respondents how difficult or easy they find the process of shopping around.

Shugan's approach assumes a fairly analytical approach to product comparison, but it is not clear that consumers tackle shopping around in such a rational way. Stanovich and West (2000) describe two processes of thinking which they term 'System 1' and 'System 2':

> *'System 1 is characterized as automatic, largely unconscious, and relatively undemanding of computational capacity…System 2 encompasses the processes of analytic intelligence that have traditionally been studied by information processing theorists trying to uncover the computational components underlying intelligence.'*
>
> Stanovich and West (2000, p.658)

Using this distinction, Kahneman (2011) categorises making choices as examples of 'System 2' thinking, in other words, slow, conscious, reasoning that allocates attention to mental effort, and he suggests that such cognitive exertion conforms to a *'law of least effort'* (p35). He cites work by Baumeister that shows all types of voluntary effort, whether cognitive, emotional or physical, draw at least partly on a shared pool of mental energy that easily becomes depleted. Without sufficient incentive, there is a tendency for people to adopt *'lazy'* thinking by relying on System 1 – fast, automatic intuition – without engaging System 2 to check that intuitive outcomes are correct. As Stanovich and West emphasise, the importance about the distinction between System 1 and System 2 thinking is that they *'cue different responses'* (p659). Those who use System 2 thinking as a double-check are more engaged and could be described as more rational (Stanovich cited in Kahneman, 2011). Applying this to the context of shopping around, it might be expected that intuitive, System 1 thinkers would be more prone to decision errors (for example, being more readily swayed by firms' marketing claims) and less likely to drive competition effectively. They might be overconfident and underestimate the effort involved in choice decisions. In other words, System 1 thinkers might be more prone to the many decision *'biases and blunders'* described by Thaler and Sunstein (2009) in their influential book, *Nudge*. This chimes with the UKRN (2014) suggestion that behavioural biases and capability may impair shopping-around behaviour. The use of System 1 or System 2 thinking might also manifest in different shopping around and switching behaviour. Since System 2 is effortful, it could be that, compared with System 1 thinkers, System 2 thinkers might be less likely to shop around, shop for fewer services in total, take more time and/or perceive the task to be more difficult. However, as is so often the case with behavioural insights, other interpretations might be equally plausible – for example, rational, patient System 2 thinkers might be *more* disposed to review their service providers regularly than their more impatient, live-for-today System 1 counterparts.

Despite the potential difficulty in interpreting results, it was decided to gather some information from respondents in this study to test whether they might be deploying System 1 or System 2 thinking. A method for doing so is outlined by Kahneman (2011) who describes Frederick's Cognitive Reflection Test (CRT) as *'one of the better predictors of lazy thinking'* (p48). Frederick (2005) developed the CRT as a simple measure of cognitive ability and found it to be predictive of outcomes in the types of choice studied by decision theorists. The test comprises three questions that invite

quick intuitive responses and act as discriminators between individuals who tend to rely on System 1 thinking and those that perform a System 2 double-check. The questions[1] are as follows:

- *'A bat and a ball cost $1.10 in total. The bat costs $1 more than the ball. How much does the ball cost?'*
- *'If it takes 5 machines 5 minutes to make 5 widgets, how long would it take 100 machines to make 100 widgets?'*
- *'In a lake, there is a patch of lily pads. Every day, the patch doubles in size. If it takes 48 days for the patch to cover the entire lake, how long would it take for the patch to cover half of the lake?'*

Frederick (2005, p.27)

The quick intuitive responses to these questions are incorrect. To arrive at the mathematically correct answers, respondents must engage some System 2 thinking. Frederick (2005) scored the results of his test on a 0 to 3 scale according to the number of questions correctly answered, in other words, the number that demonstrated System 2 thinking. He compared the extreme scores of 0 and 3 with the outcome of various decision-theory tests and, in many (but not all) cases, found a significant association.

A final piece of research that may bear on shopping around in multiple markets is the work of Iyengar and Lepper (2000) who found (in experiments with jam) that too much choice can lead to inaction. If time and effort are limited resources, consumers may find themselves in a situation not simply of being encouraged to choose between different providers of any one service, but also facing a choice about which services on which to expend their time and effort. Faced with too many demands on their time and effort, it could be that consumers disengage altogether from the shopping around and switching process.

Research method

To address the research questions, a quantitative, survey-based approach was used. Fieldwork was carried out in July 2015 by Populus. The sample (N=1,097) was weighted by key demographics (such as gender, age, region and income) to represent the UK adult population. Due to budget constraints, the survey was administered online. This has implications for the results which need to be borne in mind when drawing any conclusions:

- Groups who are not internet enabled are missing from the survey. For example, in Britain, 91 per cent of households have fixed broadband access, but the figure is much lower for those age 65 and over, at 41 per cent (ONS, 2014).
- Shopping around online is likely to require less time and effort than other means (such as phone and branch visits). For example, the FCA (2015b, p.27) notes: *'Increasingly, people living without internet access are potentially vulnerable, due to lack of access to their own accounts and information, as well as the more general ability to shop'* and UKRN (2014) also refers to lack of internet access as a barrier to consumers' gathering information. Therefore, the results presented in this paper may tend to overstate the incidence of shopping around

[1] Correct answers are: 5 cents; 5 minutes; 47 days. Intuitive answers are: $10; 100; 24.

and underestimate the barriers to shopping around. The extent of this impact is likely to vary depending on the service, since, as Figure 1 shows, respondents in the online survey reported using online sources heavily when shopping around for insurance and energy but less so for bank, savings accounts and pay-TV.

Shopping around does not necessarily lead to switching provider. This may be for various reasons, for example, because shopping around reveals that switching is not worthwhile, the process is abandoned before switching takes place or there are barriers to switching. With this in mind, an initial version of the survey separated the shopping-around process from the switching process, but testing with a pilot sample found that respondents do not generally make that distinction. Rather, they see shopping around as a seamless part of the journey towards switching or not. Therefore, the final version of survey probes time and effort spent on the whole process but enables results to be filtered by whether or not switching then took place.

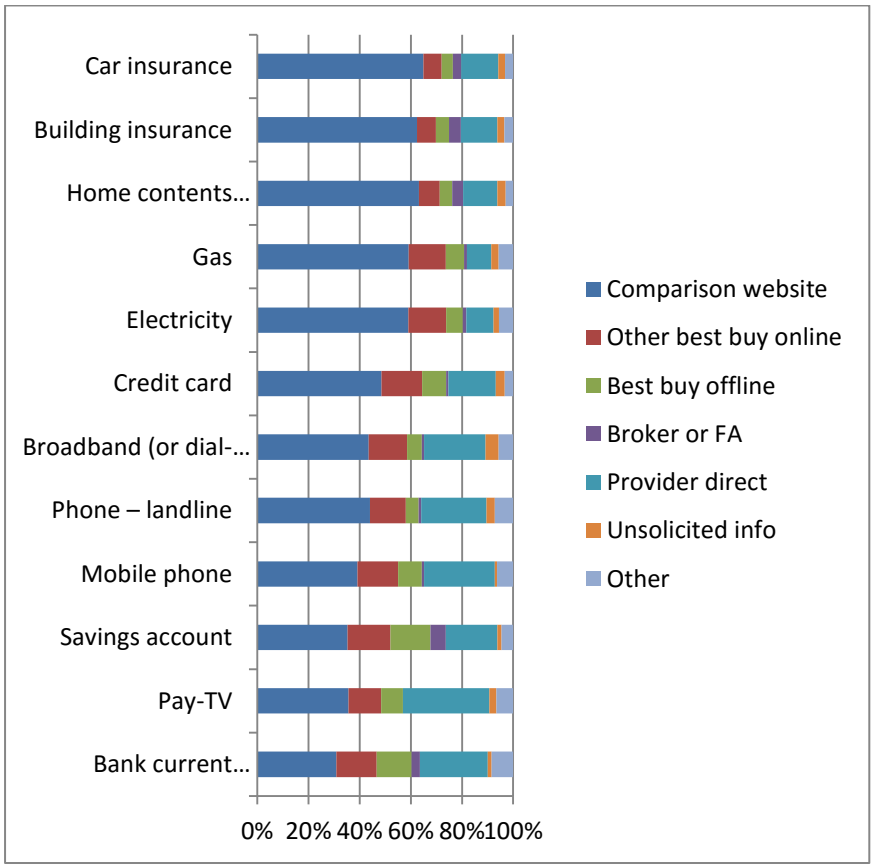

Figure 1: Sources used when shopping around
Base: Users of each service who shopped around

The data collected were cross-tabulated in a variety of ways to explore whether statistically significant associations exist between a variety of factors and shopping around, not shopping around and switching behaviour. The presentation of the results uses the following terms:

- **Users**. Respondents who use a particular service.
- **Shoppers**. Users who had shopped around for the service in the last three years.

