



## **Vodafone response to Ofcom's call for Input 'Helping consumers to engage in communications markets'.**

### **Introduction and Summary**

Vodafone UK ('Vodafone') agrees with Ofcom on the importance of having engaged consumers to make competition work and ensure consumers can get the best deal. Indeed, Vodafone and other providers invest considerably in engaging with consumers and customers, and ensuring that that engagement is positive and valued. Mobile and fixed markets are competitive and price levels are low, with prices for UK telecoms services on average ranking second among six comparator countries, and first for mobile services.

Engagement happens at many different levels and can take many different forms. Below we include examples of how consumers and customers engage with Vodafone. We consider that Ofcom's definition of engagement is narrow, and focuses on consumers interested in switching provider. As a result, we believe that Ofcom underestimates the level of engagement in these markets. In addition, the four engagement groups identified by Ofcom are very broad categories and will be made of many subgroups. We believe these groups need further refining in terms of characteristics, needs and the ways they make a transaction decision and engage.

Ofcom states that there is room for improvement in terms of engagement. While we are always looking for ways to strengthen our engagement with consumers, we believe there is limited value in looking at a specific and narrow definition of engagement, and then concluding that engagement could be higher. In addition to our comments above on the need for further insight into the four groups, Ofcom should also take a broader look at the market, including a wider range of indicators to see whether there is an issue, and if so, what the reasons are. For instance, Ofcom's own research into mobile switching shows that the main reason for consumers not changing provider is satisfaction with their current provider. That should not be a concern for the regulator.

We consider that Ofcom's suggestions to improve engagement are at this stage premature, too broad and unlikely to be effective. Many of Ofcom's suggestions are information remedies. While information can be effective in certain circumstances,



unengaged and less engaged customers may need to be targeted in different ways to ensure engagement. Below we discuss Ofcom's proposals in more detail.

We welcome Ofcom carrying out further research into this, and advise Ofcom to look at engagement and the market more broadly. Providers have a wealth of experience and information in this area, and Vodafone is happy to share research on engagement with Ofcom, and provide input to and suggestions to ensure the insights gained from the research will be valuable. We fully agree with Ofcom that any proposed solution needs to be trialled and assessed.

More generally, Vodafone would welcome Ofcom assessing the effectiveness of its other information initiatives, for instance the impact of Ofcom's Quality of Service publication, Smartphone Cities, and the publication of information on Ofcom's website on consumer engagement. Where initiatives are shown to lack impact, Ofcom should consider removing them and devoting its resources elsewhere.

### **Engagement levels**

Consumer and customer engagement happens at many different levels. The mobile market is very competitive, and it is in providers' interest to ensure consumers are engaged and value that engagement. Providers therefore spend huge amounts of money through advertising campaigns, investment in brands, shops, call centres, websites and apps which allow consumers to interact with the services and get personalised advice and support. Most consumers will be aware of a number of telecoms providers and will hear about providers through advertising, the press, experiences of friends and family and their own experience.

Ofcom uses the following definition of engagement: 'the consumer becoming aware they have a choice of product, service and provider and being willing to consider the alternatives available.' Ofcom then builds on this definition, by defining four different groups, based on levels of engagement. The definitions of those groups all focus on the degree to which these groups are open to the idea of a new provider. However, there are many customers who are engaged, but do not change provider. These consumers may stay with the same provider, but renew their contract, change the type of contract they have, buy add-ons, extra lines, other services and use the Vodafone app to check their usage, and speeds, or call in to discuss options. This type of engagement should be explicitly added to Ofcom's definition of engagement.



In addition, these four groups are not homogenous, but will be made up of different groups of customers, with different ways of engaging, and different preferences on how to engage. Vodafone believes the current definition is too narrow, and that engagement is therefore significantly higher than indicated by Ofcom. In addition, it simplifies the composition of the groups and risks ignoring the specifics of sub-groups within these four broad groups.

To illustrate this point, from January to March 2017, 32% of all the movements in the market were Pay Monthly customers upgrading their contract to a new Pay Monthly contract. Around 32% of those customers who made a change to their mobile service moved from SIM only (both PAYM & PAYG) to PAY Monthly and vice versa. 32% of all the movements in the market were Pay Monthly (32%) and Pay as You Go (32%) customers changing their handset, but keeping their service plan the same. Clearly, all these customers have engaged with the market and the offerings available.

