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Dear Selina

uSwitch response to Ofcom's proposals to reform switching of mobile communications services

We are writing in response to Ofcom's consultation on the reform of the switching process for mobile users.

Summary

uSwitch is an online and telephone 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 the UK's largest communications digital comparison service, by online traffic. uSwitch is part of by ZPG Plc, owner of some of the UK's most trusted home-related digital platforms including Zoopla, uSwitch, PrimeLocation, Hometrack and Property Software Group.

While we welcome any changes that make the process of switching mobile provider easier for mobile customers, we feel the plan to implement a 'text-to-switch' process is a missed opportunity that will not in the long term encourage as many consumers to engage in the mobile market compared to a fully gaining provider led (GPL) system. We believe the proposed approach is short sighted when considering how the market for communications services may develop, and therefore we encourage Ofcom to reconsider its stance on a GPL process.

In its consultation we believe Ofcom has relied too much on certain aspects of its consumer research. In addition, we consider that the wider longer term competition benefits in the market have not been appropriately weighted by Ofcom in its assessment.

We believe it is important to ensure that providers' incentive to drive bundling is fully considered, both the potential within the communications market and longer term across utilities sectors. The ease and propensity of consumers to switch bundles is dependant on switching process of the weakest link product. Only one element need be losing provider led (LPL) for the entire package to have at least one losing provider touchpoint. Ofcom's proposal risks being exploited in quad-play or cross-utility propositions seeking to take advantage of a LPL trigger within a package and short sighted in doing so. By allowing a LPL process in mobile Ofcom risks creating such a weak link – weakening not just the experience for single-play mobile users, but also softening competition across other products that consumers currently or may in future take as a bundle including mobile.

Strategic preference for GPL

A GPL process would not only bring the mobile sector more in line with the consumer experience of switching in other markets - such as Openreach-based broadband and energy - but also tally with how mobile customers change provider in other European countries including Germany and France. GPL has been Ofcom's favoured device to date, so it is disappointing the regulator has rowed back in favour of a watered down approach.

We suggest that a text-to-switch looks short-sighted and archaic set against the wider context of how other markets and European countries work. GPL is a tried and tested method in sectors such as banking and energy. We note

according to our own research, 41% of mobile users said they'd prefer a gaining-provider led (GPL) process to text-to-switch (18%).¹

Set against the backdrop of the evolving telecoms space, a GPL process makes more sense. As telecoms providers continue to encourage customers into triple and quad-play packages, whereby a consumer might take multiple services from one provider, it seems inconsistent not to align the switching process with other services in a package. Broadband on the Openreach network already favours a GPL switching process and implementing text-to-switch for mobile users in bundled packages would make the process incredibly convoluted for those wanting to move to another bundled contract with a different provider.

Appropriate remedy of existing concerns

It is also noted that Ofcom's research shows that four in ten (38%) who changed mobile provider have experienced a major problem when switching.² Our own findings suggested that consumers spend some 2.4 million hours on the phone a year to their old provider when trying to switch network³, it is clear that the current switching process places a sizeable administrative burden on the mobile user.

We are not convinced that Ofcom's text-to-switch proposal will effectively remedy this. For the quarter of mobile users who have never switched provider, it is apparent that keeping extra steps in the switching process - as text-to-switch does - would continue to alienate consumers who do not engage with the market due to the hassle.

Competition benefits

We are concerned that Ofcom has not appropriately weighted the potential competition and consumer benefits of switching in its cost benefit analysis. As the majority of providers' introductory offers are kept for new customers, our own research shows that mobile customers could be missing out on average savings of £176.⁴ Across the market the potential for direct consumer benefit, alongside wider competition effects is significant.

Awareness of the ease of switching has a large part to play in whether changes actually flow into an increase in consumer engagement. The current system favours those who are already engaged with the process and terminology of switching - only half (52%) of mobile users know what a PAC code is, while 30% understand that they can keep the same phone number when they switch provider but do not know how to go about doing it.⁵ The proposed switching process would continue to favour those who understand and have a working knowledge of these nuances and impede those who do not. 'Text-to-switch' is not a simple concept to convey to potential first time switchers and will limit the potential market benefits compared to GPL.

Ofcom's research, which suggests that previous switchers would favour text-to-switch (78%) over a GPL process (66%) fails to take in those who have never tried to switch - the people who would likely benefit most from a hassle-free process.⁶ We are concerned about Ofcom relying too much on this research finding, focusing on consumer harm of current switchers over potential future switchers.

¹ <https://www.uswitch.com/media-centre/2017/02/britons-miss-out-on-5-8-billion-in-savings-due-to-mobile-switching-confusion/>

² <https://www.ofcom.org.uk/about-ofcom/latest/media/media-releases/2017/text-to-switch-plans-for-mobile-customers>

³ <https://www.uswitch.com/media-centre/2016/05/brits-waste-over-2-million-hours-a-year-trying-to-leave-mobile-networks/>

⁴ <https://www.uswitch.com/media-centre/2017/02/britons-miss-out-on-5-8-billion-in-savings-due-to-mobile-switching-confusion/>

⁵ <https://www.uswitch.com/media-centre/2017/02/britons-miss-out-on-5-8-billion-in-savings-due-to-mobile-switching-confusion/>

⁶ <https://www.ofcom.org.uk/about-ofcom/latest/media/media-releases/2017/text-to-switch-plans-for-mobile-customers>



uSwitch strongly encourages Ofcom to reconsider its proposal for text-to-switch, and the benefits of a gaining-provider led process for the long term in the communications market. This will help ensure we see a fairer playing field for mobile users and encourage more engagement and competition with the market.

Yours sincerely

