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NON-CONFIDENTIAL
By email only

Dear Steve,

Three's response to Ofcom's Call for Inputs on Helping Consumers to Engage in Communications Markets.

Three support's Ofcom's overall objective to improve customer engagement in the market. Three itself remains committed to ensuring that customers can engage, make informed purchasing decisions, and exercise their right to act on their decision.

This submission forms Three's response to Ofcom's call for inputs to help consumer engagement in the communications market.

Ofcom's recent review of aspects of the market which could cause a reduction in consumer engagement identified three key areas. Ofcom is keen to understand whether their concerns identified below, are barriers to consumer engagement;

- a) Customers are not aware that they are out of contract and are not exercising their right to leave
- b) Customers are unable to determine which bundle best suits their needs
- c) Ease of leaving your current service

We set out our thoughts and evidence on each of these points in the sections that follow,

Customers are not aware that they are out of contract and are unable to determine the bundles that best suit their needs.

Three believes in empowering customers, and helping them better understand their needs and usage, and we agree that when customers are informed, they make the best comparison, and purchasing decisions.

Ofcom's research has found that mobile customers are knowledgeable about their mobile phone contract, with over 70% of customers knowing when their contract will end and if it already has.

We make it easy for customers to access information on their current tariff, their usage, allowance and contract end date. Customers can choose from multiple routes in which to access their account and view real time information. We offer customers access to their accounts via the following routes:

- My3 App. This comes pre-installed on all Three devices. When a customer's device is connected to the macro network they can open the app which connects directly to the customer's account.
- Online through a customer's My3 account.
- Calling customer services directly.
- Listening to their account information via the automated Interactive Voice Response.
- Going in store and speaking to our store agents directly.

Giving easy access to account information allows customers to regularly view their monthly usage and remaining allowance, it also removes the risk of any end of the month 'Bill Shock'. Having visibility of this information helps customers to better understand the services they are actually using and keeps them informed of their remaining allowances. We also make available a customer's minimum term within their account. This allows customers to check whether they are approaching the end of their minimum term and if so whether they should consider looking at alternative offers, both with their current provider or across the wider market.

Other market triggers

Whilst the natural trigger to motivate customers to consider their choice of mobile provider and the product they use, is the end of their contract. There are other triggers unique to the mobile market which will help customers be informed and engaged.

The mobile market is distinctly different to the other communication markets, such as broadband services where the product you received, and technology used changes very slowly. New mobile devices are launched at least every six months, which lends itself to reminding customers to review their contract.

We recognise that not all customers are interested in the latest device, and therefore may not respond to the regular cycle of marketing campaigns associated with new devices. However, as explained above there are a range of options for customers to gain their account information.

It is also worth noting that the presence of retail stores in towns and cities not only provides an option for customers to speak to their provider face to face, but also acts as a trigger reminding customers to consider their contract terms.

Helping customers compare deals available

Ofcom has been doing its own work to help customers take full advantage of the services available. Working with third parties, such as price-comparison websites, allows access to comparative tariff information across the market empowering customers to make the right purchasing decisions.

We recognise that customers need not only to understand the tariffs that best suit them, but must also be able to find, and purchase the right service.

Three recently introduced its Essential plans providing customers with a greater choice over whether to purchase services such as tethering, and Feel at home in countries like Australia and America. Those customers which do value these additional benefits, can choose to buy one of Three's Advanced plans which include these as standard.

Three works hard to ensure customers are well informed about their tariff and usage. Customers may be informed of the services that suit them best, however we strongly believe if customers are not able to exercise their right to change providers and purchase the offers that best suit them then they will not fully benefit from the choices they have.

Ease of leaving your current provide

Three recognises that consumers value the opportunity to switch mobile providers, and we therefore support a switching process that allows customers to do so easily.

We believe that when a customer buys a phone, it belongs to them. Since 2014 we have sold unlocked handset, and customers who purchased devices prior to 2014 can go into store and have their handsets unlocked free of charge. Customers have greater choice if they know their device belongs to them, moving to a SIM contract with an alternative provider is easier, and customers do not have to pay to unlock their device.