- **Switchers**. Users who had shopped around for the service and switched provider in the last three years.
- **Non-shoppers**. Users who had not shopped around the service in the last three years.

Results and discussion

Incidence of shopping around, switching and bundling

Respondents were asked which (if any) of twelve selected household and financial services they use – see Table 1. The most commonly used services were electricity, mobile phone, bank current/basic account and broad band/dial-up internet.

Table 1: Users of each service

Household or financial service	Number using service (weighted)	Percentage of respondents using service
Electricity	1045	95.30%
Mobile phone	1030	93.90%
Bank current account or bank basic account	1017	92.70%
Broadband (or dial-up internet)	1002	91.40%
Phone – landline	943	86.00%
Gas	876	79.80%
Savings account	812	74.00%
Car insurance	755	68.90%
Home contents insurance	724	66.00%
Credit card	722	65.90%
Buildings insurance	562	51.20%
Pay-TV	470	42.90%
None of these	7	0.60%

Base: All respondents

Users of each service were asked whether they had shopped around for that service in the past three years and whether they had switched provider – see Figure 2. The services that users most commonly shopped around for were car insurance (71% of users), buildings insurance and home contents insurance (both 61%), followed at some distance by gas and electricity (both 46%). Switching was most likely in the case of car insurance (43% of users), buildings insurance (41%) and home contents insurance (40%). Users were least likely to shop around for bank current/basic accounts (15%). Bank accounts had the lowest incidence of switching (6%), though switching was also low for pay-TV (6%) and credit cards (9%) despite higher levels of shopping around. These results are similar to the findings compiled by UKRN (2014).

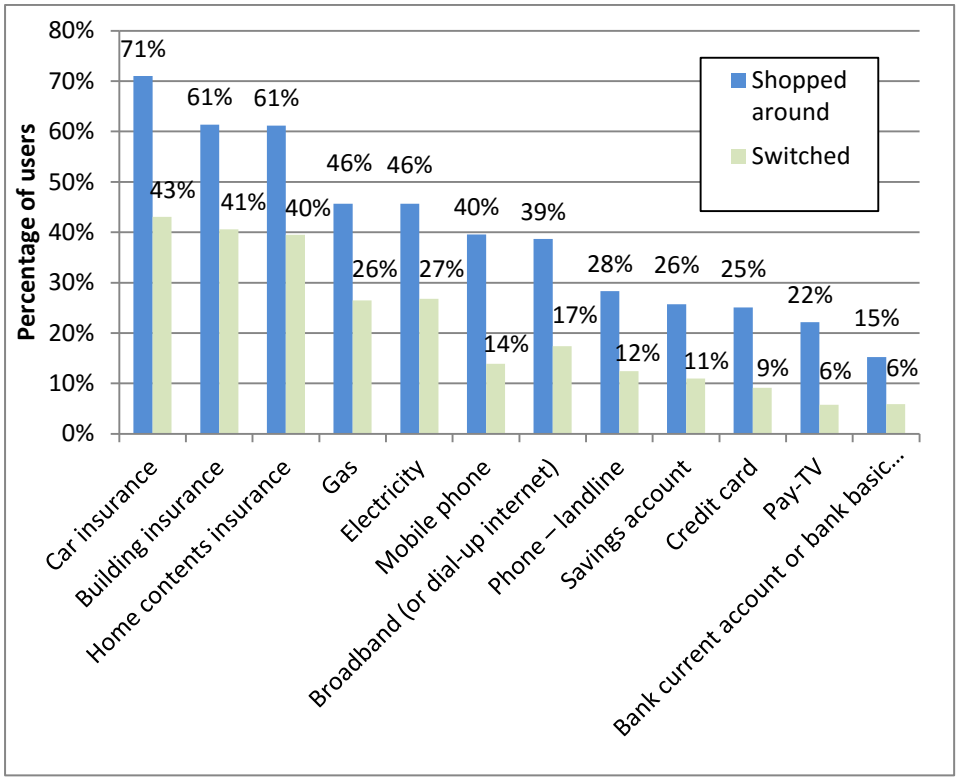

Figure 2: Whether users had shopped around in the past three years and whether this resulted in switching

Base: Users of each service

Users were asked if any of the services they had shopped around for were bundled with other services and, if so, to describe the bundles. Respondents could give details of up to three bundles. Bundled services account for a high proportion of shopping around for energy, home insurance and landline phone. In terms of numbers of users, the most common bundling was gas and electricity (339 users) which meant that 85 per cent of those shopping for gas looked at a bundled deal and 71 per cent of those who shopped around for electricity. The next most popular bundle was buildings and home contents insurance (305 users), followed by broadband and landline phone (159 users), broadband, landline and pay-TV (54 users) and lastly bank current/basic and savings accounts (21 users). Table 2 shows the number of users shopping for a bundled deal and by how much the bundling dominates shopping around for each service.

In the analyses presented in the following sections, where users had shopped for bundled services, they were asked to repeat their answers for each service in the bundle. This means that data are given for each discrete service regardless of bundling.

Table 2 Shopping for bundled services

Service	Number of users who shopped around for each service	Number of users shopping for a bundled deal	Percentage of these who said the service they shopped for was bundled	Most common bundles
Building insurance	345	305	88.41%	Buildings insurance & Home contents insurance
Gas	400	339	84.75%	Gas & Electricity
Phone – landline	267	213	79.78%	• Broadband & Phone-landline • Pay-TV, Broadband & Phone-landline
Electricity	477	339	71.07%	Gas & Electricity
Home contents insurance	443	305	68.85%	Buildings insurance & Home contents insurance
Broadband (or dial-up internet)	388	213	54.90%	• Broadband & Phone-landline • Pay-TV, Broadband & Phone-landline
Pay-TV	104	54	51.92%	Pay-TV, Broadband & Phone-landline
Bank current account or bank basic account	155	21	13.55%	Bank current/basic account & Savings account
Savings account	209	21	10.05%	Bank current/basic account & Savings account

Non-shoppers

Taking users of each service as the base, Table 3 summarises the proportions who had not shopped around in the last three years. The results range from 85% for bank current/basic account to 29% for car insurance.

Table 3: Users who had not shopped around in the last three years

Service	Non-shoppers (users who had not shopped around in the last three years)
Bank current account or bank basic account	84.76%
Pay-TV	77.87%
Credit card	74.93%
Savings account	74.26%
Phone – landline	71.69%
Broadband (or dial-up internet)	61.32%
Mobile phone	60.45%
Electricity	54.35%
Gas	54.34%
Home contents insurance	38.81%
Building insurance	38.61%
Car insurance	29.01%

Base: users of each service.

Shopping for multiple services

To examine whether the need to engage in multiple markets might act as a deterrent to shopping around, the whole sample was split into groups according to the number of services used, ranging from one service through to all 12. The majority (78%) of the sample used eight or more services with the most common number being 10 or 11. For each group, the number of services shopped around for was recorded – see Table 4. A few respondents reported shopping around for services they were not currently using, but mostly the table describes shopping around by users.

Table 4: Number of respondents shopping around for multiple services

Number of services shopped around for	Number of services used											
	1	**2**	**3**	**4**	**5**	**6**	**7**	**8**	**9**	**10**	**11**	**12**
0	5	6	5	6	12	13	38	31	30	31	25	9
1	8	2	4	7	6	11	12	16	12	18	18	5
2	1	2	3	7	1	18	11	19	18	21	16	8
3	1	2	2	2	2	3	5	14	13	34	29	18
4	0	0	1	1	1	7	8	14	16	24	18	10
5	0	0	0	1	1	4	3	4	13	28	35	19
6	0	0	0	1	0	2	5	13	17	14	15	18
7	0	0	0	0	0	1	9	7	13	21	23	21
8	0	0	0	0	0	0	1	1	3	15	16	22
9	0	0	0	0	0	0	0	3	5	8	10	13
10	0	0	0	0	0	0	0	0	2	2	8	3
11	0	0	0	0	0	0	0	0	0	2	7	5
12	0	0	0	0	0	0	0	0	0	0	0	2
Total	15	12	15	25	23	59	92	122	142	218	220	153
% of sample using this number of services	1.4	1.0	1.3	2.2	2.0	5.3	8.4	11.0	12.8	19.9	20.0	14.0

Base: 1097, of which 7 used no services at all. Small differences in totals are due to weighting.

