

Consultation response form

Please complete this form in full and return via email to improving.engagement@ofcom.org.uk or by post to:

Sukh Walia-Chahil
Ofcom
Riverside House
2A Southwark Bridge Road
London SE1 9HA

Consultation title	Call for inputs: Helping consumers to engage in communications markets
Full name	Jeremy Woodrow
Contact phone number	[X]
Representing (delete as appropriate)	Organisation
Organisation name	First Utility
Email address	[X]
We will keep your contact number and email address confidential. Are there any additional details you want to keep confidential? (delete as appropriate)	Nothing
For confidential responses, can Ofcom publish a reference to the contents of your response?	Yes

Your response

Question 1: Do you agree that we should include SMEs in the scope of our work?	Confidential? – N Given that the needs of many SME and SoHo's are very similar to many residential customers, we agree that it would make sense to include them within the scope of your work.
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Question 2: What are your views on whether consumers not knowing when to engage is a barrier to their engagement? What impact do you think this has on them and to competition in the various communications markets? Please provide evidence supporting your views, including any research you have conducted or have access to.

Confidential? – N

We consider that consumers not knowing when to engage is a barrier to them engaging in the market. Whilst it is not a given that knowledge of e.g. end-of-contract/tariff will prompt engagement, that knowledge is a pre-condition to those consumers being able to engage having the right information to hand to do so.* This is in particular where they are on their current contract and the application of an exit fee.

Within the broadband market, very few companies pro-actively contact customers to inform them of their promotional period ending: where this is the case, the first time a customer knows about an increase is when they receive their bill. Our research suggests that 72% of customers are out of contract and paying inflated prices and 10% were contacted by their provider to let them know their monthly charge will be increasing.

Based on this research, and Ofcom's own findings, it is reasonable to infer that many customers are being allowed by their current supplier to sleepwalk their way to a higher price and only those that are confident in contacting their existing provider are getting a revised deal. As Ofcom notes, the active customers get the best deals, leaving the disengaged customers paying a higher price than engaged customers.

The lack of prompts provided up to or at contract end dates means that customers are not clear when they can - without any exit fee - look for more cost effective alternatives. Additionally, it makes it harder for competitors to try and change this state of affairs with a fairer approach - customers will struggle to engage where they customers are unsure whether they are in a position to move suppliers without incurring costs. This can also result in additional costs for both customers and competitor suppliers that are encouraging them to switch as they are unsure whether or not they can enter into a contract.

*In the energy sector, suppliers are required to provide Fixed Term Expiry communications at least 49 days prior to the end of any fixed term tariff: the form of communication is currently mandated, although Ofgem, the sector regulator, will be looking at how best to incentivise more innovative communications around FTE.

Question 3: What are your views on the suggested possible solutions to help address consumers not knowing when to engage? What could be their positive or negative effects? What other possible solutions might there be?

Confidential? – N

We believe that all suppliers should have to notify their customers where they will see an increase in their monthly rental whether they are in or out of contract. This should be some 30 days ahead of the contract expiry and customers should be allowed to leave via the standard industry process at any time from receipt of this communication without penalty. Additionally, we believe that the expiry date of any promotional discounts should be made clear on every bill communication and once a customer is out of their minimum term, it should be made clear that they are no longer tied in. Further, our own research indicated that 92% of the sample approached thought that a supplier should remind you when contract is up*

*This is based on online interviews with a sample consisting of 2004 UK adults, which has been weighted to be nationally representative, with interviews carried out in July 2017.

Question 4: What are your views on whether consumers not understanding their own needs, or having difficulties navigating available information, is a barrier to their engagement? What impact do you think this has on them and on competition in the various communications markets? Please provide evidence supporting your views, including any research you have conducted or have access to.

Confidential? – N

As noted, within the broadband and mobile sectors, we believe that the lack of transparency of information makes it difficult for customer to understand their usage and therefore hard to work out what savings may be available. For example most consumers may not have a view of how much broadband or mobile data they actually use. Similarly within voice, it is very difficult for a consumer to compare costs across different providers due to the different may up of various call bundles are available.

In the same way as there is a typical consumption average derived by Ofgem and used by industry , we believe Ofcom should consider use of a centrally derived 'basket' of calls which a customer can use to see broadly how the various providers compare on call costs.

Question 5: What are your views on the suggested possible solutions to help consumers understand their own needs, and navigate available information? What could be their positive or negative effects? What other possible solutions might there be, and what might be their effects?

Confidential? – N

For landline calls, providing customers with their average monthly spend on daytime, evening and weekend calls is probably not that useful as this would need to be further broken down to split of national, mobile, international and service calls to be useful which then becomes difficult to manage. We wonder whether it would be better for a standardised industry calculator so a customer could compare calls charges across different suppliers by simply putting in the volume of national, mobile, international and service calls.

