

Seeking Straight Answers: Consumer Decision-Making in Telecommunications

A joint research project by the Centre for Sustainable and Responsible Organisations (CSaRO), Deakin University, and the Australian Communications Consumer Action Network (ACCAN).



Research Summary and Recommendations

Background

Understanding consumer decision-making in telecommunications can help us determine what steps to take to achieve better outcomes for consumers. This is important for three main reasons. First, there are many indicators that the market is not working for consumers and that they face challenges, problems, and confusion as they decide what products to buy. Second, communications technologies have become essential utilities and constitute a significant financial commitment. It is therefore crucial that consumers make decisions that work for them. Third, the policy backdrop to consumer protection in telecommunications is currently under scrutiny, and there is an opportunity to significantly improve outcomes for consumers.

What we did

Recognising that decision making is complex we conducted a thorough review of current research in the field, and two large-scale data collection exercises to get a deeper understanding of consumer experiences. Phase one of data collection was an extended autoethnographic methodology with 22 participants. This involved participants recording video diaries, written diaries and extended interviews about their experiences looking for a mobile phone service. Phase two was a quantitative experiment (conducted with 517 people) to examine, under close to real conditions, how consumers make decisions in telecommunications. This involved advertising and sales scenarios looking at:

1. The effect of bundling and limited time offers in advertising on consumer perceptions and purchase intentions.
2. The effect of unit pricing and the presentation of terms and conditions information in advertising on consumer perceptions and purchase intentions.
3. The effect of information and mode of its presentation in personal selling on consumers' perceptions.

What we found

Current research in the field shows that consumers are impacted by a variety of personal preferences, biases and ways of processing information, and are also affected by industry-related factors including product and pricing strategies (including bundling), market segmentation, and of course, information and advertising. There is mounting evidence that consumers are being adversely affected by these factors in the telecommunications market, leading to stress and frustration, confusion and information overload, as well as indecision. This ultimately leads to poor outcomes for consumers.

In our empirical research we found that consumers consistently found it difficult to have a straight conversation with their telecommunications provider pre-sale (through marketing communications), at point of sale (with salespeople), and post-sale (with customer service representatives). Participants generally expected that telcos should be willing to have this conversation, but were frustrated and disappointed with the way in which the telco sector communicated to them, and had lowered their expectations based on previous experience.

Participants used a range of coping strategies when dealing with choice and confusion, including delegating decision-making to others, relying on simple psychological shortcuts such as brand loyalty, relying on salespeople, trying to use comparison websites, and postponing purchasing.

BUNDLING

Consumers appear not to value telco bundles or limited time offers very highly. Contrary to other research, however, they did not experience increased confusion as a result of a bundled offer. Findings here may be connected to the general consumer angst associated with telcos overall.

TERMS AND CONDITIONS AND FONT SIZE

Consumers perceived a higher level of risk when the font size of terms and conditions was increased to 15-point. Our results showed that increasing font size could aid consumers but that the type of information presented was potentially more important. Findings here may be connected to an 'out of sight out of mind' approach consumers have to complex terms and conditions.

"Pretty much no-one from around here or from the stores or anything could give me a straight answer. I pretty much just had to talk to friends when they came over and told me what it was like, whoever they were with (which carrier)."

"The problem with (making) a (comparison) spreadsheet is you really couldn't compare apples to apples; it was really comparing apples to oranges. Because, you know, one had the t-box, one had the Foxtel. You really couldn't..."

"I think in the end, uh, all the advertising and all the... things that the, especially the telco shops say is not trusted by anyone...no one trusts the telcos at all."

"I wasn't getting the answers I wanted. They weren't competent in answering my questions. So every time I rang up I got a different...I spoke to four different people and got four different answers."

UNIT PRICING

Our findings suggest that telcos may actually benefit by introducing unit pricing information, as consumers' perceptions of the value of their product offering appears to be enhanced in the presence of this information. The results also show that consumers may be unfamiliar with unit pricing (particularly in relation to the telco sector), and the information processing capacity required to interpret the detailed numbers involved in unit pricing calculations, as unit pricing was shown not to reduce or increase confusion, perceptions of risk, or purchase intentions.