For each group, Figure 3 shows the average (mean) number of services shopped for as a percentage of the number of services used. This measure falls steeply as the number of services rises to five and then increases gently to around 47 per cent for users of all 12 services. For users of two or more services, at best the average consumer shops around for half of the services they use and at worst only a fifth. Figure 3 also shows the percentage of respondents shopping around for all of the services they use and this falls sharply as the number of services used reaches four, then bumps along at a low level between 1 and 10 per cent.

As can be seen in Table 4, the number of respondents in each subcategory is in some cases small which means the findings should be treated with some caution. However, for each group from users of three services upwards, the proportion shopping for fewer than 50% of services (rounding down where necessary to the nearest whole number) was compared with the proportion shopping for 50% or more. The proportion shopping for fewer than 50% of services was significantly larger for all groups except those using 12 services ($\chi 2$ (9,n=1,057)=32.615, ρ=0.001).

The results suggest that as the number of services used increases, there may be resistance to taking on proportionately more shopping around. That resistance seems to occur at around 50% of services used.

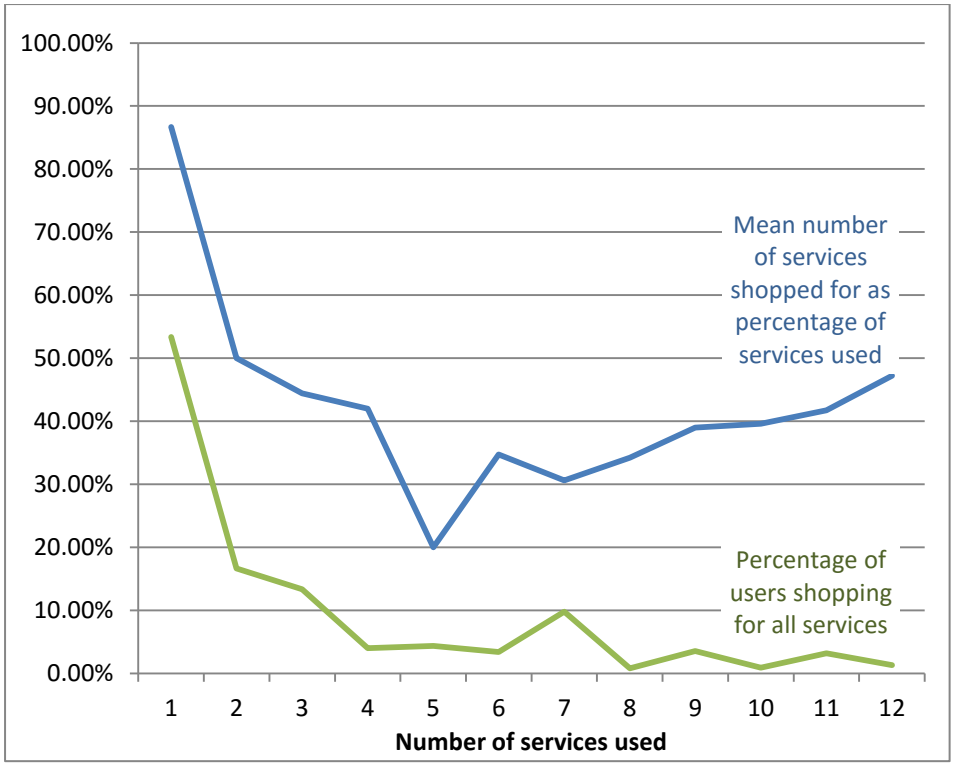

Figure 3: Mean number of services shopped for as a percentage of services used and percentage shopping for all services
Base: All respondents

If consumers are on average disinclined to shop around for all the services they use, it would be useful to know which services they prioritise. The users of each service were asked to assess the importance of shopping around for that service on a 0 (not at all important) to 10 (very important) scale. To overcome small subsample sizes, this was recoded to a 1 (not important) to 3 (important) scale. The services were ranked according to their average (mean) scores and the results for non-shoppers were compared with shoppers. The shoppers' rankings were also compared with the incidence of actual shopping around. Results are shown in Table 5.

Table 5: Services ranked by importance of shopping around and actual incidence of shopping around

	Non-shoppers	Shoppers	
Importance	**Ranking**	**Ranking**	**Actual shopping around**
Highest	Car insurance	Car insurance	Car insurance
2nd highest	Buildings insurance	Buildings insurance	Buildings insurance
3rd highest	Home contents insurance	Electricity	Home contents insurance
4th highest	Broadband/dial up internet	Gas	Gas
5th highest	Credit card	Home contents insurance	Electricity
6th highest	Pay-TV	Mobile phone	Mobile phone
7th highest	Savings account	Savings account	Broadband/dial up internet
8th highest	Mobile phone	Pay-TV	Phone - landline
9th highest	Bank current/basic account	Credit card	Savings account
10th highest	Gas	Broadband/dial up internet	Credit card
11th highest	Phone - landline	Phone - landline	Pay-TV
Lowest	Electricity	Bank current/basic account	Bank current/basic account

Across both groups (shoppers and non-shoppers) and both measures (ranking and actual shopping around), priority was given to car insurance and buildings insurance. To some extent, rather than reflecting the priority given to shopping around, this may reflect the priority given to having these products, since car insurance is compulsory for drivers and buildings insurance is a contractual requirement for homeowners who have a mortgage. However, another important factor may be that these contracts are typically annual, so that there is a regular prompt to shop around.

Generally, with shoppers, there was a high degree of harmony between the level of importance and actual incidence of shopping around (columns 3 and 4), but there are some exceptions. The higher ranking of home contents insurance and landline phones in actual shopping around may be due to

bundling of deals (shown in Table 3). Bank current/basic accounts were deemed low priority by shoppers and this was apparent also in the low incidence of actual shopping around.

Comparing non-shoppers with shoppers, it is striking that the non-shoppers gave much lower priority to shopping for gas and electricity. Non-shoppers gave higher priority than shoppers to broadband and credit cards. The next section explores some factors that might explain these differences.

Potential barriers to shopping around

Drawing on the literature review, the survey included a number of questions designed to test whether users experienced or perceived procedural switching costs that could be acting as barriers to shopping around and switching. Some questions focused on time and effort (evaluation costs). Other questions probed some aspects of trust and perceived benefits from switching (economic risk costs). The results for shoppers (experience) and non-shoppers (perception) were compared.

Time required for shopping around

Shoppers were asked to think about the last time they shopped around and to recall approximately how long they spent on the task, using a six-point scale ranging from 'Up to 1 hour' to '4 days or more'. Across 11 of the 12 services, experience was similar with around two-thirds of shoppers completing the task within two hours and four-fifths within five hours. The notable exception was bank current/basic accounts where only 72% of shoppers had completed the task in five hours, over 20% spent longer than a day and one in 10 took more than a week (see Figure 4).

In general, there was no significant difference in the incidence of lengthy shopping around (defined as longer than one day) between switchers and shoppers who had not switched. This might suggest that, for most services, delays (whether consumer or provider generated) are encountered in the shopping around process as much as in the switching process. The exceptions were landline phone and broadband (often bundled together as shown in Table 3) where only 6% per cent of shoppers who did not switch found the process took longer than a day, but more than doubling to around 15% for switchers.

