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## Consumer policy in telecoms: how far can market transparency take us?

Blog Editor



*The increasing convergence of services, devices and content leads to a more complex digital market that affects both consumers and telecom providers. In this post, **Claire Milne** focuses on ideas about consumers and market transparency in the current telecom sector. Based on recent consumer reports and consultations, the author suggests that the increasing complexity in the telecoms market has led to more confused rather than empowered consumers.*

By now it's well understood that successful competitive markets depend crucially on engaged, active consumers. Regulators around the world are used to upholding the twin notions of consumer empowerment (enabling informed consumers to exercise choice) and consumer protection (minimising harmful side-effects of competitive markets for consumers). Both these notions in turn rely on "market transparency". This is generally understood as the availability to consumers of all the information that they might need about products and services, the terms on which these are provided, and what to do when things go wrong.



It's a traditional tenet of consumer policy and law that markets should be transparent. But what this should mean in practice is rarely spelled out, and even more rarely tested. The increasing complexity and technical nature of communications markets means that merely making all relevant information available is far from guaranteeing informed consumers. In fact, it may just lead to confused consumers, who are prone to making wrong decisions; or fatigued consumers, who opt out of comparison shopping. A recent [Canadian Supreme Court decision](#) (reported in an EU Consumer Consultative Group [Opinion on consumer vulnerability](#), of interest in its own right) suggests that the traditional notion of the average consumer as "someone who is reasonably well informed and reasonably observant and circumspect" is outdated, and should be replaced by "someone who is credulous and inexperienced and takes no more than ordinary care to observe that which is staring him or her in the face upon first entering into contact with an entire advertisement".

As an example, in the UK (and elsewhere in the EU), the issue of "net neutrality" has been dealt with largely by requiring traffic management policies to be transparent. But a recent report [Lost on the Broadband Super Highway](#) from Consumer Focus highlights that consumers have very limited understanding of the term "traffic management" or of any information that is provided in relation to it. Likewise, an Ofcom consultation on [price rises in fixed term contracts](#) discusses the importance of transparency at the point of sale of conditions relating to contract termination within the fixed term. It underlines that even if initial transparency is achieved, price rises during the contract may still be unexpected and potentially unfair; and goes on to discuss how information on price rises that do occur must be presented very clearly and plainly, along with information on opting to end the contract, to reach consumers in an effective way.

### The road ahead: more remedies and less *confusopoly*

A recent Ofcom research publication on [consumer information remedies](#) recognises a slew of desirable characteristics for information provision, including that consumers are actually aware of the information; and that the information is accessible, trustworthy, accurate, comparable, clear and understandable, and timely. The report includes many examples of aiming to achieve such characteristics in other sectors, and discusses the pros and cons of different parties, including regulators, providing the information. While pointing to the unmanageable load of processing too much or too complex information, the report does not mention the simple approach that Jim Alleman put forward in his [recent contribution](#) to this blog – namely that companies should automatically put consumers on the tariff which would be cheapest for them, given their actual usage pattern. As Jim [points out](#), this would be one way to redress the inevitable information imbalance between providers and consumers. Researchers at the University of East Anglia have recently made a similar, if less radical, suggestion in relation to energy tariffs in a paper [Complexity and Smart Nudges with Inattentive Consumers](#). Ofcom's report is published for discussion, and culminates not in any proposals for action, but in a large number of questions for those designing information remedies to ask themselves. Maybe we can see it as a tentative first step – or just a feeler – along the road towards bolder regulatory interventions such as Jim has proposed, to help real people get good deals out of this "confusopoly" in which we find ourselves.

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*This article gives the views of the author, and not the position of LSE Network Economy Blog nor of the London School of Economics.*

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### About the Author



**Claire Milne** – Visiting Senior Fellow in the Department of Media and Communications in the London School of Economics and Political Science. Claire Milne has had a long and varied career with telecommunications policy as its central theme. Since 1989 she has been a freelance consultant, providing policy and regulatory advice in dozens of countries on all continents. In parallel she has served on several public bodies in the UK. Her early career was with BT; she has degrees in Mathematics and Statistics.

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