

Good practice in the design and presentation of consumer survey evidence in merger inquiries

March 2011

OFT1230
CC2com1

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Any enquiries regarding this publication should be sent to:
Marketing, Office of Fair Trading, Fleetbank House, 2-6 Salisbury Square,
London EC4Y 8JX, or email: marketing@oft.gsi.gov.uk

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CONTENTS

<i>Section</i>	<i>Page</i>
1 Introduction	4
The good practice principles	5
The detailed illustrations and examples	6
Applicability and status of the Guide	7
2 Good practice principles	9
Transparency of objectives	9
Representativeness of sample	10
Soundness of method	11
Full disclosure of results	12
Summary of principles	12
3 Detailed illustrations and examples	13
Research objectives and hypotheses for testing	13
Population description and sampling	14
Characteristics of research agencies and contractors	19
Research resources and documentation	19
Designing consumer survey introductions	20
Designing and ordering consumer survey questions	23
Asking hypothetical questions	28
Hypothetical questions about price increases	29
Hypothetical questions about diversion options	31
Conducting fieldwork	34
Respondent privacy and data protection	36
Data processing, analysis and reporting	38
4 Conclusion	39

1 INTRODUCTION

- 1.1 During our investigations into mergers, the Office of Fair Trading (OFT) and the Competition Commission (CC) both receive submissions of evidence derived from surveys of consumers that have been commissioned for the specific purpose of helping to understand aspects of a merger. These surveys are usually commissioned by management consultancies or economic consultancies and conducted by market research agencies. All of these groups are the intended audiences for this document.
- 1.2 Amongst other things, consumer survey evidence may be used for market definition or for the assessment of the closeness of competition between firms. We welcome this type of evidence and believe that the use of statistically-robust consumer survey research can help us reach informed decisions.
- 1.3 For brevity, this document 'Good practice in the design and presentation of consumer survey evidence in merger inquiries' is referred to herein as 'the Guide' and the CC and OFT jointly as 'the Authorities'.
- 1.4 The Guide has two substantive sections:
- first, the Guide sets out principles to assess quantitative consumer survey research in Section 2
 - second, Section 3 contains some illustrations and examples of research techniques. Section 3 will not be used as a basis for assessing the evidential weight of a particular piece of consumer survey research evidence.

The good practice principles

- 1.5 The Guide sets out, in Section 2, our general views on good practice principles in designing and reporting consumer survey research for merger inquiries. We use the term 'consumer' here to describe a person who buys a product or service for their own use.¹
- 1.6 These views are guidelines, not rules. We recognise that circumstances vary and that judgment and skill will be required in applying consumer survey research methods to a particular case. Time and resource constraints will also sometimes mean that the consumer survey research possible under particular circumstances cannot comply fully with all of the principles set out here.
- 1.7 The Guide will, therefore, not have met its objective if it is seen as a minimum standard that consumer survey evidence must meet to be admissible, or if it discourages merging parties from submitting consumer survey evidence that does not comply with the Guide. For brevity, each principle is introduced here with a phrase such as 'a consumer survey **should** ...'. This should be read as short-hand for 'In the absence of clearly argued reasons to the contrary and where time and resources allow, a consumer survey **should** ...'.
- 1.8 In general, however, submissions that follow the good practice principles set out in this Guide, or argue clearly and convincingly why a different approach has been taken, are more likely to be given evidential weight.

¹In some mergers, the customers of the merging parties may be buying on behalf of others; this introduces complexities into the research design process that are not considered here. The good practice principles would apply also to a situation in which an **organisation** was buying for its own use.

- 1.9 Relevant consumer survey research that has been conducted for the purpose of informing business strategy in advance of a merger being considered may also have evidential value. It might, indeed, be given higher weight than that designed in the light of a proposed merger. However, evidence that does not conform to general principles of good consumer survey research practice will tend to be given less weight than that which does.
- 1.10 Furthermore, the focus of the Guide on merger investigations does not preclude the principles set out here being relevant in other types of investigation, though the degree to which they apply will be a matter of judgment for the Authorities.
- 1.11 The principles set out in Section 2 **will** be used in assessing quantitative consumer survey research that has been designed for the specific purpose of providing evidence in a merger inquiry.

The detailed illustrations and examples

- 1.12 This Guide also offers, in Section 3, illustrations and examples that have been drawn from recent experience in competition investigations and are intended to assist parties in designing consumer survey research that meets the good practice principles.
- 1.13 These illustrations are selective and included by way of example. The omission of a particular consumer survey research technique from the Guide does not imply that results derived using it would not be given evidential weight in appropriate circumstances. We encourage parties and their advisors to use the most appropriate research techniques to generate robust evidence in a given merger situation, irrespective of whether evidence from those techniques appears to have been influential in previous cases or not.

1.14 The detailed information in Section 3 is offered as a concise technical resource for parties, and **will not** be used as a basis for assessing the evidential weight of consumer survey research evidence.²

Applicability and status of the Guide

1.15 Whilst the Guide has been designed to help interested parties in a merger inquiry submit evidence to the Authorities, we will endeavour, where possible, to follow the good practice principles in merger inquiries ourselves.

1.16 We aim to be open and transparent in our work. We will consider requests from parties in merger inquiries for the disclosure of the information underlying our analyses, including requests for the disclosure of information derived from consumer survey research. However these requests may be subject to important legal and practical constraints on our ability to disclose such information. These constraints include the Enterprise Act 2002, the Data Protection Act 1998 and the statutory timetable for each merger inquiry.

