

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	Amy Carter
Contact phone number	[X]
Representing (delete as appropriate)	Organisation
Organisation name	Moorhouse Consulting
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

We believe that SMEs merit a separate consultation using key learnings from this consumer consultation for context and comparison.

SMEs merit their own consultation as the SME market is significantly different, as:

- The SME market is developing at a different rate to the consumer market, as there were 5.4 million SMEs in the UK in 2016 (over 99% of all businesses) growing at a rate of 3% per year (C. Rhodes, Business Statistics, House of Commons Library, 2016 - <http://researchbriefings.parliament.uk/ResearchBriefing/Summary/SN06152>)
- Smaller communications providers dominate customer service for SMEs, with over a third (35%) of UK-based start-up owners admitting that the level of customer service they gained from smaller telecoms companies was 'good' [whereas] just 16% were 'satisfied' with the level of customer service they received from larger providers (Verastar, 2016 - <http://verastar.co.uk/uk-smes-prefer-smaller-telecoms-providers/>).

We believe that the celerity of the SME market and their consumer requirements (particularly in regards to customer service) deserve a separate review and direct comparison with the consumer communications market.

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

Consumers are aware but disinclined to act – and there is no reliable impetus to engage and no incentive for the market to encourage engagement.

Consumers know that there are better deals to be had by shopping around. The majority of consumers also know that 'haggling' and

	<p>assertive engagement with their provider can result in better prices and / or products. However the perceived penalties in starting this conversation at the 'wrong' time outweigh even these monetary benefits.</p> <p>To address this consumer reticence the market needs to actively inform consumers of the correct timings and also encourage consumer action by tailoring incentives to address the consumer's existing blocker (e.g. fear of loss of service; higher cost; effort required to engage and / or switch).</p> <p>From the providers' perspective, this lethargy on the part of the consumer has led to an insurance-style market, where no consumer encouragement is preferable for incumbent communications providers. This lack of engagement also leads to further commoditisation of the communications market, as consumers feel increasingly disinclined to challenge providers.</p>
<p>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?</p>	<p>Confidential? – N</p> <p>Consumer engagement is based on home ownership / rental status.</p> <p>At the end of 2016, around 65% of UK households were owner-occupiers, 17% were renting from a private landlord and 18% were renting from a social landlord (C. Barton, Home ownership & renting: demographics, House of Commons Library, 2017 - http://researchbriefings.parliament.uk/ResearchBriefing/Summary/CBP-7706).</p> <p>As renters have the impetus to investigate broadband options with every move, the Moorhouse recommendation is to institute a frequent (e.g. annual) reminder for owner-occupiers to encourage and potentially incentivise their investigation of the communications market.</p> <p>In conjunction with Ofcom's proposed end of contract negotiation initiative, Moorhouse would also recommend:</p> <ul style="list-style-type: none"> • • (Annual) usage stats – to inform

	<p>people of their requirements</p> <ul style="list-style-type: none"> • • Brand-agnostic incentive / reminder – e.g. “users with similar usage stats to you saved £XXX by switching” • • Pricing standardisation – e.g. comparable offers must be presented as annual cost • • Emulating and / or partnering with the energy market to show annual usage, which would create a seasonal check-in for both energy and communications providers to engage with consumers.
<p>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.</p>	<p>Confidential? – N</p> <p>The key to reducing consumer inactivity is to address consumer ignorance, embarrassment and fear of confrontation.</p> <p>Consumers are comfortable with over-paying in return for minimal effort and continuing service – so much so that consumer concerns around appearing uninformed outweigh perceived switching benefits. This sense of shame acts as an inhibitor on consumer investigation of the market, and also fuels the consumers’ non-confrontational attitude to their existing providers.</p> <p>As well as the emotional impact of engaging with providers, consumer understanding (or lack thereof) is also impacted by overchoice. In this saturated market, the benefits of multiple choices and / or personalisation are neutralised by the difficulty of decision-making process. This experience has led to pronounced consumer inertia in the UK Communications market, due to the complex nature of quad play and long-term contracts.</p> <p>The solution is therefore to arm consumers with a key information (e.g. their usage and market averages), which will decrease the potential for embarrassment, provide a factual basis to engage with providers and encourage consumers to engage more actively with a crowded marketplace.</p>

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

We believe that language standardisation and providing personalised context will minimise consumer “shame” and encourage more open-minded consumer attitudes. This improvement in consumers’ emotional responses will enable better understanding and develop consumer confidence so that they feel empowered to navigate and challenge available information.

This could be achieved by instigating:

- • An education programme to introduce and enforce standardised usage formats and embed consumer awareness of “what to look for”. This could be achieved via a partnership with Ofcom-accredited price comparison websites
- • Post-switching comparison of old versus new service to increase consumer awareness of benefits of engaging with providers, and to encourage more regular market comparison by consumers
- • A communication programme of tips and tricks to “check in” on usage – e.g. broadband speed test or monthly mobile data usage check.

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

“De-mystifying” contracts is unnecessary – however creating shortcuts that tap into an existing habit is vital.

Contracts are inaccessible and ‘boring’. Consumers are more likely to check a purchase receipt than a contract and do not feel sufficiently motivated to do either.

As a further example of obstacles consumers face, the additional step of transferring your mobile telephone number via PAC code is off-putting to many consumers. Encouraging smoother phone number handover between providers will remove a perceived obstacle to consumer switching, and also act as an easy entry to better consumer understanding of contracts overall.

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?

Confidential? – N

Providers should communicate with consumers at key contract “moments of truth”, including post-purchase, mid-contract and run up to contract end.

Our recommendations are rooted in educating the consumer and making contracts more accessible, including:

- • The first post-purchase communication (e.g. purchase receipt or initial order confirmation email) should include a high-level contract summary
- • Mid-contract reminder including usage summary in standard format, and / or comparison with previous year / previous competitor contract
- • Communication during the run-up to contract end including summary of contract rollover and / or new offer, and market comparison
- • An annual review to enable the consumer to make year-on-year comparison.

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.

Confidential? – N

A complementary analysis of how consumers are using price comparison websites would:

- • Help to better understand the Assessment stage of the consumer journey
- • Provide context for those ‘interested’ consumers (40% of the market) who aren’t following through and making changes to the services they purchase
- • Open the conversation with Price Comparison Websites and communications providers to invest in affiliated marketing by making it worth their time and money to encourage consumers to switch.

Question 9: What are your views on the need

Confidential? – N

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?

Our recommendation would be for multi-phase trials. Begin with product-focused (e.g. separate mobile, broadband, multi-play) test groups and then move on to mixed groups to cross-check research outcomes and proposed approaches. A third phase could be to then compare / contrast with SME group findings.

Yes – depending on the scope of the engagement and terms, Moorhouse would be willing to participate in and facilitate trials and / or instigate ethnographic studies with partners to assess the impact of potential solutions.

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