



uSwitch response to Ofcom's consumer engagement call for inputs

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2 Executive summary

2.1 Introduction

uSwitch is an online and telephone price 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.

In 2015 uSwitch became part of ZPG Plc, a digital media business that owns and operates some of the UK's most widely recognised and trusted online brands including Zoopla and PrimeLocation. [⌘]

2.2 Threats to engagement

The communications market is continuing to evolve with new infrastructure, new services, and new content propositions. We see a greater role for over-the-top services that not just complement but are in some circumstances substitutes for traditional services. In response, we see providers making new investments and putting forward an increased amount of bundled propositions of communications services. In addition, we see utility companies increasingly considering moves into the communications market, such as SSE and First Utility offering broadband services alongside energy.

We see these developments as generally positive, a sign of competitive and investment in the market. However, we cannot get away from the fact that this is adding more inherent complexity for consumers – not necessarily at the point of sale stage, but certainly when it comes to unpicking services later on. These propositions are cutting across several regulatory regimes, with different approaches to consumer empowerment and protection. [⌘]

To illustrate the impact of complexity, we note Figure 2 of Ofcom's document, showing that consumer engagement is significantly higher for triple play switching. While we acknowledge that consumer engagement and switching rates are not the same thing, we do believe there should be a level of conversion from the 'Engage' to 'Act' stage. The fact that switching is significantly lower among triple play customers than broadband and landline, yet the levels of engagement is higher in triple play, should raise concern that the switching process itself also needs to be addressed by Ofcom.

Ofcom must be alive to these risks and proactively seek a regime that prevents the foreclosure of consumer engagement. We therefore welcome Ofcom's call for input on consumer engagement and hope it ultimately yields positive developments for communications consumers.

2.3 Future of consumer engagement

We see the communications market, particularly on demand-side issues, is falling significantly behind what is being developed and rolled out in other sectors. There are many potential improvements Ofcom could make in this space. Some of the simpler remedies possible, such as end-of-contract notification, are quick-wins that would bring communications up to the standard that has already been in place for several years in other

sectors. However, we urge Ofcom's ambition to be beyond just these sort of remedies. In financial services, Open Banking and implementation of PSD2 will revolutionise consumer data access to open up an entirely new layer of competition in the market. In energy, the rollout of smart meters and the DCC will enable next generation consumer services and data access.

We urge Ofcom not just to simply to catch-up with other sectors on changes that enhance consumer engagement and competition, but to look ahead to where other consumer markets already plan to be in five years' time. Consumer expectations are driven by experiences across sectors and communications is in danger of getting a reputation among essential service sectors as the market where consumers face the highest barriers.

2.4 Enabling remedies

We have seen that remedies in markets that are prescriptive in nature to improve consumer engagement can have a positive impact, for example, end of contract notifications. [🔗]

Enabling those in the market who are incentivised to promote consumer engagement, for example intermediaries, is far more likely to be successful as the economic incentives are better aligned to positive consumer outcomes. This also has the benefit of leveraging private sector marketing investment.

For example, ensuring providers enable intermediaries to access the relevant data points will be more effective than remedies focusing on how providers make data available within their own platform.

While uSwitch believes there is absolutely a case for bringing the communications market up to levels seen in other sectors, Ofcom's approach in this area should be holistic and willing leverage those in the market that will test and learn different ways of engaging different consumers.

In this response we provide some uSwitch data from our communications services as well as other sectors to suggest some relevant dynamics, along with some suggestions on areas we think Ofcom should explore in this space.

3 Knowing when to get a better deal

3.1 Optimum moment to engagement

Generally speaking, consumers will weigh up their *perception* of benefit against their *perception* of reward before deciding to embark on the stages of consumer engagement. Different consumers will have different perceptions, driven by their previous experiences and own situations. As behavioural economics theory would suggest many consumers will naturally overestimate their view of the likely hassle and underestimate their view of the potential benefits of engaging. Therefore, there is a particular need to have an effective prompt to the consumer that will help to correct behavioural biases at the moment it is most relevant to the consumer.

In communications market, as with many others, we often see an increase in pricing at the end of the initial contract period. As well as there often being a price change that is not in the consumer's favour, this is also the moment where consumers can exit the contract without penalty. We believe that around this moment in the contract life cycle is the optimum point to prompt a consumer to assess their options.

3.2 Case study: Energy sector fixed plan ending notifications

[38] A 'fixed price' energy tariff means that a consumer's unit rates stay at one price for the duration of the plan and that plan will have a specific 'Plan End Date' for each consumer.

Ofgem Supplier Licence Conditions (SLCs) require that suppliers must send customers a notice about their plan's upcoming end date 42-49 days before the end of the plan - at this point SLCs also mandate that early termination fees can no longer apply. If a consumer does not take any action before their 'Plan End Date' they will be rolled onto the suppliers cheapest evergreen plan (often the supplier's Standard Variable Tariff). [39]

3.3 End of contract notifications

We have long held the view that end of contract notifications would significantly improve the levels of consumer engagement in the communications sector. As can be seen in the energy sector, prompting at the optimum moment, particularly highlighting the chance the customer would otherwise experience in pricing as a deal ends, is likely to yield results if implemented correctly.