1.17 Furthermore, once a merger inquiry has started, we will seek to be available to engage with parties at key stages in the consumer survey research process, wherever this is reasonable and practicable. This will allow technical issues that are germane to each particular merger situation to be appropriately addressed. The timing of such engagements will depend upon the progress of each merger inquiry. Engagement by the Authorities would not preclude developing views on the evidential weight of a piece of consumer survey research on either side, nor be an alternative to rigorous testing and piloting of planned consumer survey research approaches by the parties.

²Note that the principles of Section 2 might still apply in the assessment of consumer survey research that uses methods that are not explicitly mentioned in Section 3.

1.18 This Guide is a technical resource to assist parties in presenting effective consumer survey research evidence. It is without prejudice to the advice and information provided under the Enterprise Act 2002 in the joint Merger Assessment Guidelines.³

³Merger Assessment Guidelines, September 2010, OFT1254 and CC2 (revised).

2 GOOD PRACTICE PRINCIPLES

2.1 Effective consumer survey research should respect general principles of:

- transparency of objectives
- representativeness of sample
- soundness of method
- full disclosure of results

Transparency of objectives

2.2 Sound statistical research requires that the specific hypotheses to be tested or the measures to be estimated should be set down **before** any data is collected. This prior statement of objectives need not be formal. It allows an objective assessment to be made of whether the consumer survey data collected provides evidence for each hypothesis or not, and to what degree.

2.3 Consumer survey research that follows a transparent prior design process is more likely to be convincing than that which derives from asking a variety of questions about an issue and then searching retrospectively through the resulting data for statistically significant patterns (though such patterns may still be informative).

2.4 Reporting consumer survey research transparently should include providing a full description of the objectives and the methods used. A report should contain sufficient detail to demonstrate that good consumer survey research practice was followed at each stage. Where questions arise about the conduct of the research that cannot be answered from the documentation, direct access to relevant professional staff from the agency that conducted the research will be regarded as offering the greatest transparency.

Representativeness of sample

- 2.5 Consumer survey research involves defining a population of interest and then consulting a sample from this population. This is done so that measures relating to the whole population may be estimated and the sampling uncertainty in the estimates may be quantified. The sample consulted should be representative of the population, either by incidence or value as appropriate for the hypotheses being tested.
- 2.6 Consumer survey evidence may have value in any merger situation. It is likely to be particularly useful where the potential competition concern relates to a large population, and where the views of only a few members of that population may not be representative of the population at large.
- 2.7 If the behaviours and attitudes of interest in the population are expected to vary systematically with certain characteristics, then the sample selected should have broadly the same composition by these characteristics as does the population. This may be ensured by setting interview quotas, or demonstrated by comparing incidences between sample and population and showing that they match within expected sampling error.
- 2.8 Reliable consumer survey evidence should therefore:
- set out clearly the population of interest
 - draw upon existing research evidence to demonstrate the characteristics of consumers with regard to which a sample should be representative
 - document how the sample matches the population with regard to these characteristics.

- 2.9 If little prior information is available about the consumer characteristics that may affect the behaviours and attitudes of interest, particular care will need to be taken in the survey design to ensure that a sample selection mechanism is used that does not lead to the un-planned excessive participation of one type of consumer over another.

Soundness of method

- 2.10 There is a well-developed body of good practice in social research, and this provides the basis for assessing the validity and reliability of consumer survey research evidence. Because a survey to provide evidence in a competition investigation is usually ad-hoc in nature and not part of a regular series, it is important that it demonstrates conformity to established good practice. In particular, good consumer survey design should:
- present questions in context
 - avoid ambiguity or confusion
 - not influence consumers to give particular answers
 - provide appropriate response options for representing the views expressed.
- 2.11 Furthermore, the soundness of the design should have been tested by piloting the consumer survey and monitoring the fieldwork. Documenting feedback from these processes, and noting any changes made in the consumer survey research design to respond to this feedback, will build confidence in the soundness of the results.
- 2.12 Where analysis of consumer survey research is presented, this should conform to social research good practice. A survey report should set out the full range of responses to each question that has a pre-defined response scale and should report the exact wording used in the question and associated response scale.

Full disclosure of results

- 2.13 Where a market research agency has conducted consumer survey research on behalf of the merging parties or their advisors, a comprehensive agency report of the research, including the terms of reference and a clear response to them by professionally-qualified agency staff, is most likely to carry evidential weight.
- 2.14 We would also expect that completely anonymous individual responses to the survey would be made available on request for further analysis and replication of key results, in so far as this is allowed within the constraints of the Market Research Society Code of Conduct, the Data Protection Act 1998 and other relevant legislation.

Summary of principles

- 2.15 In order to be given the greatest evidential weight, consumer survey results should:
- test clearly-stated hypotheses
 - be representative of the relevant consumer population
 - deploy sound social research methods
 - be reported in full, with supporting data available to allow key results to be replicated and tested.
- 2.16 The remainder of this Guide offers illustrations and examples, to assist parties in conducting consumer survey research that meets the good practice principles.

3 DETAILED ILLUSTRATIONS AND EXAMPLES

- 3.1 In this section, illustrations of consumer survey methods that have played a part in recent merger inquiries are given. The issues discussed have been relevant to the design and presentation of survey evidence presented to the OFT and to the CC in recent years. We intend periodically to review and update the contents of this section to reflect developments in the field.
- 3.2 A number of examples of consumer survey elements are presented in numbered boxes. Their purpose is either to demonstrate good practice with real examples, or to exemplify potential problems using anonymised extracts.⁴ The examples should **not** be viewed as model templates for future consumer surveys.

