Autoriteit Consument & Markt

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Digital Regulation Cooperation Platform (SDT)

Basic principles for effective transparency

Markten goed laten werken voor mensen en bedrijven

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The Netherlands Authority for Consumers and Markets (ACM), the Dutch Authority for the Financial Markets (AFM), the Dutch Data Protection Authority (AP), and the Dutch Media Authority (CvdM) work together in the Digital Regulation Cooperation Platform (SDT). Each individual SDT member enforces compliance with the transparency requirements in its own sector. These requirements are meant to strengthen the position of people vis-à-vis market participants that offer products, services, and media by giving them access to the same information. However, having transparency requirements does not automatically mean they are also effective. Behavioral studies show that people are only able to process a limited amount of information. The way in which information is designed is therefore very important.

The four SDT members have drawn up the following basic principles in order to ensure that the transparency requirements are as effective as possible for consumers.

1. Transparency can only be effective if people know where to find the information and are also able to understand it

It might be stating the obvious, but one important condition for the effectiveness of transparency is that people know where to find the information you provide as a market participant. Whether something can be found or not will depend on where and when this information is provided. Merely providing the information is not enough: people must be presented with this information at a logical point in time, and must be able to navigate the information with ease. This requires data carriers, such as websites and documents, to have clear structures.

Furthermore, it must also be clear to people that the information is relevant for them, for example, by making it clear how they can use the information to their advantage. And by explaining in advance what they will find when clicking on a link or reading a document. Finally, people must be able to understand the information that you, as a market participant, provide them. Only if people truly understand the information, they will be able to use and process it correctly. That might be just for informational purposes, or to base a decision on or to take action. Consumer studies are a great instrument for determining whether the target audience is able to find and understand information.

2. The use of behavioral and communication insights is needed when designing easy-to-understand and easy-to-find information

Information must be carefully designed so that it can help people find and understand that information well. This means, for example, that you must know who your target audience is and what works for them. For example, people have a limited amount of attention, time, patience, and motivation. In addition, it is important not to exploit the vulnerabilities of people in order to urge them to make choices that are not in their interest. For example, think of using information regarding the financial vulnerability of people to have them buy products on credit. Insights such as these need to be taken into account when developing easy-to-understand and easy-to-find information, for example, in terms of design, timing and location of the information. In that context, it is important that the same amount of effort that is put into using behavioral and communication insights to sell products is also put into making sure that people prevent foreseeable harm.

3. Whether or not people are able to find and understand information can only be determined by conducting high-quality studies

The only way to find out whether or not people are able to find and understand your information is by studying this. In that context, it is important to distinguish between self-reported data and objective data. Self-reporting involves asking people directly for the outcome (for example, ‘Did you understand this information?’). This data is relatively easy to collect. However, one major drawback is that self-reporting says little about whether people actually find and understand the information in real life. The fact that people *say* they understand information does not necessarily mean that they actually *do*. Objective data is collected by assessing what is actually the case, for example, by testing people’s knowledge of the information, or, with the consent of the individuals involved, using eye-tracking or their clicking behavior to determine the extent to which people are able to find information online.

4. Consider using instruments other than the provision of information, too

Transparency requirements often mean providing information (for the first time or more information). Use behavioral insights to consider using other instruments as well. In that context, choose a mix of instruments that are appropriate for the realization of the objective. Some instruments are directly aimed at the behavior of people, while others focus on the market (which will have indirect effects on people). In addition to information documents, other possible instruments are the optimization of the choice architecture, target audience segmentation, and product intervention. Also, transparency can be used for other purposes than informing consumers (directly or otherwise). Both the market as well as other market participants (such as the media and comparison sites) can use transparency to explain complicated information to consumers using simple terms. For example, comparison sites can make it easier for consumers to compare product features and costs, for example, by organizing and segmenting information, advisors can use cost overviews to determine what product meets a consumer’s needs best, and both the media and claim organizations can use the information to take a critical look at certain products or services.