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## **Day 2, Thursday 15th September**

11:00-11:10am: The Consumer Knowledge Test

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TERESA CORBIN: OK, everyone, if you could grab a seat, we'll do our lucky draw. Another lucky draw!

I don't know, did you get another lucky draw? That's alright. No, I've got it here already. So, just for those who've only nearly arrived, the lucky draw is a set of VR – virtual reality – box glasses, and two Google Cardboard ones. So, OK, everybody got their things ready? The rules were – remember, you had to be sitting down to get it!

F1. No F1? Nobody's claiming it? We'll go again!

There is an F1! It's Claire! Congratulations, Claire.

Now, no downloading big videos in an isolated area to watch on virtual reality glasses. That's alright, it's fine.

OK, second one.

F21! F21's up the back there...

I don't know about this. You're the lucky person in the house, are you? Yesterday, and today cardboard glasses...

Last one – F13... No F13?

F68? F68? No F68. There is? Hey! Michael! Have some Google Cardboard virtual reality glasses to try out!

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TERESA CORBIN: Alright. I'm just going to introduce the next panel quickly, so they can get started. We're very, very lucky to have Paul Harrison here. He's going to be interviewed by

UNA LAWRENCE: About a recent project that has taken a while, but it's really very interesting, this project, and I'm really, really excited that we're presenting it today. So I'm handing it over to you now, Una.

UNA LAWRENCE: Thanks, Teresa. As Teresa said, I guess today is distinguished researcher and academic Paul Harrison. Paul's going to talk today about the Confident, But Confounded research project, which he and his team have conducted into consumer comprehension of telco contracts. We started to talk to Paul about the need for developing this research at a time when the telco industry was developing a customer information obligations framework. Which is a tool for reviewing obligations to provide information to consumers. We were aware that important consumer protections could be lost in the absence of independent evidence-based information and research, to the detriment of both industry and its customers. Consumer information is

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fundamentally important, but it has to be really carefully designed so that customers can understand what they're buying, how to use the service, and how to constructively resolve issues into the future. So we perceived that there was an absence of evidence about the best way to effectively communicate this fundamental information in the telecommunications space. That is, so that consumers can understand what they've bought, how to use that information to solve problems further down the track.

So, Paul – can you give us an overview of how you went about this project?

PAUL HARRISON: Sure. I guess because we wanted to see whether consumers actually understood what was contained in their agreements, we used what's called a knowledge test. So, instead of the usual "Have you understood this agreement?", we tested in a different methodology whether they understood it. We gave different groups different types of information that would be provided when they purchased a smartphone, then asked them a series of questions or problems that might arise in the operation of their smartphone agreement. So the questions might be, "How much would a 2-minute call cost on this plan?" or "How much data is included in this per month?" "Are calls to 1800 numbers, such as Centrelink, included in this plan?" All the responses had multiple-choice possibilities, so it's easier than it would be in real life. Different groups were given different information. Some people received what was really an overview of the plan, the kind you might receive from a salesperson. Some received this sales pitch. Some in a particular group received a sales pitch and then a critical information summary, and others received the sales pitch, a critical information summary and a detailed 32-page terms and conditions document. All of these different bits and pieces of information were taken from actual telco documents or sales processes, but we invented a unique brand so that there wouldn't be any halo effect from things such as brand loyalty.

All the participants could go back and read these documents throughout the experiment, so there was no deception. We weren't hiding anything from anybody. We measured their understanding of the agreement through these questions in the knowledge test 24 hours after they first received the documentation, and then 21 days after they had first received it. We also measured a few other items such as – these were self-assessed items such as self-efficacy, which is how much control people feel they have over their lives, financial literacy, we also measured their satisfaction, believability, understanding, and the relevance of the information that was provided. So again, we were asking people, "Did this look/feel/smell like a normal telco document?" We used an experimental method, dividing participants across three knowledge groups. We selected 362 participants randomly from a database of 350,000 Australians. For those of you who are statistically minded, because I know the whole room is full of stats nuts, the sample size gave us a practical confidence interval of 95%, and what that means is that 95 times out of 100, it is representative of the population.