Research objectives and hypotheses for testing

- 3.3 The aims of consumer survey research in a merger inquiry may depend upon whether evidence is required to inform a market definition or a competitive assessment of the merger. A clear statement of the aims and objectives given to the research agency conducting the survey will be the starting point for assessing the degree to which the agency has been able to bring independent, professional skill to its design and execution.
- 3.4 An example of the objectives given to a research agency in a CC merger inquiry is shown in Box 3.1 (overleaf).

⁴Some examples from OFT market studies and CC market investigations have also been included, where these demonstrate good practice or exemplify potential problems particularly clearly.

Box 3.1: Good practice in a statement of survey research aims and objectives

The objectives of the research are to:

- (a) establish bases for estimates of the composition of passenger flows by journey purpose; means of reaching pick-up point; key demographics; and ticket details
- (b) identify the factors in choosing mode of travel and provider that are most important to passengers
- (c) establish the extent to which passengers are aware of other travel options
- (d) rank passengers' other travel options in order of attractiveness
- (e) test passengers' stated intentions in response to changes in ticket prices and service characteristics
- (f) gather demographic information for the analysis of survey responses by different passenger groups.

**Objectives included in invitation to tender to pre-qualified market research suppliers.
CC Scottish Citylink Joint Venture Inquiry Research Specification, CC, 2006.**

3.5 Recording, in advance of collecting data, the methodology to be adopted, any specific hypotheses to be tested and the measures to be estimated will allow an objective assessment of the statistical significance of the consumer survey results.

Population description and sampling

3.6 The briefing given to the market research agency should include a clear description of the population of interest for the consumer survey. This should include a note of the demographics (for example, age, socio-economic group) and other consumer segmentations (for example, time since purchase of product, amount spent on service last year) that are expected most to affect the behaviours and attitudes being measured.

- 3.7 Where possible, the research agency should have access to population counts, broken down by the key demographic and other segmentation measures identified. The researchers should use these for setting interview quotas or monitoring incidence rates in the consumer survey sample, to ensure that these are comparable with those in the population within expected sampling error. An example of a description of a population of interest and its characteristics is shown in Box 3.2.

Box 3.2: Good practice in the description of a population of interest

The population of interest for the attitude research is UK-resident consumers who purchased Payment Protection Insurance (PPI) within the twelve months prior to the research and who state at screening that they considered more than one PPI product or packaged loan with PPI before making the associated loan application.

For Personal Loan PPI in the UK in 2006/2007, the Financial Resources Survey indicates that there were about 420,000 PPI customers. A telephone survey conducted on behalf of the CC in October and November 2007 indicates that about 30 per cent of these customers considered PPI options in advance of applying for a loan.

Response quotas will be set to be nationally representative by personal disposable income band.

Summarised from an invitation to tender to market research agencies. CC PPI market investigation, Consumer searching behaviour research, Requirements specification, 2008. www.competition-commission.org.uk/inquiries/ref2007/ppi/pdf/consumer_research_behaviour_report.pdf

- 3.8 If there are likely to be material differences in the behaviours or attitudes of customers at different times of the day, on different days of the week, or at different times of the year, this also should be reflected in the description of the population.

- 3.9 One possible objective of consumer survey research in retail markets is to investigate whether local geographic markets exist and, if so, their extent. When little time is available, consumer survey research may be limited to only one or two areas and these should be chosen to be as typical of the areas affected by the merger as possible. If time allows, the sample should cover a range of retail settings affected by the merger. For example, the sample might include town centre, out of town retail and tourist destination outlets, or retail sites with and without customer parking facilities. In general, robust consumer survey results from a carefully-designed sample of locations are likely to carry more evidential weight than those from superficial surveys in a larger number of areas.
- 3.10 Careful consideration should be given to avoiding sampling bias or non-response bias that leads to an unplanned excessive participation in the survey of a type of consumer with one view on the questions, in preference to another type of consumer with a systematically different view. Minimising such bias will involve revealing at the start of the interview enough about the purposes of the survey and its sponsorship to recruit respondents and encourage them to give their honest views.
- 3.11 An example of a telephone survey introduction that follows this good practice is shown in Box 3.3, together with a contrasting example of a covering letter to a paper survey that might have introduced a selection bias in Box 3.4 (overleaf).

Box 3.3: Good practice in the invitation to take part in a telephone survey

My name is and I'm calling from, an independent market research company. We are currently conducting a short survey for the government about live music events. All your answers will be treated in strict confidence according to the Market Research Society Code of Conduct. Could you spare a few minutes to answer some questions?

Introduction to telephone interview using Random Digit Dialling sample. Live Nation and Ticketmaster Inquiry: A research report prepared for The Competition Commission, August 2009.

http://www.competition-commission.org.uk/%20inquiries/ref2009/ticketmaster/pdf/consumer_research_gfk_nop_research_report.pdf

Box 3.4: Potential problems in the cover letter invitation with a paper self-completion survey

The Competition Commission (CC) is conducting an inquiry into whether the merger of Supplier X and Supplier Y may be expected to result in a substantial lessening of competition in the supply of services to their users. The CC is currently taking evidence from interested parties.

Cover letter sent out with a paper self-completion questionnaire to all users of the merging suppliers' services. It highlights the use of the consumer survey to investigate a lessening of competition and refers to consumers as 'interested parties', both of which may tend to encourage tactical responses. It also uses the phrase 'substantial lessening of competition' a technical term with a particular meaning that may not be understood by the typical consumer. CC merger inquiry, survey cover letter, post-2001.