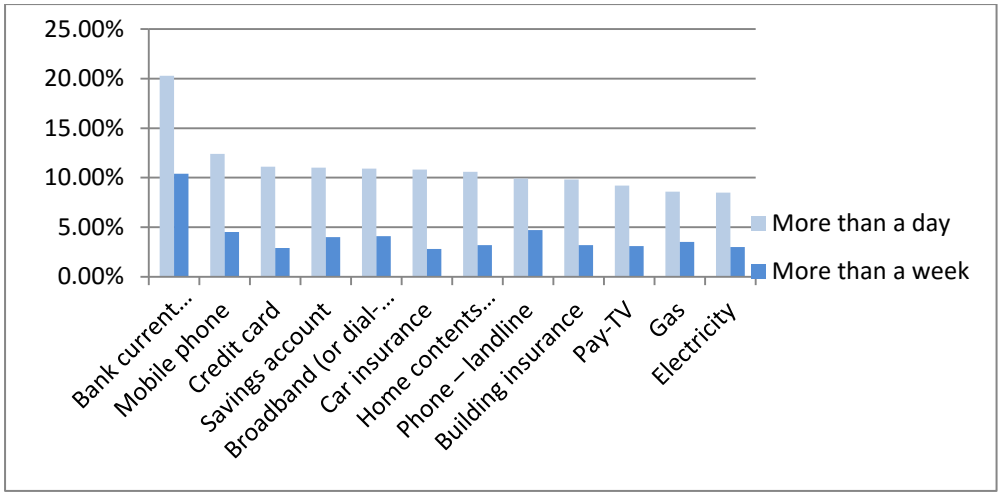

Figure 4: Shoppers who experienced lengthy shopping around (with or without switching)
Base: Users of each service who shopped around

Shoppers' actual experience of lengthy shopping around (defined as more than one day) was compared with non-shoppers' perception that the process might take that long. For seven of the services, there was no significant difference between shoppers' actual experience and non-shoppers' perception. However, for both energy and insurance services, there was a significant difference, with a higher proportion of non-shoppers expecting the process to be lengthier than the time actually experienced by shoppers, as shown in Figure 5.

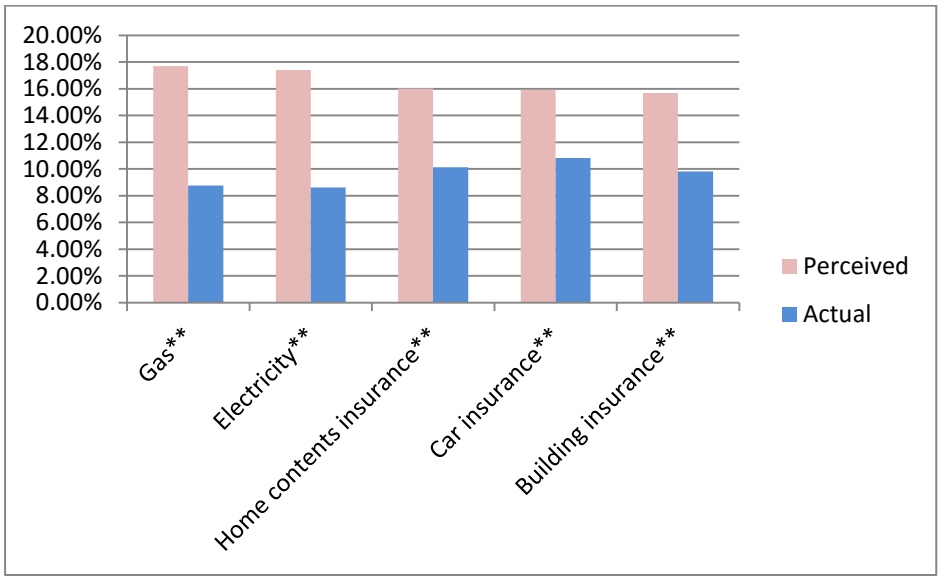

Figure 5: Perception of lengthy shopping around (more than a day) by non-shoppers compared with actual experience of shoppers
Base: Users of each service
**Significant at the 1% level
Gas $\chi 2$ (2,n=875)=27.809, ρ=0.000; Electricity $\chi 2$ (2,n=1045)=29.776, ρ=0.000; Home contents insurance $\chi 2$ (2,n=725)=21.970, ρ=0.000; Car insurance $\chi 2$ (2,n=756)=11.539, ρ=0.003; Buildings insurance $\chi 2$ (2,n=563)=24.470, ρ=0.000

Non-shoppers for energy or insurance might be deterred by the expectation of a lengthy task because either they do not wish to spend their time that way or they feel they do not have the time. To probe which of these might apply, respondents were asked to rate their relative time poverty on a 0 (Time poor) to 10 (Time rich) scale. Scores of 0 to 3 were combined as an indicator of time poverty. The percentage of energy and insurance shoppers who deemed themselves to be time poor was compared with the proportion of non-shoppers. The difference was not significant for any of the insurance services. However, there was a significant difference for gas and electricity with, in each case, around 20 per cent of non-shoppers judging themselves time-poor against 13 and 15 per cent of shoppers for gas and electricity, respectively.

To summarise, the research suggests that the only service where shopping around is actually likely to be particularly time-consuming is bank current/basic accounts, although going on to switch phone or broadband provider can add delays. However, significant numbers of non-shoppers perceive that shopping around for insurance and energy will take longer than it really does and, of these, it seems that energy users are particularly likely to feel they don't have time to shop around.

Effort required for shopping around

The effort required to shop around was investigated in two ways: how difficult the respondent considered shopping around to be; and whether or not System 2 thinking was likely to have been applied.

Across all services, it is encouraging that the majority (73% to 84%) of shoppers said they found shopping around very or fairly easy, with the easiest service being car insurance. However, for all services, a minority of shoppers (under 10%) found the task very or fairly difficult, particularly in the case of bank current/basic accounts, broadband, gas, electricity and landline phone – see Figure 6.

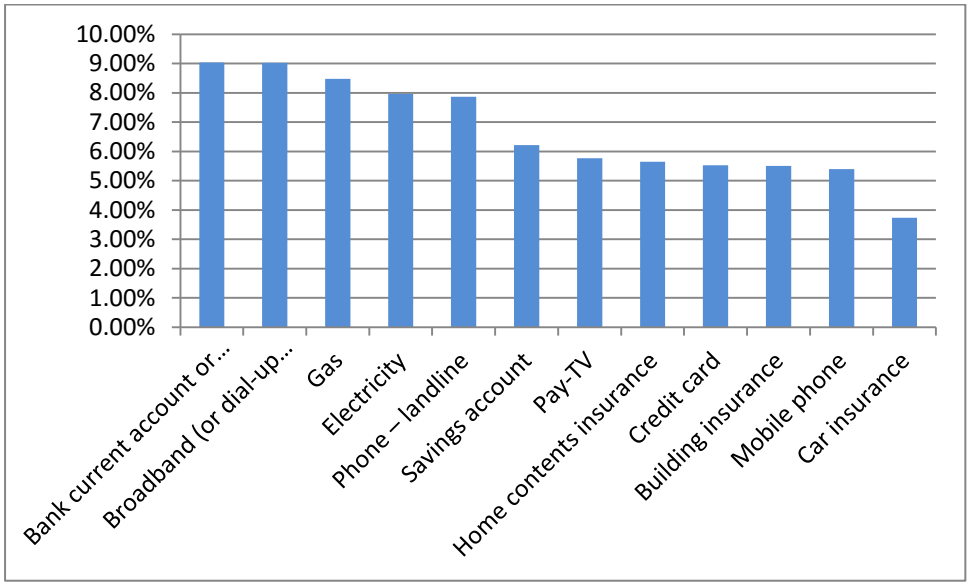

Figure 6: Shoppers finding the task very or fairly difficult
Base: Users for each service who had shopped around

The research probed whether shoppers who had switched experienced more difficulty than shoppers who had not. Significant differences were found for energy, insurance, broadband/dial-up internet and mobile phones, as shown in Figure 7, but the differences were not consistent across the services. For energy and insurance, more shoppers who had not switched than switchers found the process difficult. A possible explanation could be that some of the non-switchers, finding shopping around hard, were deterred from going on to switch. By contrast, for broadband and mobile phone, more switchers rated the process as difficult, suggesting that the process of switching contributed to the difficulty of the task.