We strongly believe Ofcom should consult to require a version of this in the communications sector.

3.4 Disjointed contractual end dates

We note that while we are supportive of end of contract notifications, these are unlikely to be successful when providers can get consumers into different bundle elements with different end dates. We are concerned that providers do have an incentive to misalign end dates to reduce the ability of consumers to identify the optimal time to engage with the market, thereby reducing the chances of engagement. [40]

3.5 Prompts for out of contract customers

We also think it is important to consider prompts for consumers that are out of contract. It is more complex for typically less engaged consumers to find an optimal point to engage, but there still is room for improvement.

We suggest that Ofcom should consider if it can make price change notification rules more effective as a prompt to these customers. We also believe that some changes we suggest with respect to finding the right deal in section 4 of this response, would also incentivise intermediaries to develop further ways of targeting this group in marketing investment.

4 Finding the right offers to meet needs

4.1 Optimisation of understanding

We do believe that in other sectors, particularly in energy and insurance, the presence of price comparison websites has revolutionised consumer access to useful information on offers in the market that has empowered many consumers with more market transparency. While this is also true in the communications sector, the potential we believe has been so far not fully realised due to the restrictions on intermediaries. Unlike energy and insurance, communications are not exclusively price-led consumer sectors and therefore more has to be considered for this to be fully realised.

When it comes to what could be achieved in this stage of consumer engagement, we do firmly believe that Ofcom should be not limited in its ambition. While end of contract notifications can be a strong driver of knowing *when* to compare, there are far more innovative ways to improve consumer assessment of the offers available.

4.2 Understanding the status quo

We believe that if consumers have a contextualised understanding of their current communications set-up as an appropriate frame of reference improving consumer engagement is a lot easier. For example, our research suggests there is often a gulf in understanding of what might be available. Awareness levels of superfast services in the markets shows that despite its availability now being 93%, the number of consumers that report fibre is available in their area is only 57%.¹ Starting from a point of incorrect understanding will cause some consumers to discount the potential benefits of engagement too early in the process.

uSwitch's energy service collects the tariff and consumption the user is currently on before surfacing comparison results. That way we can present all comparison results with reference to the users existing experience. As energy is a price-led market, the primary metric is savings (difference between pricing available and pricing currently paid, based on consumption). Using this format alternative products are presented in context to the customer's own frame of reference, and it allows the benefits of engaging to be better articulated.

Broadband and mobile services are not price-led markets, but conceptually one could imagine that a broadband comparison that showed how much faster an alternative is to your current service (and what that means in practice) may be more useful to a consumer than a list of 'up to' speeds. For mobiles one could imagine a service that highlights where coverage/speed performance is better on alternative services compared to our current service at your home and work postcodes may be helpful in overcoming a 'better the devil you know' behavioural bias.

¹ <https://www.uswitch.com/media-centre/2017/08/buffering-britain-43-million-uk-broadband-users-suffering-poor-internet-connection-at-home/>

4.3 Case study: Non-price drivers

[<]

4.3.1 Key learnings

While comparison users are deal-seeking, in communications the assessment of how good value a deal is goes far beyond just price. We think makes the job of engaging consumers in this market somewhat more challenging than we see in other sectors.

We estimate that the comparison service proportion of the total broadband switching market for example is just 28% - compared to 77% for motor insurance and 52% for energy.² One reason for this we believe is comparison services are not able to provide the depth of information required given the key factors in consumer decision making goes beyond price. This suggests a significant untapped potential of the intermediary layer in the retail communications market.

4.4 Open API data access to intermediaries without personal information

As we have argued to Ofcom before, requiring providers to open up data that already exists to intermediaries through API protocols, such as premises broadband speed estimates and mobile coverage results, would, we believe, allow a major improvement to consumer engagement across the market.

Access to premises level broadband speed estimates by provider in a side-by-side format would allow consumers to compare what providers actually commit to offering them. It would better highlight the benefits of super and ultrafast broadband service and would allow intermediaries to develop tools that better contextualise the consumer experience to help less tech-savvy customers make better decisions. Critically, access to such data would allow intermediaries to also better approximate what speeds a user is currently achieving without needing to access specific account data. This would allow comparison services to contextualise alternative services available using the customers current frame of reference as the starting point.

Equally in the mobile market, side-by-side mobile coverage information at point of comparison is not currently possible. We see MNOs own coverage maps as more desirable a data source for aggregation than other options, such as crowd-sourced maps, because although they use different models, they represent the service they are themselves committing to and if the service doesn't meet those standard they cannot push blame onto third party models.

We appreciate that Ofcom has tried to make comparable mobile coverage information available on its own website. However, the optimal location for this information has to be at point of comparison. Services such as uSwitch are uniquely placed to surface this information in a comparable format to consumer actively considering their options at mass scale.

² <https://www.zpg.co.uk/~media/Files/Z/Zoopla/documents/reports-and-presentation/zpg-capital-markets-day-presentation-sept-2016.pdf#page=44>

We strongly believe that Ofcom should be braver in using its powers under the Digital Economy Act 2017 to pursue opening up of this sort of data for use by intermediaries.

