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Dear Sukh

### **Call for Inputs on consumer engagement**

SSE has a retail business providing fixed-line phone and broadband services to residential customers, using available wholesale products, as well as being a significant participant in the energy industry in the UK.

We have engaged with and supported Ofcom's work over the years to make retail switching processes easier to use and continue to believe that industry-coordinated and regulated Gaining Provider Led (GPL) switching processes covering all mass-market retail communications products would be of great value in effectively supporting competition in this market. The competition benefits of GPL processes for consumers, in terms of encouraging a range of viable competing suppliers, would be additional to the benefit of ease of use of such processes. GPL processes are the norm in other sectors of the economy so that messages from sources of information to consumers on switching could readily align with consumers' experiences of switching elsewhere if GPL was the approach used throughout the retail communications markets. We continue to believe that, where contact with Losing Providers is a necessary part of retail switching processes (such as is the case in the mobile services market), this will be a factor that undermines consumer engagement in the market and their willingness to switch.

Ofcom's present call for inputs looks at other factors that may act as a barrier to consumer engagement with the market. SSE has some experience of looking at remedies for improving customer engagement, following the recent review of the energy market by the Competition and Markets Authority. However, it should be noted that this work continues against the background of governed GPL retail switching arrangements in energy such that a consumer only has to select a chosen supplier offering through the range of contact methods available – including internet switching sites – in order to agree and arrange their switch away from their current supplier. Thus the procedural framework for ease of switching has already been addressed in the energy retail markets.

Our responses to some of the questions in the Call for Inputs are attached as an appendix. We support Ofcom's involvement in this area of consumer engagement and have made a

suggestion that consumers should be better informed about what happens to their core monthly charges once any special promoted 'discount period' comes to an end. This should occur both in initial marketing of offers and towards the end of the discount period.

I hope these comments are helpful.

Yours sincerely

[✂]

## Consultation Questions

*Question 1: Do you agree that we should include SMEs in the scope of our work?*

*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.*

***With the prevalence of fixed-term offerings in the retail communications market, we expect, as Ofcom suggests, that there is a fair degree of confusion amongst consumers on how long ago they 'signed up' and whether they are still 'tied in' to the contract. So we agree with Ofcom that this is a likely barrier to engagement. In our view, customers in this situation are likely to be less responsive to competitive offers in the market and may, as Ofcom's research suggests, end up paying more once 'out of contract' than other customers who shop around. Any such dampening of customer response to offers by competing suppliers undermines the position of suppliers across the market, especially newer and smaller ones seeking to grow their customer base.***

*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?*

***SSE supports transparency for customers on what they will pay and how this will foreseeably change over time. As Ofcom notes, it is fairly typical for customers to sign up to a contract with a discounted charge that lasts for a significant period of time, sometimes for the entire length of the fixed term of the contract, and then face an increase in monthly charges, without notice, when the discounted period comes to an end.***

***We therefore agree that end of contract notifications should be required whereby providers proactively inform customers that they are approaching the end of their fixed term contract. We consider that such a notification should explain to customers the headline charges to which they will be subject once the fixed term is complete and remind them of the main features of the applicable terms and conditions. This information would act as a prompt for the customer to consider other options once they are in a position to leave the contract without penalty, thus increasing customer engagement in the market.***

***The detail of what type and format of information would be most helpful to consumers is probably best finalised following appropriate research and trialling. Ofcom should avoid being over-prescriptive on requirements for such a notification, so long as certain basic elements are included, so that providers can develop different approaches.***

***Further notifications after the end of the fixed term to remind customers that the initial fixed term has expired may also be helpful in case the initial one was disregarded for some reason. These should not be too frequent to avoid bombarding consumers with information and the proposed interval of 12 months seems reasonable.***

***Another area where anticipated monthly prices following the end of the discount period should be made clear is in the initial marketing of fixed term offers with initial discount periods – both at point of sale and in marketing references to pricing. This information should be suitably prominent so that potential customers notice and can take it into***

**account in assessing options. Where customers are unclear what core prices they will pay once the discounted period is over, they are less able to compare different offerings with the result that competitive forces are undermined.**

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.

**Ofcom has outlined a number of factors that make assessing product offerings in relation to the needs of an individual consumer difficult. The technological diversity of products and platforms in the market and the many different ways that product offerings and combinations can be differentiated from others seem likely to contribute to difficulties for some consumers in making comparisons and deciding what would be best for them.**

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?

**This area is one where we suggest that consumer research should be used to determine what measures might be helpful, bearing in mind that different types of consumer may value different measures. We are aware, for example, that a form of comparability measure for energy products that had been mandated under earlier regulatory requirements has recently been removed, as research showed that consumers did not generally value or use it.**

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.

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?

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.

Question 9: What are your views on the need 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?

**We support testing and trialling of potential approaches to address concerns about consumer engagement. However, we recognise that designing and conducting trials can require significant resources from the companies involved, which may limit the potential for smaller businesses to engage in these.**