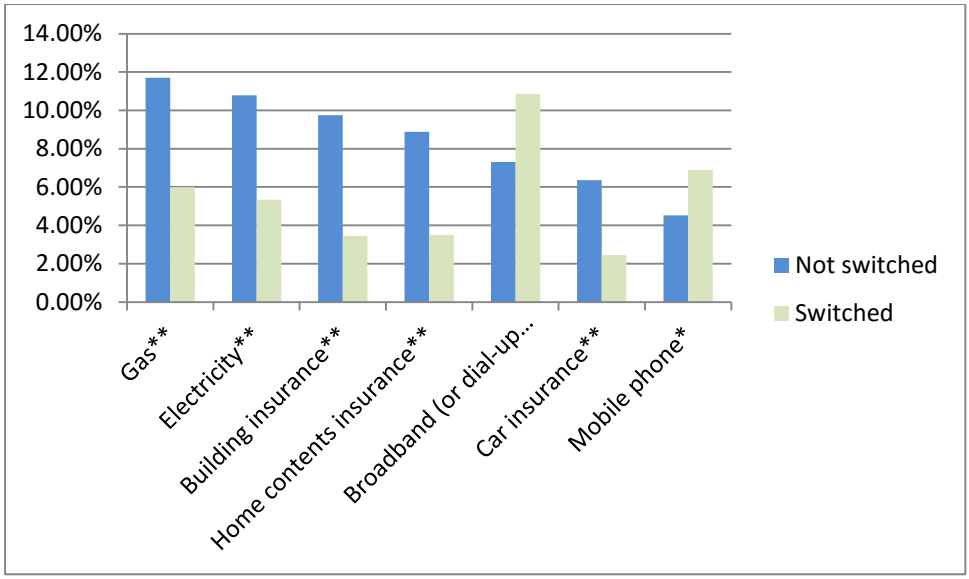

Figure 7 Shoppers finding shopping around very or fairly difficult by whether or not they switched provider

Base: Users who shopped around

**Significant at the 1% level; *significant at the 5% level

Gas $\chi 2$ (2,n=405)=18.372, ρ=0.000; Electricity $\chi 2$ (2,n=485)=27.572, ρ=0.000; Buildings insurance $\chi 2$ (2,n=355)=23.843, ρ=0.000; Home contents insurance $\chi 2$ (2,n=455)=10.089, ρ=0.000; Broadband/dial-up $\chi 2$ (2,n=394)=10.092, ρ=0.006; Car insurance $\chi 2$ (2,n=547)=10.089, ρ=0.006; Mobile phone $\chi 2$ (2,n=411)=8.499, ρ=0.014. Differences for Phone-landline, Bank current/basic account and Savings account were not significant. Samples for Pay-TV and Credit card were too small to give valid results.

Non-shoppers were asked to estimate how easy or difficult they thought shopping around would be. The sample for pay-TV was too small to give a valid result, but for the remaining 11 services, significantly more non-shoppers than shoppers rated the task as very or fairly difficult – see Figure 8. In particular, around a fifth of non-shoppers thought that shopping around for energy would be difficult compared with only 8% of shoppers finding it so. There were also particularly large differences between non-shoppers and shoppers in the case of car insurance, mobile phone and savings account.

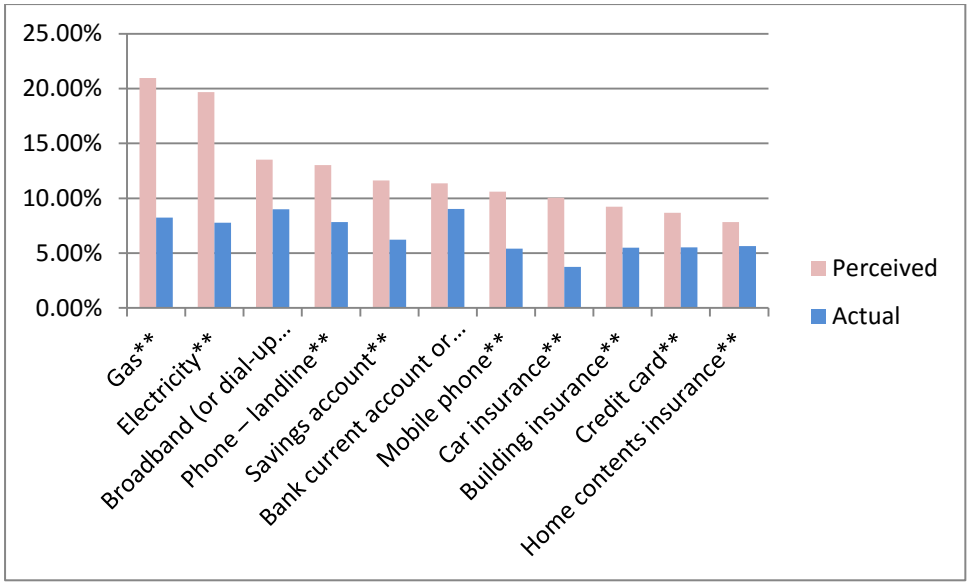

Figure 8: Perception of difficulty (very or fairly) shopping around by non-shoppers compared with actual experience of shoppers

Base: Users of each service

**All significant at the 1% level

Gas $\chi 2$ (2,n=877)=45.684, ρ=0.000; Electricity $\chi 2$ (2,n=1045)=58.955, ρ=0.000; Broadband/dial-up $\chi 2$ (2,n=1003)=15.596, ρ=0.000; Phone-landline $\chi 2$ (2,n=944)=9.854, ρ=0.007; Savings account $\chi 2$ (2,n=812)=20.671, ρ=0.000; Bank current/basic account $\chi 2$ (2,n=1017)=20.393, ρ=0.000; Mobile phone $\chi 2$ (2,n=1031)=18.781, ρ=0.000; Car insurance $\chi 2$ (2,n=755)=31.572, ρ=0.000; buildings insurance $\chi 2$ (2,n=562)=26.393, ρ=0.000; Credit card $\chi 2$ (2,n=723)=25.219, ρ=0.000; Home contents insurance $\chi 2$ (2,n=725)=32.366, ρ=0.000. Sample for Pay-TV was too small to give valid results.

As discussed in the literature review, it might reasonably be assumed that effective shopping around involves System 2 (slow, analytical) thinking involving mental effort rather than quick, intuitive System 1 thinking. To assess the cognitive approach that respondents might be assumed to be applying to shopping around, they were asked three questions based on the Frederick (2005) Cognitive Reflection Test (CRT). The questions[2] retained the exact structure of the original CRT but were adapted to align as far as possible with issues relevant to shopping around for household utilities:

- Pay-TV and broadband cost £660 a year. The pay-TV costs £600 more than the broadband. How much does the broadband cost?
- If it takes 5 machines 5 minutes to make 5 mobile phones, how long would it take 100 machines to make 100 mobile phones?
- Every month the amount of interest added to a credit card bill doubles. If it takes 24 months for the interest to reach £1,000, how long would it take for the interest to reach £500?

Using Frederick's scoring, just under 7 per cent of the sample gave System 2 answers to all three questions (score 3) and 56 per cent did not give a System 2 answer to any of the questions (score 0). This could be indicative of high levels of 'lazy' thinking, but it may simply reflect low levels of

[2] Correct answers are: £30; 5 minutes; 23 days. Intuitive answers are: £60; 100; 12.

numeracy – for example, an OECD-wide survey (BIS, 2013) found that adults in England perform significantly below the OECD average, being ranked seventeenth out of the 24 countries surveyed.

Across all 12 services, there was no significant difference in the CRT scores between shoppers and non-shoppers. Further analysis based on Frederick's scoring was not possible because of the low proportion scoring 3 which led to small subsamples. Therefore, an alternative approach to scoring was also explored:

- 1 = Very or fairly rational: respondents who gave three or two System 2 responses (20 per cent of respondents)
- 2 = Very or fairly intuitive: respondents who gave three or two System 1 responses (65.5 per cent of all respondents)
- 3 = Other combinations of response (14.5 per cent of all respondents).

The distribution of the three scores was very similar across users of all 12 services. The scores were tested against whether or not users had shopped around, the time taken to shop around and how easy shoppers found the task. In all cases, results showed no significant relationship with the CRT.

To summarise: most shoppers did not find shopping around difficult, but non-shoppers consistently overestimated the difficulty. If the CRT is a reliable indicator of the type of thinking used in decision-making such as shopping around, then the majority of shoppers are not using System 2 thinking (which may indicate 'lazy' thinking or simply lack of numeracy). This is a worrying finding since it suggests that even, if consumers are engaging with shopping around and switching, they may still not be driving competition in an effective way.

Trust in providers

A five-point Likert scale was used to measure users' agreement with the statement: *'I trust providers of this service to deal in a fair way with their customers'*. Trust (strongly agree or agree) was greatest for savings accounts (53 per cent of users) and lowest for gas and electricity (43 and 40 per cent, respectively). Conversely, distrust (strongly disagree or disagree with the statement) was greatest in the case of electricity and gas suppliers (see Figure 9).