3.12 It is likely that some screening will be necessary at the start of a consumer survey interview. This screening should exclude consumers who have a vested interest in the subject because of their employment or personal connections, and include only those respondents who are genuinely able to answer the survey in a way that is representative of the population of interest.

3.13 Thought should be given as to whether the appropriate sample to provide views on a merger is all potential consumers of a product, the customers of all of the firms believed to be in the market, or only the customers of one or both of the merging parties. Screening should be documented explicitly, and the numbers of people 'screened out' at each stage recorded and reported. An example of a clear screening process is shown in Box 3.5.

Box 3.5: Good practice in the explicit screening of respondents for a telephone survey

Q1a Do you work in any of these industries?

Advertising – Q1b

Financial Services – THANK AND CLOSE

Journalism – THANK AND CLOSE

Marketing or Market Research – Q1b

None of these – Q1b

Refused – THANK AND CLOSE

Q1b Payment Protection Insurance, also known as PPI, may cover payments on your credit card in case you have an accident, become sick, become unemployed or die. From records provided to us by the Competition Commission, we understand that you took out PPI for a credit card from Anybank on or around 24 November last year. Can I just check that you did in fact take out this insurance?

Yes - Q2

No, didn't take out insurance – THANK AND CLOSE

Don't know / Can't remember – THANK AND CLOSE

Refused – THANK AND CLOSE

A telephone survey screener using PPI customer sample provided by lenders. CC PPI market investigation, PPI Search Behaviour, A research report for the CC, April 2008.

www.competition-

[commission.org.uk/inquiries/ref2007/ppi/pdf/consumer_research_behaviour_report.pdf](http://www.competition-commission.org.uk/inquiries/ref2007/ppi/pdf/consumer_research_behaviour_report.pdf)

Characteristics of research agencies and contractors

- 3.14 The ability of a research agency to deliver high quality results will depend upon both the quality standards and systems that have been built into the agency organisation and the professional skills of the individual executives responsible for conducting the consumer survey research.
- 3.15 Consumer survey research reports should identify the agency conducting the survey and all of the organisations to which significant parts of the work were sub-contracted. Information to allow the user of the report to verify the professional credentials of these organisations should be included - usually appropriate web-site addresses will suffice.
- 3.16 Agencies should have the appropriate quality systems and standards for the consumer survey research being undertaken. At the time of writing, ISO 20252 Market, opinion and social research - vocabulary and service requirements (2006) is one of the appropriate standards for consumer survey research.

Research resources and documentation

- 3.17 Sufficient project management information should be included in consumer survey research reports to demonstrate that the agency (and its sub-contractors) conducting the research had access to the appropriate resources and was allowed sufficient time for the objectives to be met.
- 3.18 A detailed understanding of how consumer views were gathered is important to the assessment of how much evidential weight to give to a piece of consumer survey research. The survey process should be documented in full, including information about:
- any letters or e-mails used to recruit respondents
 - any incentives offered to consumers to complete the survey
 - the script or text used to introduce the survey

- survey routing, screening and quota checking instructions
- any interviewer notes.

3.19 If separate briefing documents were given to field teams or interview supervisors, these should be provided as well.

Designing consumer survey introductions

3.20 Care should be taken to ensure that an appropriate context is established for the questions being put to consumers. Survey introductions that describe the purpose of the research and outline the subject areas to be covered should be full enough to ensure that a typical consumer will understand what is being asked of them and why.

3.21 An example of a telephone survey introduction that follows this good practice is shown in Box 3.6, together with a contrasting example of an insufficient Computer Assisted Personal Interview (CAPI) introduction in Box 3.7 (overleaf).

Box 3.6: Good practice in the content of the introduction to a telephone survey

My name is [interviewer] from ... We are carrying out a survey of people in Scotland on behalf of the Competition Commission as part of an official investigation into the buses and trains used by people like you. We would like to ask you some questions about your everyday journeys.

ADD REASSURANCES AS NECESSARY

It will take about ten minutes or so. This is a genuine market research survey, no attempt will be made to sell you anything, either during or after the interview.

Random Digit Dialling telephone survey introduction. CC FirstGroup / Scotrail inquiry 2003, Report, Prepared for the CC, March 2004.

www.competition-commission.org.uk/inquiries/completed/2004/first/nop_consumer_survey.pdf

Box 3.7: A potential problem in the content of the introduction to a Computer Assisted Personal Interview

INTERVIEWER: PLEASE SHOW SCREEN UNTIL OTHERWISE INSTRUCTED

We are interested in looking at how people get [general product] serviced, in particular [product type A] or [product type B].

CAPI questionnaire introduction, seen as having insufficient description of the purpose of the research being conducted. CC merger inquiry, survey introduction, post-2001.

- 3.22 Introductions should be delivered clearly in understandable blocks of plain English and should avoid leading the respondent to any prior view on the survey material. In particular, the introduction to a survey should avoid creating strategic bias, where the consumer seeks consciously to influence policy through their responses to the questions.
- 3.23 In telephone and field surveys, opportunities should exist for the consumer to ask the interviewer questions of clarification before substantive survey questions are posed. A balance should be struck between the demands of achieving a high survey response rate, ensuring that consumers understand what the subject area is, and checking that respondents are willing and able to give informed responses. This is demonstrated in the example shown in Box 3.8 (overleaf).

