



# uSwitch response to Ofcom's consumer switching consultation

**Non-confidential version**

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# 1 Switching consultation

## 1.1 About uSwitch

uSwitch is an online and telephone price comparison and switching service, helping consumers get a better deal on gas, electricity, home phone, broadband, digital television, mobile phones and personal finance products including mortgages, credit cards, current accounts and insurance.

uSwitch is part of Zoopla Property Group plc, a digital media business that owns and operates some of the UK's most widely recognised and trusted online brands including Zoopla, uSwitch and PrimeLocation.

In this response we have set out our views on the correct approach to cross-platform switching and offered some of the evidence we have available to support Ofcom's proposals.

## 1.2 Preference for GPL

uSwitch fully supports a consistent gaining provider led (GPL) switching process - where the new supplier manages the switching process - across mobile, broadband, pay TV and bundled packages.

We recognise that to date, in order to achieve this, Ofcom has had to take an iterative approach, looking at platforms one by one. We believe that the true benefit of improvements to switching processes, owing in part to behavioural biases, cannot be fully unlocked until the consumer facing processes appear entirely consistent and easy across the board.

We believe that Ofcom's proposals for cross-platform GPL is a vital part of the journey to unlocking this benefit, and as such we support Ofcom's proposed Option 2.

The current switching process can be inconsistent, varying by sector, service or package. This inconsistency can make a switch feel more complex than it should be for the consumer, who is potentially lumbered with the responsibility of liaising between parties and navigating the legacy processes and procedures of each provider.

uSwitch strongly believes a cross-platform gaining provider led switching process would ensure the customer need only compare offers based merits such as value, price, customer service and size/speed. With this model, cancellation

telephone calls and provider liaison that have traditionally been a barrier to switching for some, including those less confident or more vulnerable, would be no longer be necessary.

If implemented we believe cross-platform gaining provider led switching would also encourage greater provider competition and in turn, lead to better value for consumers.

### **1.3 Perceptions of switching barriers cannot be addressed without consistency**

Consumers will only switch services when their perception of the potential benefits outweighs their perception of costs/hassle. It is quite clear to us that the majority of consumers do stand to benefit from switching - either just looking at it in its simplest form, by savings money, but also by taking services that represent better value to the consumer, for example with increased speeds or television content.

However - as behavioural economic theory would suggest - consumers will have a tendency to underestimate the potential benefits and overestimate the potential hassle. This stands to reason; everyone knows someone that has had a bad experience switching.

In the communications space we think consumers do have a reason to expect switching to be difficult. It is not realistic nor reasonable to expect consumers to have a detailed understanding of the underlying technology of various platforms used to deliver any similar services. Fragmenting a consumer facing switching process across platforms therefore creates a strong likelihood of creating consumer expectations that they will face difficulties across any platforms.

In our opinion, the lack of consistency across the switching process in the cross-platform switching space is acting as a barrier to what would otherwise be a higher level of switching across the market. Critically, we believe this effect is relevant across all switching, as the challenging cross-platform switching experience promotes the wider assumption of issues with switching.

Put simply, we cannot truly get the message out about how easy the switching process is, until that it is actually consistently true across all communications services. Until that is possible, we believe switching rates will be artificially suppressed, reducing market competition.

## 1.4 Communications is significantly behind other sectors

We think it is very clear that in comparison with other utilities sectors, communications (pay TV, cross-platform bundles and mobile) is significantly further behind in terms of its switching process. We note the work on the Government has done in this area.<sup>1</sup>

Pay TV in particular has no agreed, consistent process at all for switching, which has allowed needlessly complex cancellation arrangements to flourish under C&R. This has created at a minimum the potential to double-pay, but more widely it suppresses consumer engagement in this sector. Traditional pay TV platform processes are in stark contrast to over-the-top services where online one-click cancellation is the norm. As over-the-top services now even offer directly substitutable alternatives for some content available on pay TV platforms - so we believe there is a risk that poor switching processes in pay TV actively distorts the competitive dynamics in this market.

We believe that Ofcom must focus on the potential to remedy an adverse effect on competition in its cost benefit analysis, but we also suggest there is significant evidence of consumer harm arising from current processes. In Annex 1 to our response, we have provided some highlights of recent consumer research we have conducted on this.

## 1.5 Option 2 has the potential to open up wider benefits in the switching process

We believe that GPL switching processes across all consumer communications services (of which Ofcom's Option 2 is a critical prerequisite) can also open up wider potential competition benefits.

We also note that Ofcom has said "it is also possible that Option 2 (GPL) could result in innovation among third party intermediaries (TPIs), e.g. price comparison websites (PCWs), and enable consumers to complete search and switch activities at the same time, as is the case in the retail energy market. This could add to the ease of switching for consumers and further increase competition among providers."<sup>2</sup>

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<sup>1</sup> For example:

[https://www.gov.uk/government/uploads/system/uploads/attachment\\_data/file/469998/BIS-15-533-call-for-evidence-switching.pdf](https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/469998/BIS-15-533-call-for-evidence-switching.pdf)

<sup>2</sup> Paragraph 5.73 of Ofcom's consultation

uSwitch entirely supports this. GPL cross-platform processes are a fundamental barrier to the potential development of comparison tools that could make transformational improvements to reducing search and switching costs. If GPL was common across all communications services, uSwitch would be better able to improve its communications to consumers around switching and would seek to work with suppliers to develop a customer journey that further reduced search and switching costs.

For information, alongside this submission we have provided a copy of our recent response to the CMA's DCT market study statement of scope that discusses the opportunities in the customer journey further.

## A1 Pay TV cancellation research

*Results are based on uSwitch.com survey of 3,024 UK adults, including 2,227 adults who have used a premium digital pay TV subscription, a TV streaming service, or both in the last 12 months. Survey carried out by Censuswide between 16/06/2016 and 22/06/2016.*

### **Provider enforced barriers to exit**

Research from uSwitch has found that consumers are facing significant provider enforced barriers to the cancellation of their TV contracts. Research conducted in June 2016 identified that on average, premium pay TV customers have to make contact with their service provider 4.9 times to cancel their TV contract, whilst spending an average of 28 minutes on the phone or live chat, including an additional 30 minutes on hold.

### **Why do customers want to leave?**

Our research into pay TV switching found that whilst many customers want to switch provider due to price increases (49%), or access to cheaper deals (22%), a large percentage (17%) of customers reported they wanted to cancel due to problems with their service; highlighting these barriers prevent the most essential switching from taking place easily.

### **The customer's experience**

uSwitch research found that two thirds (66%) of premium pay TV customers reported trouble trying to cancel their contract. This is stark contrast to the experience encountered with services as Netflix that that offer one-click cancellation: seven in ten (70%) described this cancellation as 'easy'.

### **Bundles**

Whilst research shows switching premium pay TV can be challenging, almost a fifth (17%) specified that they had trouble cancelling because they had other bundled services - such as landline, broadband or mobile - with the same provider. This demonstrates that not only is it challenging to cancel a straight forward individual service, but bundles add an additional layer of complexity.