Improving engagement levels should not be a goal in itself. Ofcom should look in the round at competition in the market, and at a wider set of indicators, of which engagement and switching is only one. Ofcom's recent pricing research shows among other things that UK mobile prices are among the lowest according to its international pricing research.<sup>1</sup> There is a high number of mobile providers, both MNOs and MVNOs. Ofcom's consumer experience report shows that customer satisfaction is high, and that despite huge changes over time (from 2G to 4G, introduction of smartphones, a strong increase in demand for data) satisfaction has remained high and stable, around 90%.<sup>2</sup> Of all telecoms services, mobile telephony has the highest value for money perception, at 87%.<sup>6</sup>

These high satisfaction levels are also reflected in the reasons given by consumers who do not switch. Ofcom's mobile switching research (carried out by BDRC<sup>3</sup>) asked consumers who had not considered switching for their reasons. The top 5 reasons are all related to consumers' satisfaction with their current provider and the percentage of consumers mentioning this as the main factor are set out in the table below:

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<sup>1</sup> [https://www.ofcom.org.uk/\\_\\_data/assets/pdf\\_file/0028/98605/Pricing-report-2017.pdf](https://www.ofcom.org.uk/__data/assets/pdf_file/0028/98605/Pricing-report-2017.pdf).

<sup>2</sup> [https://www.ofcom.org.uk/\\_\\_data/assets/pdf\\_file/0023/38543/annex.pdf](https://www.ofcom.org.uk/__data/assets/pdf_file/0023/38543/annex.pdf).

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[https://www.ofcom.org.uk/\\_\\_data/assets/pdf\\_file/0025/91834/mobile\\_switching\\_quantitative\\_research\\_feb16.pdf](https://www.ofcom.org.uk/__data/assets/pdf_file/0025/91834/mobile_switching_quantitative_research_feb16.pdf)



Reason	% of consumers mentioning as main factor
Prefer to stay with trusted / known provider.	15%
Current provider is still the best deal / cheapest.	17%
Current provider has the best quality of service (e.g. network coverage).	9%
There is not enough difference in cost to be worth switching	6%
Worried service wouldn't be as good with new provider.	2%

This appears to suggest that consumers may engage less (in Ofcom's definition) because they are happy with the service they receive from their provider. The percentage of consumers mentioning time or difficulty comparing offers is significantly lower.

### Barriers to engagement

Ofcom identifies the following three potential barriers to engagement:

1. *Knowing when to look for better deals.*
2. *Finding the right offers to meet needs.*
3. *Ease of leaving your current service.*

Below we discuss these barriers and suggested solutions in turn.

#### 1. Knowing when to look for better deals

According to Ofcom's research, mobile customers are already relatively knowledgeable about the end dates of their contract with 21% not knowing when it ends. Vodafone offers its customers several tools to check the end date of their contract. The My Vodafone app, accessible to all our Pay Monthly and Pay As You Go customers includes the contract end date for Pay Monthly contracts, and can easily be found. In addition, customers can SMS to a short code and will receive their contract end date. Agents can easily share the information with customers, if they call in. In addition, 82% of our Pay Monthly customers will be notified about the end of their contract, either by an agent calling them, by an SMS or by an email message.



As a possible solution, Ofcom suggests providers should send customers reminders about their contract end date, for instance by email or SMS. As set out above, Vodafone contacts the vast majority of its customers when they reach the end of their contract. Customers who are less engaged tend to be less likely to read information from their providers. As set out above, further research is required as to how the minority of consumers who are not knowledgeable about their contract end date are distributed over these groups, and what would be the most effective way of reaching these customers. If research shows that this group is likely to engage with end of contract notifications, and benefit from it, then this could be an option to be assessed in more detail.