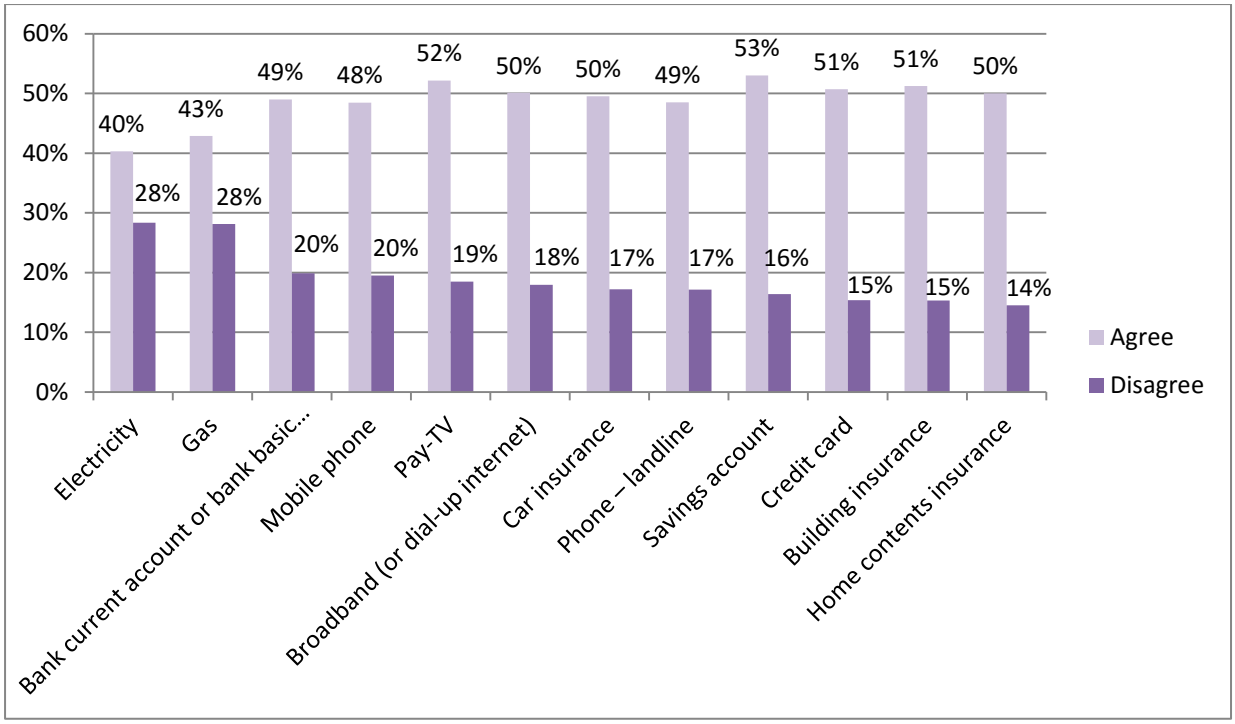

Figure 9: Agreement with the statement *'I trust providers of this service to deal in a fair way with their customers'*
Base: Users of each service

Comparing the level of distrust felt by shoppers and non-shoppers, there was no significant difference for seven of the services: gas, electricity, pay-TV, savings account, buildings insurance, home contents insurance and credit card. For the remaining five services, significantly more shoppers distrusted providers than non-shoppers (see Figure 10). This could be interpreted in a number of ways, for example, lack of trust might result from a bad experience with a current provider and so act as a stimulus rather than a barrier to shopping around. Alternatively, the experience of shopping around might be raising awareness of providers' marketing, terms and conditions, and so on, possibly reducing the level of trust. UKRN (2014, p.17) also reported a complex relationship between trust and shopping around, suggesting that *'distrust could be a facet of "consumer savviness" and a potential motivation to engage as well as a potential barrier'*.

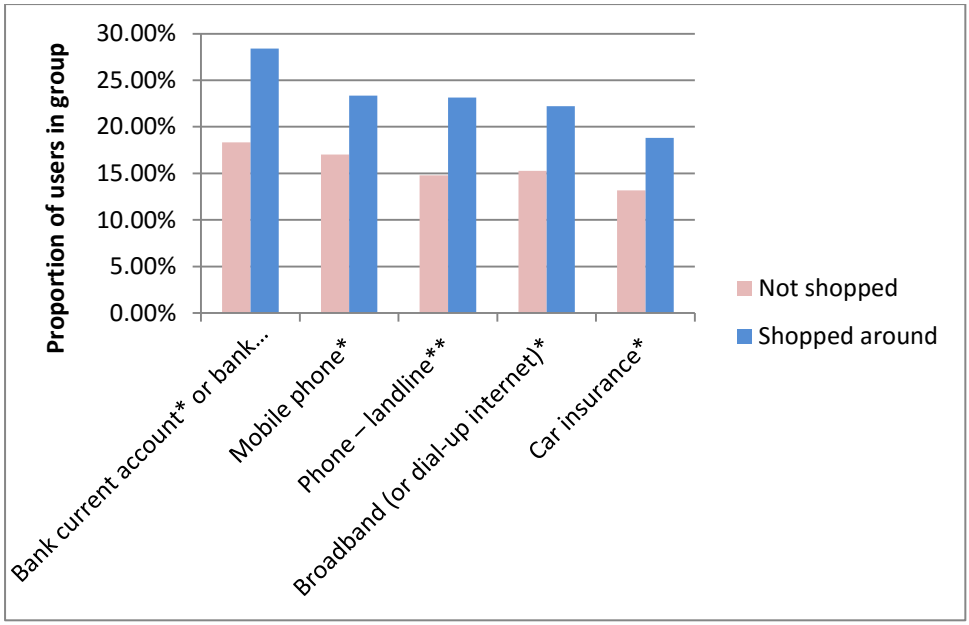

Figure 10: Lack of trust among users who shopped around and did not shop around
Base: Users of each service
**Significant at the 1% level; *significant at the 5% level
Bank current/basic account $\chi 2$ (2,n=1017)=8.404, ρ=0.015; Mobile phone $\chi 2$ (2,n=1030)=6.376, ρ=0.041; Phone-landline $\chi 2$ (2,n=944)=9.884, ρ=0.007; Broadband/dial-up $\chi 2$ (2,n=1002)=8.336, ρ=0.015; Car insurance $\chi 2$ (2,n=757)=6.218, ρ=0.045.

Perceived benefits from switching

Users of each service were asked to indicate their level of agreement with the statement: *'It's a waste of time shopping around because all providers of this service offer similar deals'*. The proportions who agreed or agreed strongly with this statement are shown in Figure 11 for shoppers and non-shoppers. Non-shoppers were significantly more likely to think that all providers were much the same. This was especially true for gas and electricity with just under half of the non-shoppers doubting there was anything to distinguish providers. Even amongst the shoppers, over one-fifth thought that energy providers offered similar deals and over a quarter that bank current/basic account deals were all much the same.

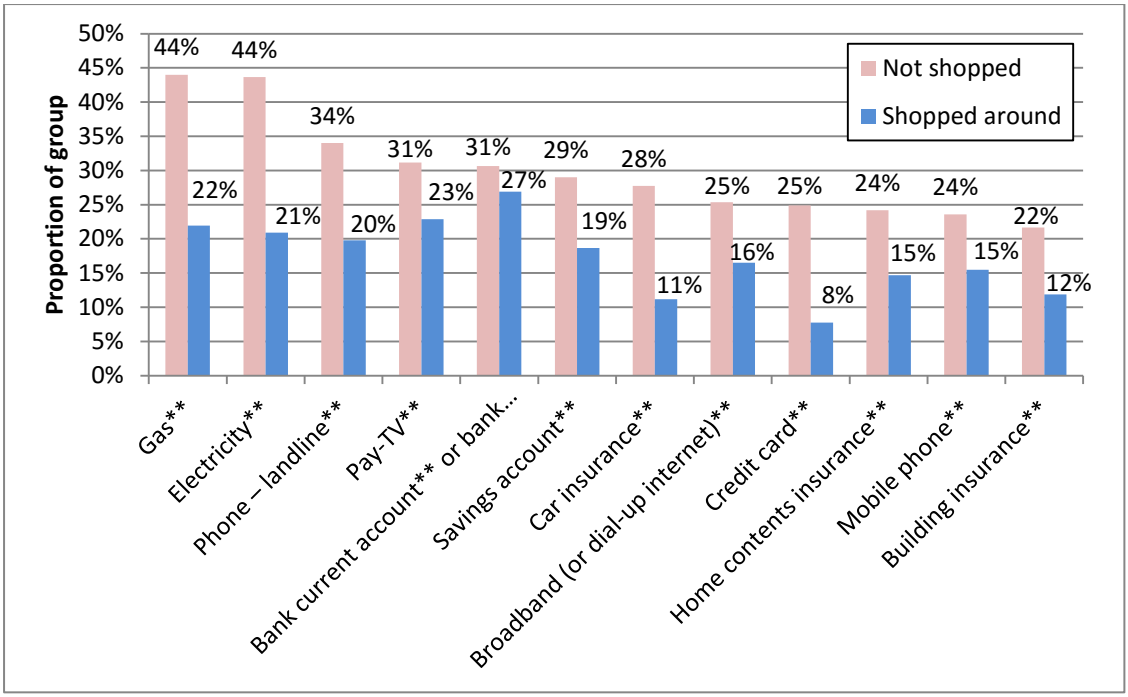

Figure 11: Proportion of users who had shopped around and had not shopped around agreeing or strongly agreeing with the statement: *'It's a waste of time shopping around because all providers of this service offer similar deals'*