Box 3.8: Good practice in structuring the introduction to a telephone survey

My name is [interviewer] and I'm calling from ..., an independent market research company. We are currently conducting a short survey for the Government about live music events. All your answers will be treated in strict confidence according to the Market Research Society Code of Conduct. Could you spare a few minutes to answer some questions?

INTERVIEWER: ADD REASSURANCES AS NECESSARY

- The interview will take no longer than 15 minutes.
- Everything you say is confidential and any responses will not be attributed to you.
- There will be no attempt to sell you anything, either during or as a result of this survey.
- This research is being used as part of a Government Inquiry, and your views are important to help with this Inquiry.
- This is a genuine market research survey being conducted on behalf of a Government Department.

OK to continue - S1

Telephone survey introduction. With the advantage of hindsight, the introduction might have been more effective in not risking the introduction of a strategic bias had it avoided the phrase 'Government Inquiry', which may have negative associations for some consumers. It is not recorded how often, if at all, the reassurances were used. CC Live Nation / Ticketmaster merger inquiry, A research report prepared for the CC, August 2009.

www.competition-commission.org.uk/inquiries/ref2009/ticketmaster/pdf/consumer_research_gfk_nop_research_report.pdf

Designing and ordering consumer survey questions

- 3.24 Care should be taken to present consumer survey questions in a logical order, to assist the respondent to understand them and to ensure that answers to later questions are not biased by the presentation of information in earlier questions. Questions should be introduced in such a way that gives clearly the context in which they are to be answered and reminds consumers of this as necessary. Linking phrases such as 'Now, still thinking about the **most recent** purchase you made ...' will be useful in this regard.
- 3.25 In general, screening questions (see paragraph 3.12) should appear as early in the sequence as possible, to minimise the number of questions asked of consumers who turn out not to be qualified to answer the main survey. The substantive questions should usually be ordered to match as closely as possible the sequence of the purchase decision being investigated. Within this, it is usually easier for the respondent if matters of fact are probed first, followed by matters of behaviour, then preference, then attitude. Demographic information is usually collected at the end of a consumer survey.
- 3.26 Any confusion or ambiguity in the phrasing of a consumer survey question is likely to reduce the evidential weight that can be put on responses to it. Technical terms should be avoided, as should artificially restrictive language. For example, asking 'Are you aware of any other stores where you can buy ...?' may exclude artificially online shopping as an alternative source of supply.

3.27 A question that is presented in a way that leads consumers to one response in preference to another (irrespective of their actual view) is biased, and unlikely to be of evidential value. Efforts should be made during survey testing and piloting to ensure that each question is as clear, unambiguous and neutral as possible. Some potential sources of bias that should be considered when drafting consumer survey questions include:

- hypothetical bias, where a consumer may indicate a willingness in principle to spend money or change behaviour, which does not reflect their likely real response to the situation described
- inertia bias, where a consumer over-states their likely reaction to a change in the market, by not taking into account switching costs, inconvenience, uncertainty of information and natural laziness
- framing and anchoring effects in the way questions are presented. These include acquiescence bias, where the consumer tends to agree with any statement implied in the question. For example, 'Did you clean your teeth today?' contains an acquiescence bias to the response Yes. A more neutral presentation would be 'Did you clean your teeth today, or did you not do so?'

3.28 Consumer survey design techniques have been proposed that may reduce these biases. They include reading out an introduction that alerts the consumer to the existence of these effects and exhorts them to consider carefully realistic answers (a 'cheap talk' script), and asking consumers after each question how confident they are that they would behave as their answer indicated and then allowing for this level of confidence in the survey analysis.

3.29 An example of a neutral telephone survey question is shown in Box 3.9, together with a contrasting example of one that is potentially biased in Box 3.10.

Box 3.9: Good practice in the presentation of a neutral telephone survey question

29. After your offer was accepted, what type of survey of the property was conducted, if any? READ OUT

None

Mortgage valuation survey for my lender

Homebuyer Survey

Full Buildings Survey / Structural Survey

Don't remember

Telephone survey question. Home buying and selling market study 2009, Quantitative Consumer Survey Report, February 2010

http://www.ofst.gov.uk/shared_ofst/reports/property/quantitative-consumer-survey.pdf

Box 3.10: A potential problem in the presentation of a telephone survey question

Do you know how much [name of bank] charges you when you set up a standing order?

Yes

No

Not sure

Refused

Question seen as having an acquiescence bias towards Yes responses, from a telephone interview using Random Digit Dialling sample. CC market investigation survey, post-2001.

3.30 Data collection and analysis will often be facilitated by using categorical response scales. These should be tested to ensure that their presentation does not introduce any systematic bias into the responses and that they include the most frequent survey responses. It will rarely be appropriate to use scales that force consumers to choose from an unrealistically limited set of choices. Bipolar attitude scales (for an example, see Box 3.11) should usually include a labelled, neutral mid-point and allow respondents to state that they do not know the answer to the question without terminating the interview.

Box 3.11: Good practice in the use of a survey attitude scale

I am going to read out a number of statements and I would like you to tell me how much you agree with each using the following scale:

- Agree a lot
- Agree a little
- Neither agree nor disagree
- Disagree a little
- Disagree a lot
- Don't know – DO NOT READ OUT

Introduction to a set of attitude statements in a telephone survey. CC PPI market investigation, PPI Search Behaviour, A research report for the CC, April 2008

www.competition-commission.org.uk/inquiries/ref2007/ppi/pdf/consumer_research_behaviour_report.pdf

- 3.31 As far as possible, response options should be mutually exclusive and exhaustive. Response scales to be read out by an interviewer should contain a number of options that can reasonably be understood and remembered by a typical consumer (usually no more than six simple choices). A response scale to be used to code an unprompted response from a consumer should be presented to the interviewer in a logical order, grouped into similar themes. Response scales should not extend over more than one page or screen. An example of a potentially confusing telephone interview response scale is shown in Box 3.12.