The ease of leaving your current provider and exercising your right to purchase services from an alternative provider may determine whether a customer is even willing to begin considering a switch. If customers cannot switch easily between providers, or are put off even attempting to do so, their ability to choose the most appropriate service is effectively reduced.

The current regime consists of multiple processes and touch-points creating confusion and hassle for consumers. This complicated processes deters consumers from switching, even if they can get a better suited deal elsewhere.

Not only is this harmful to the consumer, it also harms competition in the market. Ofcom must continue their work to ensure customers are able to switch mobile operator through a simple, straightforward service. Three's response to Ofcom's Proposal to reform switching of mobile communications services sets out our detailed position on this.

Below we provide answers to Ofcom's specific questions.

Q1 Do you agree that we should include SMEs in the scope of our work?

Three has a small proportion of business customers who can access their account information using the routes available to all customers. Businesses therefore also have easy access to their contractual information and usage helping them to make informed decisions.

Q2 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.

We believe that the innovative nature of the mobile market, and the retail exposure on highstreets increases consumer awareness through factors exogenous to the contract end date itself. Coupled with the range of options enabling customer to understand their contract are mechanisms in favour of helping customers understand when their contract is ending, and when to engage. Consumer engagement can be improved when customers understand the product they own and their needs. That's why at Three we make it possible for customers to understand the contract they are on, and their monthly usage.

Consumer engagement is essential to ensuring competition in the market. If switching is easy, providers are faced with strong incentives to provide good value and high quality services both in order to win new customers, and to keep existing customers, bringing about greater welfare for all mobile customers. However, this is missing if operators are not incentivised to improve market competition.

Q3 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?

Although some customers may not be aware of their end date they may not necessarily be in a worse off position. Some customers choose to remain on their existing tariff because it offers services or bundles which are no longer available. These customers therefore do not need to know when their contract ended. Customers who have actively made a decision to remain on their current tariff, may get frustrated with regular reminders from their provider looking to offer alternative price plans.

Ofcom's further research to understand why customers who roll over their contract do not engage, will be critical in finding a solution to address these customers without causing them unnecessary annoyance.

Q4 What are your views on whether consumers not understanding their own needs, or knowing when to engage? What could be their positive or negative effects? What other possible solutions might there be? 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.

Three makes it easy for customers to access and understand their account information through a variety of methods.

Ofcom should focus on helping customer understand their services where communications products are bundled together. Allowing customers to understand their contractual terms before they sign-up to their new provider, including any penalties for leaving a service within a bundle will enable customers to make informed decisions.

Q5 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 of negative effects/ What other possible solutions might there be, and what might be their effects?

Ofcom has identified that 16% of 'engaged' mobile consumers think it is, or might be 'very' or 'fairly' difficult to make cost comparisons. Ofcom's solution to provide consumers with data on their services and their personal allowance is already easily accessible for customers.

We support Ofcom's intention to carry out further research to better understand the extent to which consumers are easily able to access, understand and use information on their usage. This will be particularly helpful for mobile as we believe this information is already very easily accessible for our customers.

Q6 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 of have access to.

The biggest barrier to consumer engagement is a customer's ability to exercise their right to terminate their contract with their existing provider, and switch to an alternative which better suits the customer's needs. As discussed above, Ofcom must continue their work to reform the process for mobile switching. Making the process more simple will not prevent customers from being deterred from engaging in the market at the start.

Q7 What are your views on the suggested possible solutions to help address the impact on consumers 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?

We would like to better understand how Ofcom intends to treat customers who already have a contract with Three, and would look to include an additional service onto their account. As we understand it, any new contract end date would need to

coincide with existing contract.

In practice we do not fully understand how this will work in practice. Particularly to customers with two products who may temporarily move onto a monthly SIM only for one product, and subsequently upgrade this SIM contract to a 24 month contract.

- Q8 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**

Please refer to our response on question 6 above.

- Q9 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 would like to have a clearer understand of the solutions Ofcom intend to implement before we can comment on whether a trial or test is the best solution.