Base: Users of each service

**All significant at 1% level

Gas $\chi 2$ (2,n=876)=76.978, ρ=0.000; Electricity $\chi 2$ (2,n=1046)=89.843, ρ=0.000; Phone-landline $\chi 2$ (2,n=944)=43.469, ρ=0.000; Pay-TV $\chi 2$ (2,n=471)=12.696, ρ=0.002; Bank current/basic account $\chi 2$ (2,n=1017)=16.894, ρ=0.000; Savings account $\chi 2$ (2,n=812)=10.861, ρ=0.004; Car insurance $\chi 2$ (2,n=756)=86.678, ρ=0.000; Broadband/dial-up $\chi 2$ (2,n=1003)=31.991, ρ=0.000; Credit card $\chi 2$ (2,n=722)=31.117, ρ=0.000; Home contents insurance $\chi 2$ (2,n=724)=28.372, ρ=0.000; Mobile phone $\chi 2$ (2,n=1030)=38.261, ρ=0.000; Buildings insurance $\chi 2$ (2,n=562)=32.217, ρ=0.000.

Finally, users were asked for their level of agreement with the statement: *'Shopping around is a waste of time and effort because the amount of money I can save is too small'*. The proportions of shoppers and non-shoppers agreeing with this statement, are shown in Figure 12. The difference between the two groups was significant for all services. Once again, for all services, non-shoppers were more likely to perceive little benefit from doing so, especially in the case of gas and electricity, with 42 per cent of non-shoppers considering the savings too small to be worthwhile.

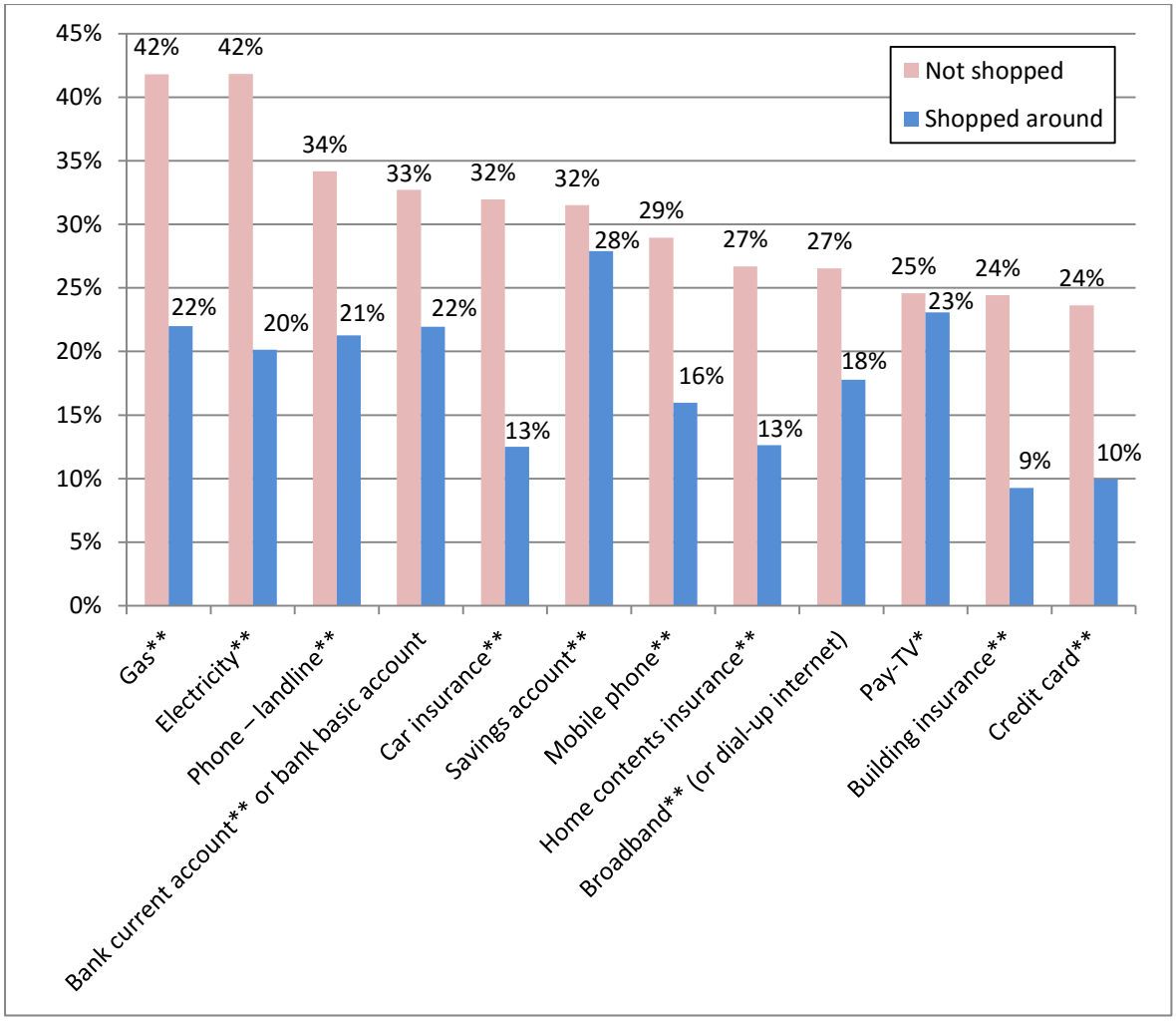

Figure 19: Proportion of users who had shopped around and had not shopped around agreeing or strongly agreeing with the statement: *'Shopping around is a waste of time and effort because the amount of money I can save is too small'*

**Significant at the 1% level; *significant at the 5% level

Gas $\chi 2$ (2,n=876)=91.518, ρ=0.000; Electricity $\chi 2$ (2,n=1046)=121.386, ρ=0.000; Phone-landline $\chi 2$ (2,n=944)=53.958, ρ=0.000; Bank current/basic account $\chi 2$ (2,n=1017)=23.346, ρ=0.000; Car insurance $\chi 2$ (2,n=755)=96.412, ρ=0.000; Savings account $\chi 2$ (2,n=811)=10.189, ρ=0.006; Mobile phone $\chi 2$ (2,n=1029)=50.964, ρ=0.000; Home contents insurance $\chi 2$ (2,n=724)=51.607, ρ=0.000; Broadband/dial-up $\chi 2$ (2,n=1002)=32.821, ρ=0.000; Pay-TV $\chi 2$ (2,n=470)=6.625, ρ=0.036; Buildings insurance $\chi 2$ (2,n=562)=52.350, ρ=0.000; Credit card $\chi 2$ (2,n=723)=42.898, ρ=0.000.

Characteristics of non-shoppers

The research also looked to see if demographic factors were associated with lack of shopping around. There was no significant difference between men and women for any of the services. For other demographic factors, there was no overarching association common to all services. However, for individual services, some significant differences were found, suggesting that different services may need to target different groups in order to improve engagement. For example:

- **Age**: older users of buildings insurance were more likely to shop around than younger users, but less likely to shop for landline phones, mobile phones or broadband.

- **Marital status**: single users were less likely than couples to shop around for gas, electricity, broadband or buildings insurance.
- **Work status**: Users in non-working households were less likely than users in full-time or part-time work to shop around for landline or mobile phones, broadband or pay-TV. However, non-working households were more likely to shop around for savings accounts.
- **Housing tenure**: users in council or housing-association rental properties were less than homeowners likely to shop around for gas or electricity. Transact (2008) found that the most common reason for housing association tenants not switching to cheaper tariffs was lack of access to information about suppliers though lack of bank account and being blocked from switching because of debts were also major reasons.
- **Disability**: users with a disability were less likely than other users to shop around for gas, mobile phones or car insurance, but more likely to shop for credit cards.