SALES REPRESENTATIVES AND INFORMATION ON COVERAGE, COOLING OFF PERIODS AND EXIT FEES

Salespeople being up front and honest with information on coverage, early termination fees, and cooling-off periods made consumers believe that the information was more credible, authentic and likely. However, consumers still perceived the same level of risk regardless of the amount of information provided by salespeople. Consumers preferred information provided in verbal form to written information, highlighting the important role of personal selling in the telco context.

What we recommend

STRONGER CONSUMER PROTECTIONS ARE NEEDED IN TELECOMMUNICATIONS

Consumers need all the help they can get to reduce the likelihood that they will experience confusion, information overload, frustration, stress, indecision and inertia as they navigate the telecommunications market. The research supports the suggestion that major reforms are needed to ensure customer care in the telecommunications market, including clearer pricing information in advertisements; better information about plans; better complaints management; tools to monitor usage and expenditure; comparing providers. The research also supports ACCAN's call for a total prohibition on any confusing terms and jargon, including, but not limited to, "free", "cap", "unlimited", "no exclusions" and similar terms.

CONSUMER POLICY MUST RECOGNISE THAT DECISION-MAKING IS COMPLEX

We argue that policy must take into account that consumers are likely to have imperfect knowledge of the factors and risks involved in a decision, and may be subjected to a myriad of potentially influential stimuli entering their decision-making. Consumer policy must incorporate an understanding of consumer behaviour and decision-making into its remit, and support and empower consumers in the various methods they use to navigate the market.

BUNDLES: BE CLEAR AND GENUINE ABOUT WHAT'S ON OFFER

To increase comprehension and information processing effectiveness, telco advertising should state explicitly that the offer bundles together certain products for the one price (e.g., a smartphone and home phone or a smartphone, home phone and Internet). By using perceptual techniques, such as using contrasting colour, this will increase the likelihood of consumers absorbing this information. Our findings suggest that almost nine per cent of respondents failed to identify the number of items offered for sale for the one "all-inclusive" price. Since consumers doubt the genuineness of the advertised bundled offer if the bundle has an associated cut-off date, for the benefit of consumer decision-making it is recommended that limited time offers not be used in association with bundling.

SIMPLIFY TERMS AND CONDITIONS, AND USE A SINGLE PAGE CRITICAL INFORMATION SHEET

If a decision is made to increase the font size of the "terms and conditions" information presented in advertising, consideration needs to be given to also simplifying the material provided so that the average "person-in-the-street" has no difficulty interpreting it. This means that the document should be more than a "plain language statement", but should also consider consumer processing capacity in its construction. Information provided in the single page sheet should be presented in 15-point font to increase the likelihood that the consumer will read the document (in response to the increased perception of risk associated with a larger font).

DEVELOP CONSUMER-FRIENDLY TRIALS OF UNIT PRICING AND CONDUCT FURTHER RESEARCH INTO HOW CONSUMERS USE UNIT PRICING

From the consumer perspective, it is not sufficient that unit pricing information be available to consumers, rather it also needs to be able to be processed by them. Further research needs to be undertaken in the complex telecommunications environment to determine the best way to do this. There needs to be further education of consumers about unit prices and how to use them.

HAVE THE HARD CONVERSATIONS WITH CONSUMERS ABOUT THE INFORMATION THEY WANT

We recommend that telcos proactively provide information to consumers about network coverage, contract termination fees, and cooling-off periods in the knowledge that consumers consider this type of information relevant when attempting to make a purchase decision. Salespeople were identified as an essential source of information in the decision-making process for many consumers. We recommend that salespeople engage in proactive discussion of "fine print" details of a plan with prospective customers (including for example cooling-off periods, network coverage, and contract termination fees), as a verbal overview appears to lower consumers' perception of risk. It is also important to supplement this with written documentation that consumers can peruse at their leisure (as recommended above).

*"Did you find the level of choice made it easier or harder?" (Lots of choice)
"Harder. I think I am more confused now than when I started."*

"It's all advertising...you've got this big one dollar phone and then you've got the fine print down the bottom."

"I would just get so many choices ...and just say 'I'll look at it later'. I would get overwhelmed and not wanting to spend all the small print on all the packages."

"Not once did [the salesperson] ask me how much I get paid or whether I can pay for my contract and phone which I think should be asked when purchasing any new phone."

"What we as consumers don't have control over is what's happening behind the scenes...If somebody comes into my home ... and they say this is the amount of water you consumed in your place, I can go to my meter and take a note...but in this sort of environment with the phone plans and stuff like that, you don't have that choice."