Box 3.12: A potentially confusing response scale

You mentioned that your main local newspaper was the [name of paper]. I would like you to imagine that this paper was discontinued completely and permanently. All other local newspaper publications and media are still available. Which of the following would you be most likely to do?

[Read out and randomise order for all except last three]

- not reallocate the budget to any other publication or media type
- spend budget in another local newspaper
- spend budget on online site
- spend budget on other online including paid-for search, banners, display & own website
- spend budget on direct mail
- spend budget on online self-published magazine
- spend budget on national newspapers
- spend budget on other media, for example sponsorship, self-published magazine, local TV or local outdoor (Please name media)
- reallocate budget amongst other media types, not incl. local newspaper
- reallocate budget amongst other media types, incl. local newspaper
- (do not read out loud) don't know
- (do not read out loud) refused
- other (please name media type and company)

The results from this part of the telephone survey were given little evidential weight, as those advertisers who responded may have found the options overlapping and confusing, particularly when read out in random order. Submission to an OFT investigation, post-2001.

3.32 An example of a question scale that seems unlikely to have captured all of the likely survey responses is shown in Box 3.13.

Box 3.13: Potential problems in the use of a survey attitude scale

Would it be easy or difficult for you permanently to switch to a different coach company for this journey?

READ OUT, SINGLE CODE:

Very easy

Fairly easy

Neither easy nor difficult

Fairly difficult

Very difficult

Impossible

(Do not read out) Refused

Six-point bipolar scale that offers no way of coding views such as 'I don't know' or 'It all depends'. As an aside, the scale is not symmetric and this may have caused confusion - respondents would usually expect 'Neither easy nor difficult' to be the mid-point. CC merger inquiry survey, post-2001.

Asking hypothetical questions

3.33 In many circumstances, consumer surveys carried out to provide evidence in merger investigations require hypothetical questions to be asked (for example, 'what would you do if the price of this service rose by ten pounds?'), particularly where an anticipated merger has been notified. There are particular difficulties associated with the use of hypothetical questions during a consumer survey, over and above those discussed above. Potential extra sources of bias and measurement error include:

- the context in which the hypothetical situation is presented, including whether and when the purpose of the research is revealed to consumers

- question framing affecting the way in which consumers consider the hypothetical situation
- the use of response scales that do not allow consumers to capture the true likelihood of their responding to the situation in different ways.

3.34 When using hypothetical questions, care should be taken to minimise the effects of these sources of bias and error in the consumer survey design. The responses to such questions should always be assessed in the context of other evidence about the respondent and a general understanding of consumer behaviour. In some surveys it may be possible to include questions to assess the internal consistency of responses to hypothetical situations, for example, questions about previous purchase behaviours.

Hypothetical questions about price increases

3.35 Consumers are more likely to understand questions about price increases if these are framed in terms of absolute amounts based on an actual price recently paid for a product or service. The aim of the survey question is to present as realistically as is feasible the choice a consumer would encounter following a price increase, and it would be rare for an increase to be presented to the consumer in the form of a percentage.

- 3.36 Whilst it is particularly important to design hypothetical questions for the specific market and interview situation in which they are being used, Boxes 3.14 and 3.15 give examples of questions that have been used successfully by the CC in the past.

Box 3.14: Good practice in describing a price increase A

Q5. Here are some typical current prices for the various ways of processing a 25-exposure APS film. If these prices were to apply everywhere in the country, which service would you normally choose?

Q6. If the prices of the next day, three day and six day services were to increase by 76 pence, but the prices of the same day and mail order services remained the same, which would you choose?

CAPI interview with film processing customer in store. With the advantage of hindsight, the phrase Advanced Photo System (APS) might have been better set out both in full and as its widely-understood acronym. Eastman Kodak Company and ColourCare Limited: A report on the proposed merger, Appendix 5.1, CC, December 2001.

www.competition-commission.org.uk/rep_pub/reports/2001/fulltext/461a5.1.pdf

Box 3.15: Good practice in describing a price increase B

Scottish Citylink and Motorvator are, of course, still running between Edinburgh and Aberdeen. I would now like to ask you whether it would have affected your most recent journey choice if the ticket price or timetable had been different. Firstly, would you have travelled by train instead of the coach service you travelled on, if the price of your coach ticket had been £3.00 instead of £2.00?

Telephone interview with passenger previously recruited on coach from Edinburgh to Aberdeen with £2.00 single ticket, who had previously stated that train would be their best alternative transport mode. CC Scottish Citylink joint venture inquiry, Presentation of findings, May 2006.

www.competition-commission.org.uk/inquiries/ref2006/citylink/pdf/survey_coach_passengers_scotland.pdf

- 3.37 One example of a question that was regarded as unreliable in the way that it framed a hypothetical price increase is shown in Box 3.16.

Box 3.16: A potential problem in the framing of a hypothetical price increase question in a face-to-face survey

Suppose that the price of the retailer's own brand product that you regularly buy increased permanently by 10%, so that a unit that previously cost one pound now costs one pound and ten pence. If the price of the branded equivalent product remained the same as before, what would you do?