UNA LAWRENCE: Thanks, Paul. Can you give us an overview of the key findings of the research?

PAUL HARRISON: Yes. Look, I think the most important thing is that the title gives away a lot. Consumers went into these agreements confident, but in reality they were quite confounded. To start with, um, across the entire study, the mean correct response to the knowledge test across all of the study was 42%, or 11 out of the 26 potential questions. Those participants in the study fared the worst were those who did the intermediate and advanced questions. I'm happy to give more information later about that. More specifically, what we found was that the optimal amount of information to give consumers at point of purchase was a standard, clear, critical information summary. Providing a detailed terms and conditions document actually resulted in a negative outcome in terms of correct answers. In other words, too much information made respondents go backwards in terms of their understanding. We were also really surprised to find an inverse or negative relationship between self-assessed understanding and the number of correct answers. So, for each point that people gave themselves – their belief that they understood the contract, there was a 0.3 change in how many answers they got correct. So the more confident you were in your abilities to understand a contract, the worse you did. That said, we did find the positive relationship between those who believed that the information was relevant to their needs, and correct answers. So it might actually be explained by the idea that, if the person believes the information is useful, they actually do quite well. We also found that those with vocational qualifications did worse than any other educational levels. And people whose first language wasn't English did worse than others. Our models showed that non-English speakers got between 1 and 3 answers more incorrect than those whose primary spoken language was English. Lastly, just out of interest, in another part of the study, we also find that key stakeholders underestimated and overestimated the capacity of consumers to solve these everyday problems. So, specifically what we found was that regulators had the most realistic expectations of consumers

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understanding their agreements, while consumer advocates underestimated consumers' understanding of agreements. And telecommunications representatives overestimated consumer capacity to understand the detail of their agreements by an average of 220%.

(LAUGHTER)

UNA LAWRENCE: So, really interesting findings there. What are the implications, Paul?

PAUL HARRISON: Look, I guess the key take-home for me from a research perspective is that none of us are good predictors of what consumers understand or comprehend. Not even consumers themselves. We're biased, and we shouldn't rely on our own warped understanding of what we think we are capable of to make judgements about what we think others are capable of. This leads, I guess, to a really strong argument that we should be undertaking rigorous and neutral research to test the effectiveness of contracts, codes, regulations in the context of what we want to achieve with those different types of codes and contracts, well before we decide to roll them out. I guess in a more prosaic or practical level, and maybe a policy level, I think it's just unrealistic to expect consumers to have anything more than a moderate understanding of even the easiest contractual elements of a telco agreement, and highly unrealistic to expect that people can respond to difficult or complex issues that might arise from the operation of that agreement. And personally, as an aside, I think it would be interesting to test the efficacy of the 1- and 2-page critical information summary in the future. In some earlier research that I've conducted with ACCAN, we actually found that the single-page consumer critical information summary had a better effect on consumers' understanding, or belief in their understanding, of the agreement. We didn't do a knowledge test on it, but I think there's a lot of superfluous information in those critical information summaries, and certainly from the research that we've done, the single page looks like it would be the most effective to help consumers solve problems about their contracts.

UNA LAWRENCE: Thanks very much, Paul. From ACCAN's perspective, this work's going to be fundamentally important in guiding our engagement with revisions of TCP Code in the next year and also our engagement in general in the whole obligation framework for giving customer information, particularly in an environment where the telco market's changing so much and consumers are going to be confronted with many greater choices than they have been previously, as they can switch providers. So it's going to be fantastic for us. Thanks very much, Paul.

PAUL HARRISON: It's a pleasure. Thank you.

(APPLAUSE)

TERESA CORBIN: That's great. And I actually think that this research is going to be, um, useful not just in the telecommunications industry, but by a lot of other industries that are looking at consumer behaviour and what they can learn from it. So, that's fantastic, Paul. Another great piece!

PAUL HARRISON: Thank you.