For broadband, the proposed metrics seem reasonable but would propose that the speed range provided to the customer at point of sale would be a useful metric.

For all broadband speeds, the metric will have to be against Sync speed as it is not possible to measure throughput effectively at present without additional kit.. Additionally, it must be clear to the customer that the speeds are based on speed to the router and are not including wifi.

For Pay TV - it should be made clear what channels the customer has access to, and potentially the costs of specific elements. Customers should also be made aware of any elements of their package they are not using and could therefore save money, e.g. through changing to other packages (noting any costs of so doing should of course be made clear up-front and during any discussions on or information around potential changes).

For mobile - we agree that customers should be made aware of their average spend and also the customer should be made aware of their voice, SMS and data usage against their inclusive allowances with any out of bundle activity clearly signposted. It should also be very clear on the customer account when their minimum term contract expires, particularly where the customer is paying for a handset as part of their monthly charge.

Question 6: What are your views on whether these (or other) particular contract terms and conditions, or industry practices, are a barrier to consumer engagement? What impact do you think this has on them and on competition in the various communications markets? Please provide evidence supporting your views, including any research you have conducted or have access to.

Confidential? – N

As more and more products are bundled together, we do not believe that aligned end-points for contracts is desirable or workable. For example, a customer wishing to purchase energy and broadband from the same supplier may wish to take a longer term energy product to benefit from surety of price whilst they may only be willing to commit to broadband for a shorter period. The key point is that they are provided with sufficient information for both services and the benefits or issues with short or longer contract periods before they commit.

Additionally, where a customer wished to change their product mid-term, this would cause additional issues - for example a customer wishing to upgrade from copper to fibre broadband where an extension of term may be necessary, may not want to extend the term of the their mobile or energy for example.

We do however agree that certain combinations should always be co-terminus, for example a customer taking a landline and broadband should have the same contract end date as the two products are intrinsically linked. We believe it is reasonable that a customer should benefit from receiving a discount from the single product price where they have taken multiple products. If for any reason the customer no longer takes one of the products, it is reasonable that they should lose such discount.

Locked handsets, we believe that all handsets sold in the UK should be sold in an unlocked state. Whilst some operators allow handsets to be unlocked free of charge, this is both time consuming for the customer and, for the technically challenged, can be a difficult concept to understand and implement.

<p>Question 7: What are your views on the suggested possible solutions to help address the impact on consumer engagement of particular contract terms and conditions, or industry practices? What could be their positive or negative effects? What other possible solutions might there be, and what might be their effects?</p>	<p>Confidential? – N</p> <p>We believe that it is correct that linked services such as landline and broadband or landline, broadband and TV, where the TV element is dependent on the broadband should have co-terminus contract end dates. However, where products sold in a bundle are not dependent on one another and or are regulated through different bodies, this should not be the case as it will be both impractical and will restrict customer choice. Additionally, it is likely that suppliers will increasingly look to tie customers into longer term contracts which may not be in customers' best interests.</p>
<p>Question 8: Are there other barriers to engagement that you think our work should seek to address? What impact do you think these have on consumers and on competition in the various communications markets? What possible solutions might there be to these barriers, and what might be their effects? Please provide evidence supporting your views, including any research you have conducted or have access to.</p>	<p>Confidential? – N</p> <p>We strongly believe that the lack of transparency and difficulty in comparing similar services is the key issues that customers face and results in many customers not engaging. We also believe that the practices of many of the larger suppliers are taking advantage of this lack of engagement with many customers not knowing their current contract status, suppliers not telling customers when they will roll off promotional deals and generally not making it easy for customers.</p> <p>Where competitive products are developed that aim to treat customers differently, e.g. by not rolling onto more costly tariffs, such suppliers would be at a competitive disadvantage. As noted, our research shows that customers are not aware of their contract end dates. Based on this, we have calculated that customers are therefore paying over £1.7bn more than they need to because they are not engaged in the market. This certainly justifies Ofcom undertaking work to assess why this is and - we would argue - to start trials as soon as possible on measures that have been used, are being tested or have been imposed in other sectors to test efficacy and assist suppliers with understanding the potential costs of changing their own behaviours.</p>
<p>Question 9: What are your views on the need</p>	<p>Confidential? – N</p>

to trial or test potential solutions? To what extent might you be willing and able to participate in or facilitate field trials or other testing of possible solutions?

As we are new to the market, our customer base may not be the most representative, or yet sufficiently large, but to the extent that control groups are needed or where trials of more active customers would be useful, we are happy to discuss participation.

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