Exit survey question about a grocery product that cost between 20 and 50 pence per unit. It was seen as being framed so as to exaggerate the absolute size of the hypothetical price increase by implying 10p, rather than between 2p and 5p. Evidence provided to the CC as part of a merger inquiry, post-2001.

- 3.38 There are difficulties in asking simple consumer survey questions to investigate the effect of hypothetical non-price changes such as reductions in quality. Different research techniques or sources of evidence may be more appropriate.

Hypothetical questions about diversion options

- 3.39 In mergers, the diversion of sales or volumes between the merging parties can be a key piece of information that informs the competitive analysis. Questions regarding diversion may follow questions regarding price changes, or they may be relevant in their own right.

- 3.40 Questions asking about diversion options for a product or service should be designed and tested to ensure that they provide response scales that cover all possible options, sometimes by including and analysing an Other (please specify) option. If the aim of the consumer survey is to estimate the proportions of sales **revenue** that would divert to various options in a hypothetical situation, it will be important to ask consumers about the most recent, or the typical, values of the purchases they have made, as in the example shown in Box 3.17.

Box 3.17: Good practice in asking a diversion ratio question

Q.6 And approximately how much did your grocery shopping cost at this store today? WRITE IN AMOUNT IN £s.
ROUND TO NEAREST £ (IF LESS THAN £1 ROUND TO £1).

Q.10a SHOW CARD B

If this Somerfield store had not been available, which, if any, of these types of store would you have used instead? SINGLE CODE ONLY.

- a large, out-of-town supermarket
- a same size supermarket
- a smaller convenience store
- a corner shop
- petrol station forecourt shop
- several different shops for different groceries e.g. butcher, baker
- used other (write in & ring)
- would not have done my grocery shopping
- don't know

Face-to-face interview with consumer leaving supermarket. With the advantage of hindsight, 'which one, if any, of these types of store would you have been most likely to have used instead' might have been a better question phrasing to secure a single code response.

Somerfield / Morrison Stores Merger Inquiry Final Report, July 2005.

http://www.competition-commission.org.uk/inquiries/ref2005/somerfield/pdf/consumer_survey_by_nop.pdf

3.41 An example of a diversion question that was not regarded as providing realistic diversion options is shown in Box 3.18.

**Box 3.18: A potential problem in the use of a survey
diversion option scale**

If the price for the purchased products at this store had been 10 per cent higher than you actually paid, what would have been your most likely response?

gone ahead with purchases at this store

spent the same amount of money at this store and purchased fewer / smaller quantities of products

spent less at this store as I would buy less items

Purchased nothing at this store

The scale was seen as problematic. The product was almost always retailed as a small number of large, pre-packed units, and so those survey responses indicating 'Spent the same amount of money at this store and purchased fewer / smaller quantities' were regarded as unreliable, because this option was not realistically feasible. Evidence provided to the CC as part of a merger inquiry, post-2001.

3.42 Depending upon the merger being researched, it may be appropriate to ask **all customers** about their diversion options in response to an outlet closing, or to ask only **marginal customers** in response to a specified price increase, or to do both.⁵ Where time or resources are limited, asking all respondents will minimise the sampling uncertainty associated with a diversion ratio estimate and is regarded as providing reliable information about closeness of competition, particularly in the first phase of a merger inquiry. The introduction to each diversion option question, the wording of the questions and their ordering should all make clear to the consumer the context in which the questions are being asked.

⁵Diversion ratios derived from the two approaches are unlikely to differ when products (or services) are horizontally differentiated, that is where consumers' preferences over the products vary but no product is intrinsically better or worse. However, there may be differences when products are vertically differentiated, that is where consumers share roughly the same preferences over the different products.

Conducting fieldwork

- 3.43 The choice of a data collection method will be constrained by the time and resources available. In recent years, face-to-face and telephone interviews have usually been considered to be more reliable than paper or online self-completion questionnaires, due to the involvement of a trained intermediary who can engage the attention of the survey respondent and clarify or probe responses in a controlled way.
- 3.44 However, the CC is increasingly using online methods where these fit well with the channels of purchase or use of the products or services of the merging parties. Online methods may also offer speed and flexibility in conducting consumer survey research.
- 3.45 The need for computer-assisted technology to handle complex routing, the requirement for presentation of visual material and the personal sensitivity of the questions will all affect the choice of an appropriate fieldwork method.
- 3.46 Whilst conjoint experiments and discrete choice methods have been included within consumer survey research in merger inquiries, this has not yet been done on enough occasions to yield generic examples of good practice to include in this edition of the Guide. This does not imply that evidence derived using these research methods would not be given evidential weight, as noted in paragraph 1.13. The CC published the results of a consultancy review of this area in October 2010.⁶

⁶Review of Stated Preference and Willingness to Pay Methods, April 2010, with an introductory note by the CC is available at www.competition-commission.org.uk/our_role/analysis/summary_and_report_combined.pdf

- 3.47 The soundness of any consumer survey research design should be tested initially by conducting, monitoring and evaluating pilot interviews with consumers drawn from the population of interest. Survey design features to monitor and assess possible sources of bias are likely to be needed less under circumstances where there has been an opportunity for careful survey piloting.
- 3.48 The extent of the pilot will depend on the complexity of the consumer survey design and the sensitivity or difficulty of the subject matter. This piloting could range from monitoring a first fieldwork shift and making final amendments to question wording, through to a formal recruitment, interview and debrief of pilot respondents followed by a full design review. In either case, the conduct and outcome of the pilot, and its consequences for the consumer survey research design, should be reported.
- 3.49 There are established professional standards for the conduct of interviews, including those published by the Interviewer Quality Control Scheme (IQCS). The use of fieldwork contractors who adhere to such standards will foster confidence in the quality of the data gathered.
- 3.50 The use of computer-assisted interviewing technology allows validation checks to be applied to responses during the interview and the consumer given the opportunity promptly to correct or confirm apparently implausible answers. The survey script and interviewer briefing notes should also give clear instructions on where probing or checking of responses is to be carried out, and how.
- 3.51 Regular monitoring of fieldwork by a qualified supervisor from the fieldwork contractor, and occasional monitoring by appropriate staff from the research agency and commissioning organisation, are also important elements of good practice.