## 2. Finding the right offers to meet needs

Different customer segments have different needs, and the variety of plans offered to customers reflect these needs. While there is therefore a wide range available, this wide range is not necessarily confusing and Vodafone will help consumers throughout their journey to advise them, whether online, through web chat, in our shops and on the phone. All mobile providers offer consumers a coverage checker, where consumers can check their coverage in places that are relevant to them. In addition, Vodafone offers customers the Network Satisfaction Guarantee<sup>4</sup>, where customers can try out our network during the first 30 days of their contract, and without paying an early termination cancel their contract if the network quality they experience is inferior to what they expected to get based on the coverage checker.

Another way to help ensure Vodafone customers are on the plan that is best for them is the Vodafone Plan Check. Once a quarter, Pay Monthly and SIM Only customers are sent throughout their contract a Plan Check statement by email, which will let the customer know if they are on the most suitable plan for them based on their data usage.

Usage and monthly spend information is available in the MyVodafone app, which is easy to access and use. Most voice and SMS allowances are either unlimited, or very large, and are likely to be less relevant in the decision making.

There is a large number of price comparison websites, which help consumers compare offers from different providers. Six of these websites are accredited by

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<sup>4</sup> <https://www.vodafone.co.uk/explore/network/network-satisfaction-guarantee/>



Ofcom, and, according to Ofcom, are relevant and fulfil an important role in consumer engagement. We agree with Ofcom that an increasing number of aspects of service offerings relate to qualitative aspects, such as coverage, speeds, additional services, access to content, apps, roaming deals, which are hard to capture in standard usage statements. Discounts and other benefits related to taking out multiple services with a provider are relevant as well, and usage statements would not reflect this type of information. Price comparison websites typically are unable to capture these qualitative aspects and there is a risk that customers compare the high level usage statements without being aware of these more qualitative aspects, or the impact of bundled offers and additional lines on their spend, and make an uninformed transaction decision.

We feel it is premature to propose interventionist and costly changes such as a standard usage statement without any insight into the needs of different groups of customers, the likelihood of consumers actually using such statements and the shortcomings and risks of such statements. In addition, price comparison websites, the Network Satisfaction Guarantee and the Plan Check proposition are examples of the market and competition offering solutions to help consumers finding the right provider and plan.

### 3. Ease of leaving current service

As set out above, there are many different offerings to cater for a wide range of customers with different needs. Consumers can choose to buy services on a stand-alone basis, or in bundles. Within bundles, there is a choice between coterminous and non-coterminous offers. As long as there is consumer choice and clarity of contract, Vodafone considers that no intervention is required. General consumer law and specific General Conditions set out the requirements to meet before a customer enters into a contract in terms of providing information on price, contract duration, termination rights and fees.

Aligning contract end dates for services within a bundle is a strong intervention in the market which can have unintended consequences and may change the competitive landscape. It will reduce flexibility in types of offers and therefore choice, and may not always work in the customer's advantage. Providers may change contract durations for certain services, and customers may choose a bundle which does not exactly meet their needs.



Locking of mobile handsets serves an important purpose in a market where providers are faced with increasing numbers of fraudulent transactions. Vodafone does not charge for handset unlocking at any point in the contract, and the process to get a handset unlocked is quick and easy. Vodafone considers that handset unlocking should be easy, but that removing handset locking would lead to an increase in fraudulent transactions and an increase in costs.

### **Current Ofcom work**

Ofcom provides an overview of its current initiatives aimed at improving consumer engagement.

On switching, as per Vodafone's response to the switching consultations, we believe Ofcom missed an opportunity to develop a switching process that would work across different services and technologies and that would simplify switching triple and quad play bundles. This would have had a positive impact on engagement, in particular in light of an increasing prevalence of triple and quad play bundles.

The other initiatives are all about providing more information to consumers. It would be good if Ofcom could assess the effectiveness of these initiatives because they could help to inform the suitability of other information remedies, such as the ones suggested in this Call for Inputs. Vodafone considers that Ofcom tends to rely too much on information remedies, and that there is little evaluation of their effectiveness.

Ofcom recently published a consultation on Automatic Compensation. We are concerned that requiring providers to automatically compensate customers could have a negative impact on consumer engagement. Customers could more easily accept sub-standard service in exchange for monetary compensation, and could be less likely to shop around and change provider. It would be good if Ofcom could set out its thoughts on the interplay between Automatic compensation and consumer engagement.