4.5 Consumer consumption information

We do believe that consumer understanding of their consumption information is generally less important in the broadband sector compared to other sectors in which we operate. As most broadband packages offer unlimited download speeds and usage of landlines for calls is not prioritised by consumers, the primary variables for making a decision is speed and price of the service.

In mobiles however, we see a consumer's own data usage is the primary consumption element where we believe improvement of consumer understanding could increase the elements of consumer engagement. While call allowances are more important in mobile compared to fixed lines, given the rise in internet-enabled voice, such as Facetime, WhatsApp, and Skype, we see this as a less important variable moving forward.

For data consumption, consumers can generally access this information on bills if they are minded to do so. We do believe that Ofcom should consider options to make this data point more easily accessible moving forward. For example, allowing simple third party access (where authorised by the consumer) to access both the average monthly data use and largest single month data use data points.

In contrast to mobiles, we do see pay TV consumption information as a larger gap that will become increasingly important moving forward. Unlike mobile data usage, where the information is generally available albeit not easily accessed, TV consumption data is not even available to the consumer. Although inherently more complex to unlock pay TV consumption information, the financial impact of a consumer purchasing pay TV content that they do not actually use is very significant. For example, our research in this area suggests that 49% of pay TV customers report that they watch less than a fifth of the pay TV channels in their package.³

³ <https://www.uswitch.com/media-centre/2016/12/three-quarters-of-pay-tv-customers-watch-fewer-than-half-the-channels-they-pay-for/>

5 Ease of leaving your current service

5.1 'Act' stage of consumer engagement should not fall off Ofcom's radar

uSwitch has said it was disappointed Ofcom decided not to progress its inter-platform switching work. We need demand side competition to function not just on an intra-platform pricing level, but more fundamentally on an infrastructure level. Cross platform retail switching processes that are frictionless for consumers are a vital component in driving providers to compete on the quality and speeds offered. Process cannot just *be* frictionless, it has to be *perceived* by consumers as such to change behaviour. We need to prepare for a stronger drive towards more bundling, both within communications such as bundling broadband with pay TV and mobile, and across sectors, for example energy suppliers moving into broadband. This complexity needs to be 'unpickable' should a consumer want to switch, so no customer is held to a provider because of hassle but choose to only when the service is good enough to deserve their continued custom.

5.2 Better cancellation rights to mitigate risks associated with bundles

We do believe there are other areas in the 'Act' stage, other than reopening inter-platform switching, that Ofcom should also consider moving forward.

Increased bundling introduces new risks to consumer engagement due to the inherent complexity of packages. In addition, the inconsistency in regulatory approaches to different services within a bundle allows providers to benefit across all services from the single product where the greatest hassle of cancellation is permitted.

We see an increasing divergence in cancellation rights particularly with pay TV and content services. Over-the-top content services such as Netflix, Amazon Prime and Now TV are generally straightforward to cancel. This can be done online, without aggressive save activity, usually with one-click. Traditional pay TV services, particularly those delivered over cable and satellite, tend not to provide one-click online cancellation, requiring a customer to interact directly which inevitable puts many off. Conceptually, we think it is reasonable that consumers should expect to be able to cancel services in the same way they joined them.

While we recognise Ofcom has conducted enforcement work with respect to consumer experience of cancellation, it must recognise that it is as much the *fear* of hassle that inhibits consumer decisions to cancel as actually *experiencing* hassle. Therefore, it is not enough that a call centre based cancellation route does not include unnecessary hassle or aggressive save activity, one has to ensure there is a simple cancellation route that does not necessitate talking to a losing provider representative is available. [🔗]

5.3 Early termination fees

We believe that Ofcom enforcement of consumer law with respect to unfair contract terms continues to be really important. We note that in addition to ensuring early termination fees are set at objectively fair level, it is vital that information about the fees is easily accessible and easy to find for consumers at any point in the contract.

6 Use of trials and testing

6.1 Trials for prescriptive remedies

We agree that there is merit in trialling information-based remedies, particularly those that would need to be implemented through prescriptive measures on CPs. For example, were Ofcom to consider end of contract notifications it would appear prudent to test how different types of messages perform as well as the method of delivery (physical letter, app notification, text message, email, or all four). [3<]

6.2 Preference for enabling remedies

We do believe that there are options Ofcom has to enable better consumer engagement that are more neutral in how they would be delivered to consumers - for example, data access remedies that allow intermediaries to build services to better make available relevant information to consumers. In these sort of remedies, we do not think Ofcom should be prescriptive as the competitive intermediary market will trial different users for the data as their incentives are aligned to the desired outcome. We would expect in a competitive market that the most effective uses would rise to the top.

In these cases, we do not see the value in trials. Given the investment for such measures would be required in a trial or full rollout, trials themselves would not be sufficiently attractive for intermediaries to take advantage of, without certainty of further rollout. Therefore, we expect trials on data APIs would be unlikely to generate any usual results.