Respondent privacy and data protection

- 3.52 It is standard practice to set out as part of an interview the protections guaranteed to respondents in respect of the anonymity and confidentiality of their responses. The Market Research Society Code of Conduct also imposes a duty on researchers to protect the anonymity of survey respondents in the absence of explicit permission from a respondent to the contrary. The disclosure of datasets, tabulations of results and reports of a consumer survey research project should always respect these provisions.
- 3.53 One example of a suitable statement about privacy for use at the start of a telephone survey script is shown in Box 3.19.

Box 3.19: Good practice in reassuring a telephone survey respondent about the privacy of their replies

This research is being conducted on behalf of the Office of Fair Trading and in accordance with the Market Research Society Code of Conduct, which guarantees your anonymity. It will not be possible to identify your individual response in any published results from the survey.

Recommended telephone survey privacy statement for OFT-sponsored market research, 2009.

- 3.54 Consumer survey responses almost always constitute 'personal data' under the Data Protection Act 1998 (DPA98) at the point of collection, whether or not they are shared with the Authorities. Parties should consult their legal advisors about their obligations under the legislation in each specific merger situation, and the general guidance in this Guide is without prejudice to such legal advice.

3.55 In general, parties will wish to establish that the provision of consumer survey responses to the Authorities as part of a particular merger inquiry would be regarded as 'necessary processing' under DPA98.⁷ The sharing of data will be facilitated if parties minimise the amount of 'personal data' included in a data set that is intended to be provided to the Authorities by:

- excluding rigorously any information that could, either on its own, or in combination with other data sets that might be available to the Authorities, identify individuals
- avoiding the collection of any 'sensitive personal data'⁸ under DPA98 (such as ethnicity or physical health) unless this is absolutely essential to the testing of an important hypothesis or theory of harm
- excluding individual responses to demographic questions, unless this is essential to the testing of an important hypothesis or theory of harm.⁹

3.56 When seeking consent to interview consumers, market research agencies should give potential respondents the greatest amount of information in a survey introduction that would not be expected to introduce a material bias to the responses. The following points should be covered:

- the identity of the DPA98 'data controller'¹⁰ (for example, the name of the market research agency conducting the research)

⁷For example, under DPA98 Schedule 2 5(b) for 'personal data' or Schedule 3 7 (1)(b) for 'sensitive personal data'.

⁸Section 2 DPA98

⁹If it is desired simply to demonstrate that a representative sample of consumers or customers has been sampled, providing tabulations of demographic characteristics will usually suffice.

¹⁰Section 1(1) DPA98

- the sponsor on whose behalf the consumer survey is being conducted (for example, a generic description of the advisor to the merging parties)
- why, in broad terms, the potential respondent is being invited to take part in the survey
- what will be done with the responses, including the intention to provide anonymised responses to the Authorities if this is envisaged.

3.57 The likely biasing effects of mentioning disclosure to the Authorities will depend upon the merger being investigated and the questions to be asked. Consumer surveys asking simple attitude questions about a controversial merger that has been widely publicised may be most vulnerable to being biased.

3.58 If there is little risk of bias, the respondent should be informed that their anonymised responses will be provided to the OFT or the CC, as appropriate. Where the risk of bias is greater, a more general description such as 'to relevant public authorities for the purpose of researching consumer behaviour at this store' may suffice.

Data processing, analysis and reporting

3.59 The purpose of quantitative consumer survey research is to estimate measures relating to the population of interest, not merely to report the views of a sample of consumers. There are well-established practices in social research for the analysis and reporting of survey response data to produce these estimates. These are described fully in general social and market research texts, and so not discussed at length here.

3.60 Estimates based on consumer survey data should always show upon how many individual responses they are based and describe any selection, cleaning, weighting or other adjustments that have been applied to the original response data. Where available, the survey response rate should also be reported.

- 3.61 The sampling uncertainty associated with estimates from a consumer survey may be reported in a number of different ways. Whilst annotating results tabulations to highlight comparisons between sub-groups that pass a standard significance threshold is standard practice in commercial market research, confidence intervals around central estimates provide more information and are to be preferred.
- 3.62 A confidence interval is especially relevant when an estimate derived from consumer survey research is critical to assessing a theory of harm or is to be used as a basis for subsequent calculations.¹¹ It is not necessary to report confidence intervals for all other estimates, if the background technical information described in paragraph 3.60 is made available.
- 3.63 Parties should not forget to consider both the statistical and the economic significance of survey-based estimates.

4 CONCLUSION

- 4.1 The situations in which consumer survey research may be deployed to investigate aspects of a merger vary. The Authorities will always assess the evidential value of consumer survey research in the light of the particular circumstances of a case. In doing so, however, we will be guided by the principles of good practice that have been set out in Section 2 above.

¹¹It is usual to calculate such confidence intervals at a 95 per cent level of confidence.