**Loss Aversion on the Phone**

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**Abstract:**

We analyze consumer switching between mobile tariff plans using consumer-level panel data.

Consumers receive reminders from a specialist price-comparison website about the precise amount they could save by switching to alternative plans.

We find that the effect on switching of being informed about potential savings is positive and significant.

Controlling for savings, we also find that the effect of incurring overage payments is also significant and seven times larger in magnitude.

Paying an amount that exceeds the recurrent monthly fee weighs more on the switching decision than being informed that one can save that same amount by switching to a less inclusive plan, implying that avoidance of losses motivates switching more than the realization of equal-sized gains.

We interpret this as evidence of loss aversion.

We are also able to weigh how considerations of risk versus loss aversion affect mobile tariff plan choices: we find that consumers’ switching is compatible with loss aversion as implied by prospect theory but find scant evidence of risk aversion to support expected utility theory predictions.

Furthermore, we find evidence of consumers’ differential attitude towards risk depending on whether they are in the loss or gain domain, also in line with prospect theory.