Conclusions and policy indications

The research presented in this paper indicates that four out five households use eight or more household infrastructure products but on average shop around for fewer than half of these. The challenge for proponents of free-market competition is how to get consumers to shop around for the rest.

Table 6 summarises the findings across all 12 services and indicates that, for some services, non-shoppers overestimate the time required and, for all, they overestimate the difficulty of shopping around, especially in the case of gas and electricity. Across all services tested, non-shoppers are also significantly more likely than shoppers to think that all providers offer the same deal and that the financial gain from shopping around is too small to warrant the time and effort involved. Moreover, providers should not be complacent about the standard of their switching processes. Across all services, for one in 10 shoppers, the process took more than a day, rising to one in five for bank current/basic account. Although the majority of shoppers found the process relatively easy, for bank current/basic account, broadband, gas, electricity and landline phone, 8% to 9% found shopping around (with or without switching) fairly or very difficult. To reduce these numbers, providers need to do their own research to pin-point and address the problem areas. There is also a challenge to providers to differentiate their offerings more clearly, in terms of both price and features, and to communicate these differences effectively to both existing and potential customers. Providers already take some steps, but could do more, for example, providing charging information in formats that support comparison across providers, and offering guarantees to complete switching within stated time limits with compensation where these limits are breached. For some services, government and regulator have already stepped in to impose supply side remedies along these lines, for example, simpler choices for energy consumers (Energy Act 2013; Ofgem 2015) and the introduction of a maximum seven-day current account switching service (Gov.uk, 2013).

Table 6 Summary of findings for each service

Household or financial service	NON-SHOPPERS						SHOPPERS			
	Users not shopping around	Priority given to shopping around	Time needed overestimated	Difficulty overestimated	All providers offer the same deal	Savings too small to be worthwhile	Took long time (more than 1 day)	Shopping around was difficult	All providers offer the same deal	Savings too small to be worthwhile
	%	Ranking (1=Highest; 12 = Lowest)	Percentage point difference compared with shoppers	Percentage point difference compared with shoppers	Percentage point difference compared with shoppers	Percentage point difference compared with shoppers	%	% agreeing	% agreeing	% agreeing
Bank current account or bank basic account	84.76%	10	[1]	+2 %pt	+4 %pt	+11 %pt	20%	9%	27%	22%
Pay-TV	77.87%	6	[1]	[1]	+8 %pt	+2 %pt	9%	1%	23%	23%
Credit card	74.93%	5	[1]	+3 %pt	+17 %pt	+14 %pt	11%	6%	8%	10%
Savings account	74.26%	7	[1]	+5 %pt	+10 %pt	+4 %pt	11%	6%	19%	28%
Phone – landline	71.69%	12	[1]	+5 %pt	+14 %pt	+13 %pt	10%	8%	20%	21%
Broadband (or dial-up internet)	61.32%	4	[1]	+5 %pt	+9 %pt	+9 %pt	11%	9%	16%	18%
Mobile phone	60.45%	8	[1]	+5 %pt	+8 %pt	+13 %pt	5%	5%	15%	16%
Electricity	54.35%	11	+ 9 %pt	+12 %pt	+23 %pt	+22 %pt	9%	8%	21%	20%
Gas	54.34%	9	+9 %pt	+13 %pt	+22 %pt	+20 %pt	9%	8%	22%	22%
Home contents insurance	38.81%	3	+6 %pt	+2 %pt	+10 %pt	+14 %pt	11%	6%	15%	13%
Buildings insurance	38.61%	2	+6 %pt	+4 %pt	+10 %pt	+15 %pt	10%	6%	12%	9%
Car insurance	29.01%	1	+5 %pt	+6 %pt	+17 %pt	+19 %pt	11%	4%	11%	13%

[1] Difference between non-shoppers and shoppers was not significant.

Considering the individual services in Table 6, households are most likely to shop for insurance products. An important distinguishing feature may be that these are annual contracts so that there is a regular prompt to shop around. This might suggest a place for policies that create an artificial prompt to shopping around for those services where contracts are generally continuous, but finding effective ways to do this is challenging. For example, UKRN (2014) reported that annual statements in the energy sector have only limited impact in triggering switching enquiries. Another possibility might be an annual awareness week, such as the Write A Will Week, a collaboration between charities and solicitors started in 1988 that aims to prompt consumers to write a will and keeping it up to date, while also raising money for charity from participating firms (Will Aid, no date). Recent research suggests that just under half (47%) of UK adults have a will (Will Aid, 2015). While this is higher than the estimated 38% back in 1995 (Mintel cited in Lowe, 1996), it is not possible to unravel how much of the rise is due to Write A Will Week. Nevertheless, possibly something similar for shopping around would be feasible and worth trying – for example, a household shopping around week each year with each participating provider making a small donation to charity for every new or switching customer signed up during that week – but the impact might be small.

The greater popularity of shopping for insurance services might also reflect the nature of these services. They are contingent, coming into use only if the consumer has the misfortune to need to claim. As such, they do not affect day-to-day living, so the economic risk costs of switching to another provider may be perceived as low. By contrast, switching energy supplies, phone or a bank account could severely disrupt day-to-day life if there were problems with the switch. To tackle this, providers need to convince consumers that switching will not only be speedy but also accurately completed.

Quite apart from the issue of strategies to overcome particular barriers to consumer engagement, a wider question is whether it is realistic at all to expect households to shop for every service they use. The research in this paper found that the most commonly used number of services is 10 or 11 but on average shopped around for fewer than half of these. Assuming, as the research suggests, that the majority of households can complete the shopping around for any one service in two hours, a household might spend 22 hours shopping for all 11 services. However, some services are often bundled, so the total time could be reduced to, say, eight incidences of two hours. Perhaps ideally households should shop around for each service on an annual basis, so the workload for a household across all its infrastructure services might be around 16 hours, equivalent to two full working days a year. UKRN (2014) reported a survey by Ofgem that found, for a dual-fuel energy deal, the median minimum annual cost saving that would encourage a household to shop around was £240. Spread across the two hours to shop around, this suggests that, in theory, households may value their time at around £120 an hour. That is far in excess of median UK household income of £453 a week (ONS, 2015) - say, £11 an hour based on a 40-hour working week. However, shopping around typically comes out of non-work time, so the high savings required may reflect a premium that households place on their leisure time (and possibly additional compensation for the effort involved, although the research in this paper suggests that, even amongst non-shoppers, only a minority consider shopping around to be very or fairly difficult). The £240 figure from the Ofgem research might not be fully reliable and may in any case differ across the different types of service, but if it is anywhere near indicative of the value households place on the time and effort involved in shopping around, it

could be that even if households have good information about the ease of shopping around and are persuaded there would be some benefit, they still might rationally choose not to shop around for all the services they use if it has to be done 'on their own time'.

Could shopping around be done on somebody else's time? Some years ago, the insurance company AXA (2007) introduced an annual campaign called My Budget Day that encouraged employers to let employees use one working day a month to manage their household finances. The focus was debt management, budgeting and planning ahead, but inherent in this was also shopping around for household and financial services. AXA argued that employees' productivity is lower when they are worrying about personal financial problems, so that the one-day-a-month policy would not necessarily impose a cost on employers. This is supported to some extent by research - for example, Kim and Garman (2004) found that financial stress has a negative impact on employee attitudes and behaviour. However, given that, at any point in time, only some employees may be suffering financially-related stress that is severe enough to interfere with their workplace performance, it is not clear that the initiative would be cost-free for employers. In research to coincide with the third year of its campaign, AXA (2009) claimed that 10 million employees thought financial worries affected their work and 1.4 million had taken time off as a result of money worries. The campaign had the backing of the Confederation of British Industry but over half of employers surveyed by AXA reportedly said they would not take part (Vorster 2007).

There may be no easy solutions, but regulators need to wake up to the fact that consumers simply may not be willing to take up the workload of driving the demand side of competition across multiple markets for household and financial products. Moreover, a final area for thought is how effective consumer engagement really is. This research found, across shoppers as well as non-shoppers, very few participants demonstrated the use of System 2 (analytic, rational) thinking in a cognitive test. If that test is a reasonable indicator of the cognitive approach adopted when shopping around (and whether it indicates 'lazy' thinking or lack of numeracy), merely increasing the numbers of consumers who shop and switch will not necessarily improve competition in household infrastructure markets.

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